# AIA New Zealand Limited and Subsidiary Companies

## Annual Report
## For the year ended 31 December 2024

# Contents

# Annual Report

The Board of Directors (Board) is pleased to present the annual report of AIA New Zealand Limited (AIANZ) and its subsidiaries (together, the Group) for the year ended 31 December 2024.

The shareholder of AIANZ has agreed to take advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993. Accordingly, there is no further information to be provided in this annual report other than the financial statements, climate statements, Auditor's report and Appointed Actuary's report.

For and on behalf of the Board

Dame Theresa Gattung

Chair of the Board

19 March 2025

Michele Embling

Chair of the Board Audit and Risk Committee

19 March 2025

# Corporate Governance

The Board places great importance on the governance of AIANZ and the Group. Performance and compliance are both essential for good governance.

Reviews of the Board's performance and its policies and practices are carried out regularly, including by an independent external organisation. These reviews identify where improvements can be made and assess the quality and effectiveness of the industry and company information made available to directors.

The principal features of AIANZ's corporate governance are:

- a separate Board Audit and Risk Committee (the BARC). All independent non-executive directors are members of the BARC, and the chair of the BARC must be an independent non-executive director other than the chair of the Board;
- a separate Board Remuneration Committee (the BREM). All independent non-executive directors are members of the BREM;
- the Chief Executive Officer does not participate in deliberations of either the Board or the BREM affecting his position, remuneration or performance;
- a separate Board Environmental, Social and Governance (ESG) Committee (the BESG). Two independent non-executive directors, one non-executive director and one executive director are members of the BESG and the chair of the BESG must be an independent non-executive director; and
- there is established criteria for the appointment of new directors and external consultants are engaged in the search for new independent directors.

The guidelines for licensed insurers issued by the Reserve Bank of New Zealand (RBNZ) recommend that:

- the Board will have a minimum of two directors;
- the chair will be an independent, non-executive director;
- at least two directors will be ordinarily resident in New Zealand; and
- at least half of the directors will be independent.

The Board satisfies these guidelines.

New directors are invited to participate in an induction program. All directors regularly consider issues, trends and challenges relevant to the Group, the life insurance industry and the economy.

The Board has adopted a charter for directors. The philosophy underlying the Board's approach to corporate governance is consistent with the ethical standards required of all employees of the Group.

The Group has implemented and complies with a fit and proper policy and process in relation to determining the appropriateness of its directors and relevant officers.

Independent non-executive directors do not participate in any of the Group’s incentive plans.

The current chair of the Board and independent non-executive director is Dame Theresa Gattung. The other independent non-executive directors are Tracey Cross, Michele Embling and Dame Paula Rebstock (appointed deputy chair of the Board with effect from 19 June 2024). The non-executive directors are Biswa Misra and Jayne Plunkett (both appointed with effect from 19 June 2024). Nicholas Stanhope is an executive director. Leo Grepin and Damien Mu both resigned with effect from 18 June 2024.

## Committees of the Board

The Board has delegated specific powers and responsibilities to committees of the Board and to management. Key decisions made by the Board committees are reported to the Board. Management recommends key decisions to the Board for approval.

There are three permanent Board committees, being the BARC, the BREM and the BESG. All three committees have their own charters. Other committees may be formed to carry out specific delegated tasks when required. An independent director chairs each committee.

Board committees have the following membership:

- The BARC: Tracey Cross, Michele Embling, Dame Theresa Gattung and Dame Paula Rebstock.
- The BREM: Tracey Cross, Michele Embling, Dame Theresa Gattung and Dame Paula Rebstock.
- The BESG: Amita Chaudhury (AIA Group, Head of Sustainability), Tracey Cross, Dame Paula Rebstock and Nicholas Stanhope.

A review is currently underway to consider streamling the committees and amalgmating the responsibilities of the BESG with responsibilites of the BARC and the Board.

### Board Audit and Risk Committee (BARC)

The role of the BARC is to:

1. Assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to financial reporting and control, compliance with legal requirements affecting the Group, the identification and prudent management of the risks to which the Group is or may become subject, and the good governance of the Group in relation to those matters, including oversight of:
    - the integrity of external reporting, which includes climate-related disclosures (CRD);
    - financial management;
    - internal control systems;
    - accounting policy and practice;
    - the risk management framework and monitoring compliance with that framework;
    - related party transactions;
    - compliance with applicable laws and standards;
    - without limiting the generality of the foregoing, compliance with RBNZ standards relating to external financial reporting; and
    - without limiting the generality of the foregoing, compliance with the Group’s fair conduct program.

2. Ensure the quality, credibility and objectivity of the accounting process, financial reporting and regulatory disclosure.

3. Oversee and monitor the performance of the internal and external auditors. The BARC has approved an external auditor services policy. That policy relates to the engagement of the external audit firm for non-audit work. The objective of the policy is to avoid prejudice to the independence of the auditor and prevent undue reliance by the auditor on revenue from the Group. The policy ensures the auditor does not:
   - assume the role of management;
   - become an advocate for their own client; or
   - audit work that comprises a direct output of their own professional expertise.

   Under the policy the auditor will not provide the following services:

   - bookkeeping or services relating to accounting records;
   - financial information systems design and implementation;
   - appraisal or valuation and fairness opinions;
   - actuarial advisory services;
   - internal audit outsourcing services;
   - advice on deal structuring and related documentation;
   - tax planning and strategic services;
   - acting as a broker-dealer, promoter or underwriter;
   - legal services; or
   - executive recruitment or extensive human resource function.
4. Provide a structured reporting line for internal audit and ensure the objectivity and independence of internal audit. The Head of Internal Audit reports to the BARC through its Chair.
5. Consider any AIANZ and AIA Group Limited (AIAGL) policies relevant to the role of the BARC and, if deemed appropriate, adopt or recommend that the Board adopt (as applicable) the policy as a policy of the Group.
6. Act as a formal forum for free and open communication between the Board, the internal and external auditors, and management.
7. Deal with any other matter which the Board may from time-to-time delegate to the BARC.

### Board Remuneration Committee (BREM)

The role of the BREM is to assist the Board in discharging its responsibilities in relation to:

- the selection, remuneration, education and evaluation of directors;
- the selection, remuneration and evaluation of management; and
- policies relating to diversity for the Board and management.

Executives are rewarded with a mix of fixed remuneration and incentives. Total remuneration is intended to be market competitive when compared against similar roles at peer organisations, as well as reflecting position responsibilities, individual competencies, experience and performance.

Executives' incentive remuneration is based on a set of clear objectives that will drive sustainable performance. The objectives:

- reflect the Group’s strategic priorities;
- are based on both financial and non-financial measures that are set at the beginning of the performance period;
- discourage excessive risk taking; and
- mitigate or avoid the actual or potential adverse effects of any remuneration arrangements on the interests of customers.

### Board Environmental, Social and Governance (ESG) Committee (BESG)

The role of the BESG is to oversee the localisation of the AIA Group ESG Strategy as amended from time to time. This shall include:

- identifying ESG issues, risks and opportunities relevant to the Group;
- reviewing with and providing guidance to management for the effective management of ESG risk; and
- overseeing ESG reporting.

## Directors’ and Officers' Liability Insurance

The Group has effected liability insurance for its directors and officers.

## Diversity and Inclusion

The Group is committed to diversity and inclusion across its business. The Group's diversity and inclusion priorities are designed to ensure that:

- the Group's workforce and leadership is reflective of both the communities in which the Group operates and its customer base; and
- the Group has a culture in which diversity is encouraged, understood, respected, valued and leveraged so that talented people can thrive and the Group's customers and reputation both benefit.

The Group's diversity and inclusion priorities are:

- diversity in leadership;
- inclusive culture; and
- you can be you.

As at 31 December 2024, 43% (2023: 41%) of all senior leadership roles and above (permanent and full-time roles of the Executive Committee and their direct reports) were held by women. The Group's current target is that at least 40% of all senior leadership roles and above should be held by women.

Talent sourcing processes have been reviewed to ensure that support is given to the diversity and inclusion priorities.

# Financial Statements for the year ended 31 December 2024

## Income Statement

| **For the year ended 31 December** | | **2024** | **2023** |
|---|---|---|---|
| $ millions | Note | | |
| Insurance revenue | 3,12 | 1,165 | 1,092 |
| Insurance service expenses | 5,12 | (1,024) | (925) |
| Net expenses from reinsurance contracts held | 12 | (22) | (52) |
| **Insurance service result** | | 119 | 115 |
| Interest revenue on | | | |
| Financial assets not measured at fair value through profit or loss | 4.2 | 29 | 22 |
| Financial assets measured at fair value though profit or loss | 4.2 | 17 | 16 |
| Other investment revenue | 4.3 | 59 | 46 |
| **Investment return** | | 105 | 84 |
| Net finance expenses from insurance contracts | 4.4, 12 | (70) | (64) |
| Net finance expenses from reinsurance contracts held | 4.5, 12 | (21) | (17) |
| Movement in investment contract liabilities | 4.1, 18 | (60) | (54) |
| **Net investment result** | 4.1 | (46) | (51) |
| Fee income | | 10 | 9 |
| Other operating revenue | | 10 | 9 |
| Other operating expenses | 5 | (65) | (66) |
| **Net profit before tax** | | 28 | 16 |
| Income tax expense | 7 | - | (9) |
| **Net profit after tax attributable to the owners of AIANZ** | | 28 | 7 |

## Statement of Comprehensive Income

| **For the year ended 31 December** | | **2024** | **2023** |
|---|---|---|---|
| $ millions | Note | | |
| **Net profit after tax** | | 28 | 7 |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | |
| Net fair value gains on financial assets | 4.3 | 3 | 10 |
| Net fair value losses on financial assets reclassified to profit or loss on disposal | 4.3 | 3 | 21 |
| Net finance income / (expense) from insurance contracts | 4.4 | 28 | (18) |
| Net finance expense from reinsurance contracts held | 4.5 | (19) | (80) |
| Income tax relating to these items | | (3) | 25 |
| **Total other comprehensive income / (loss)** | | 12 | (42) |
| **Total comprehensive income / (loss) attributable to the owners of AIANZ** | | 40 | (35) |

The above statements should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

| $ millions | Note | Contributed capital | Accumulated losses | Fair value reserve | Insurance finance reserve | Total shareholder's equity |
|---|---|---|---|---|---|---|
| **For the year ended 31 December 2024** | | | | | | |
| **Balance at 1 January 2024** | | 863 | (242) | (1) | 197 | 817 |
| Net profit after tax | | - | 28 | - | - | 28 |
| Other comprehensive income | | - | - | 4 | 8 | 12 |
| **Total comprehensive income** | | - | 28 | 4 | 8 | 40 |
| Ordinary dividend paid | 19 | - | (10) | - | - | (10) |
| **Balance as at 31 December 2024** | 19 | 863 | (224) | 3 | 205 | 847 |
| **For the year ended 31 December 2023** | | | | | | |
| **Balance at 1 January 2023** | | 863 | (249) | (24) | 262 | 852 |
| Net profit after tax | | - | 7 | - | - | 7 |
| Other comprehensive income / (loss) | | - | - | 23 | (65) | (42) |
| **Total comprehensive income / (loss)** | | - | 7 | 23 | (65) | (35) |
| **Balance as at 31 December 2023** | 19 | 863 | (242) | (1) | 197 | 817 |

The above statements should be read in conjunction with the accompanying notes.

# Statement of Financial Position

| **As at 31 December** | | **2024** | **2023** |
|---|---|---|---|
| $ millions | Note | | |
| **Assets** | | | |
| Cash and cash equivalents | 9 | 41 | 79 |
| Other assets | 10 | 21 | 22 |
| Investments | 11 | 1,569 | 1,604 |
| Current tax asset | | 8 | 8 |
| Insurance contract assets | 12 | 1,318 | 1,286 |
| Reinsurance contract assets | 12 | 10 | 4 |
| Plant and equipment | 13 | 18 | 3 |
| Right-of-use assets | 14 | 4 | 4 |
| Intangible assets | 15 | 18 | 26 |
| Deferred tax assets | 16 | 29 | 27 |
| **Total assets** | | 3,036 | 3,063 |
| **Liabilities** | | | |
| Trade and other payables | 17 | 57 | 55 |
| Lease liabilities | 14 | 4 | 4 |
| Investment contract liabilities | 18 | 486 | 499 |
| Insurance contract liabilities | 12 | 706 | 741 |
| Reinsurance contract liabilities | 12 | 365 | 382 |
| Deferred tax liabilities | 16 | 571 | 565 |
| **Total liabilities** | | 2,189 | 2,246 |
| **Shareholder's equity** | | | |
| Contributed capital | 19 | 863 | 863 |
| Accumulated losses | | (224) | (242) |
| Fair value reserve | | 3 | (1) |
| Insurance finance reserve | | 205 | 197 |
| **Total shareholder's equity** | 19 | 847 | 817 |
| **Total liabilities and shareholder's equity** | | 3,036 | 3,063 |

For and on behalf of the Board who authorised these financial statements on 19 March 2025.

Dame Theresa Gattung
Chair of the Board

Michele Embling
Chair of the Board Audit and Risk Committee

The above statements should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

| **For the year ended 31 December** | | **2024** | **2023** |
|---|---|---|---|
| $ millions | Notes | | |
| **Cash flows from operating activities** | | | |
| Net profit after tax attributable to the owners of AIANZ | | 28 | 7 |
| **Adjusted for:** | | | |
| Changes in insurance and reinsurance contract assets / liabilities | | (82) | (42) |
| Changes in investment contract liabilities | | (12) | (15) |
| Net realised and unrealised losses on financial assets | | (62) | (44) |
| Amortisation and depreciation | | 10 | 15 |
| Other net realised losses | | 4 | - |
| Interest income | | (46) | (38) |
| Dividend income | | (1) | (2) |
| Income tax (benefit) / expense | | - | 9 |
| Changes in other working capital balances | | 4 | (10) |
| Interest received | | 33 | 32 |
| Dividends received | | 1 | 1 |
| Tax refund | | - | 1 |
| **Net cash flows from operating activities** | | (123) | (86) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of investments | | 723 | 1,154 |
| Purchase of securities | | (607) | (1,083) |
| Purchase of plant and equipment | | (17) | - |
| Purchase and development of intangible assets | | - | (2) |
| **Net cash flows from investing activities** | | 99 | 69 |
| **Cash flows from financing activities** | | | |
| Dividends paid | 19 | (10) | - |
| Repayment of lease liabilities | | (4) | (6) |
| **Net cash flows from financing activities** | | (14) | (6) |
| **Summary of movements in cash flows** | | | |
| Net decrease in cash and cash equivalents | | (38) | (23) |
| Add: cash and cash equivalents at beginning of year | | 79 | 102 |
| **Cash and cash equivalents at end of year** | 9 | 41 | 79 |

The above statements should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## 1 Accounting Policies

### 1.1 General Accounting Policies

AIANZ is a company domiciled and incorporated in New Zealand under the Companies Act 1993. Its registered office is 57 Market Road, Epsom, Auckland 1051.

The financial statements presented are for AIANZ and its subsidiaries (together, the Group). AIANZ is 100% owned by AIA Sovereign Limited. The ultimate parent is AIA Group Limited (AIAGL), a company listed on the Hong Kong Stock Exchange. The Group's principal areas of business are life and health insurance and investment management.

AIANZ is a licenced insurer under the Insurance (Prudential Supervision) Act 2010 (IPSA) and a reporting entity under the Financial Markets Conduct Act 2013 (FMCA). The Group's financial statements have been prepared in accordance with the FMCA and generally accepted accounting practice in New Zealand (NZ GAAP). They comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (IFRS Accounting Standards), New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS, as appropriate for for-profit entities.

#### Basis of Preparation

The measurement base adopted is historical cost, modified by the fair value measurement of financial instruments at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVOCI), and the fulfilment cash flows and contractual service margin (CSM) measurement of insurance contracts and reinsurance contracts held.

#### Basis of Consolidation

The Group's financial statements include the financial statements of AIANZ and all entities that it controls. Control exists when the Group is exposed, 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 using the acquisition method from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intragroup balances and transactions have been eliminated on consolidation.

#### Presentation Currency and Rounding

The functional and presentation currency of the Group is New Zealand dollars. All amounts are presented in millions, unless otherwise stated.

#### New or Amended Accounting Standards or Interpretations Adopted in the Current Year

In the current year, the Group applied new standards, amendments to standards and interpretations that are effective for its annual reporting period commencing 1 January 2024. Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

#### Accounting Standards and Amendments to Accounting Standards Approved but Not Yet Effective

The following amendments to accounting standards or new accounting standards have been issued but are not effective yet for the year ended 31 December 2024:

##### Amendments to the Classification and Measurement of Financial Instruments (NZ IFRS 9 and NZ IFRS 7)

The amendments are effective on 1 January 2026 and provide guidance on a number of areas such as the derecognition of financial liabilities settled through an electronic payment system, classification of financial assets with ESG and similar features, contractually linked instruments and certain new disclosure requirements.

The Group is assessing the impact of these amendments on the Group's financial statements.

##### NZ IFRS 18 Presentation and Disclosure in Financial Statements

NZ IFRS 18 is effective for periods commencing after 1 January 2027 and will supersede the current NZ IAS 1 Presentation of Financial Statements. The purpose of IFRS 18 is to improve the comparability and transparency in the presentation of the financial statements. Some key new requirements include further guidance on when disaggregation is required to provide users of the financial statements with useful level of information, disclosure of management-defined performance measures that provide management's view of an aspect of the entity's financial performance as a whole and a new structure for the income statement that requires the presentation of profit and loss items by operating, investing and financing activities.

The Group will adopt the standard in the period it becomes effective. It is expected that the adoption of this standard will have a material impact on the presentation of the primary financial statements and disclosures in notes to the financial statements. However, it will not impact the recognition and measurement of items disclosed.

### 1.2 Foreign Currency Translation

All foreign currency monetary assets and liabilities are converted using exchange rates prevailing at balance date. All foreign currency transactions are converted using the exchange rates prevailing at the date of the transaction.

### 1.3 Revenue Recognition

The principal sources of revenue are insurance revenue (refer to note 1.10.10) and investment fee income (refer to note 1.11).

### Investment Revenue

Interest revenue is recognised in the income statement using the effective interest method. Dividend revenue is recognised in the income statement when the Group's right of receipt is established. Realised gains and losses on financial instruments are included as part of other investment revenue or loss in the income statement. Unrealised gains and losses from fair value remeasurement of fixed interest securities (other than those backing participating funds and unit-linked contracts) are accounted for at FVOCI. Unrealised gains and losses from all other financial instruments are included in other investment revenue or loss in the income statement.

### Other Operating Revenue

Other operating revenue primarily relates to Vitality service fee income, which is recognised applying NZ IFRS 15 Revenue from Contracts with Customers. Revenue is measured based on the fixed fee charged to the customer and recognised over time as the service is delivered.

## 1.4 Expense Recognition

### Operating Expenses

Expenses are recognised on an accruals basis, except if it relates to NZ IFRS 17 Insurance Contracts.

Certain expenses in the scope of NZ IFRS 17 relate to providing insurance contract services and are included as fulfilment cash flows of insurance contracts. Attributable expenses comprise direct costs and an allocation of fixed and variable overheads. Cash flows are attributed to acquisition activities, fulfilment activities and other activities using activity-based costing techniques. Attributable expenses included in the measurement model of the insurance contracts affect the fulfilment cash flows of the insurance contract and the CSM calculation, which is released to profit or loss over the coverage period. Non-attributable operating expenses are recognised in the income statement as other operating expenses when incurred if they are not part of the fulfilment cash flows of the insurance contract.

Refer to note 1.10.5 for more information on insurance acquisition cash flows (IACF) recognition and measurement.

## 1.5 Financial Instruments

### Basis of Recognition and Measurement

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL. A financial liability is recognised either as at amortised cost or as at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A fixed interest security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Regular purchases and sales of financial assets are recognised and derecognised, as applicable, using trade date accounting.

Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at balance date.

Realised gains and losses on financial assets measured at FVTPL excludes any interest revenue or dividend income.

Realised gains and losses on financial assets measured at FVOCI are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired. Derecognition also occurs when the right to receive cash flows from financial assets have been transferred together with substantially all of their risks and rewards. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

### Loss Allowance and Impairment

The Group recognises loss allowances for expected credit loss (ECL) on financial assets measured at amortised cost and fixed interest securities measured at FVOCI.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The impairment loss is reversed only to the extent that the financial asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Impairment losses or ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and impairment losses for fixed interest securities measured at FVOCI are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

### Financial Assets at Amortised Cost

Assets in this category are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method less any allowance for uncollectible amounts which include:

#### Cash and Cash Equivalents

Cash and cash equivalents include bank current accounts, cash on deposit and short-term, highly liquid investments with maturity less than or equal to 90 days that are subject to an insignificant risk of change in value. Assets in this category are at face value and interest is taken to the income statement when earned. Bank overdrafts are shown within cash and cash equivalents if the net position is an asset due to the Group's right to offset overdrafts within its banking facility.

#### Other Assets

Other assets include investment receivables, prepayments and other current assets. These assets are short-term in nature and the carrying amount includes allowances for impaired receivables and therefore is considered a reasonable estimate of fair value.

### Financial Assets at Fair Value Through Other Comprehensive Income

Assets in this category are measured at fair value at inception and on an on-going basis and include:

#### Investments

For the Group these are fixed interest securities other than those backing participating funds and unit-linked contracts. These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and nominal value is amortised.

Unrealised gains and losses on securities are separated between differences resulting from foreign currency translation and other fair value changes. Foreign currency translation differences are calculated as if they were carried at amortised cost and are recognised in the income statement as other investment revenue. Other fair value changes, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income.

### Financial Assets at Fair Value Through Profit or Loss

Financial assets and liabilities at FVTPL comprise financial assets or liabilities designated at FVTPL upon initial recognition.

Management designates financial assets and liabilities at FVTPL if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis, including among others, fixed interest securities held in participating funds and other participating business with distinct portfolios.

Assets in this category are measured at fair value at inception and on an on-going basis and include:

#### Investments

Investments include fund certificates and fixed interest securities. Gains and losses arising from the fair value remeasurement of investments are included as part of other investment revenue in the income statement.

Changes in the fair value of financial assets held to back the Group's participating life contracts affect not only the value of financial assets but are also reflected in corresponding movements in insurance 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 statement of financial position were to be declared as a policyholder dividend based on current local regulations. Both foregoing changes are reflected in the 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 investment contract liabilities. Both foregoing changes are also reflected in the income statement.

### Financial Liabilities at Amortised Cost

This category includes all financial liabilities other than those designated by the Group as at FVTPL which are trade and other payables. Trade and other payables include investment creditors, trade creditors and accruals, amounts due to related parties and other payables. Liabilities in this category are initially measured at fair value plus transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method.

### Financial Liabilities at Fair Value Through Profit or Loss

Investment contract liabilities are measured at fair value, with subsequent gains and losses arising from fair value remeasurement recognised in the income statement.

## 1.6 Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses.

The cost of plant and equipment less the estimated residual value is depreciated over its useful life on a straight-line basis. Depreciation of work in progress will not begin until the asset is available for use, which is when it is in the location and condition necessary for it to be operating in the manner intended by management. The estimated useful lives of the asset categories are:

| | |
|---|---|
| • Leasehold improvements and services | 5 - 7 years |
| • Office equipment and computer equipment | 3 - 5 years |
| • Furniture and fittings | 5 - 10 years |

Assets are reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and the asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Any impairment loss is recognised immediately in the income statement. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

## 1.7 Intangible Assets

### Internally Developed Software

#### Computer Software

The Group generally expenses computer software costs in the year incurred. However, some costs associated with developing identifiable and unique software products controlled by the Group, including employee costs and an appropriate portion of relevant overheads, are capitalised and treated as intangible assets when these costs can be directly attributed, measured reliably and allocated on a systematic basis to the development of the assets. Acquired computer software licenses are capitalised on the basis that they are costs incurred to acquire and to use specific software. These assets are amortised using the straight-line method over their useful lives (5 to 15 years).

#### Software-as-a-Service (“SaaS”) arrangements

These arrangements are service contracts in which application software is accessed over the internet or a dedicated portal. Costs incurred to configure or customise, and the ongoing fees to obtain access to the provider's application software, are generally recognised as operating expenses when the services are received. In limited cases, some of these costs are incurred for the development of software that enhances, modifies or adds capacity to existing systems that the Group controls and meets the recognition criteria for an intangible asset. These costs are recognised as intangible assets and amortised over the useful life of software on a straight-line basis (5 years).

### Other Intangible Assets

Costs for the right to service policies have been capitalised and treated as intangible assets. These assets are amortised using the straight-line method over their useful lives (2.5 years).

### Intangible Assets Impairment Reviews

Intangible assets are assessed at an asset level when they generate independent cash inflows, otherwise they are grouped into cash generating units (CGU) for impairment purposes. Impairment reviews are performed annually to identify events or changes in circumstances that indicate that the carrying amount may not be recoverable. If the asset or the CGU's carrying amount is greater than its estimated recoverable amount, the carrying amount of the asset or CGU is written down to its recoverable amount. The recoverable amount is the higher of the asset or CGU's fair value less costs to sell and the value in use. Any impairment loss is recognised immediately in the income statement.

## 1.8 Taxation

Income tax expense comprises current and deferred tax, calculated using tax rates enacted or substantially enacted as at balance date. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on taxable income for the year. It includes any adjustment to tax payable in respect of previous years and for AIANZ, it reflects tax imposed on both the shareholder base and policyholder base.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

### Goods and Services Tax

Where a transaction is subject to goods and services tax (GST), the financial statements have been prepared so that all components are stated exclusive of GST, with the exception of trade payables and trade receivables (which are included in insurance contract liabilities), which include GST invoiced.

## 1.9 Provisions

A provision is recognised under trade and other payables in the statement of financial position when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## 1.10 Insurance Contracts and Reinsurance Contracts Held

The Group has elected an accounting policy where the treatment of accounting estimates made in previous interim financial statements are not changed when applying NZ IFRS 17 in subsequent periods or in the annual reporting period.

The Group classifies its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk. Contracts under which the Group transfers significant insurance risk are classified as insurance contracts, while those contracts which have the legal form of insurance contracts but do not transfer significant insurance risk are classified as financial liabilities and are referred to as investment contracts. Investment contracts are accounted for in accordance with the requirements of NZ IFRS 9 Financial Instruments.

In the event that scenarios (other than those lacking commercial substance) exist in which an insured event would require the Group to pay significant additional benefits to its customers and has a possibility of incurring a loss on a present value basis, the contract is considered as transferring significant insurance risk and is accounted for as an insurance contract. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance contracts and reinsurance contracts held can also expose the Group to financial risk and are accounted for in accordance with NZ IFRS 17. Once a contract has been classified as an insurance, reinsurance or investment contract, reclassification is not subsequently performed unless the terms of the agreement are later amended.

Insurance contracts with direct participating features 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. Policyholders may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. The traditional participating life business is written in participating funds which are distinct from the other assets of the Group. The clearly identified underlying items are the net assets of each participating fund including all surpluses arising in the fund shared through 80:20 proportion between policyholder and shareholder. The Group expects to pay to the policyholder a substantial share of the fair value returns on the underlying items, through bonus declarations.

## 1.10.1 Insurance Contracts, Reinsurance Contracts Held and Investment Contracts Classification

The Group's products are classified into the following main categories:

| Policy type | Description of benefits payable | Basis of accounting: |
|---|---|---|
| Traditional participating life | Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of bonus declarations is at the discretion of the insurer.<br><br>For participating funds, local regulations generally prescribe a minimum proportion of policyholder participation in declared bonuses.<br><br>For other participating business with distinct portfolios, the allocation of benefits from the assets held in such distinct portfolios is set according to the underlying bonus rule as determined by the Board based on applicable regulatory requirements after considering the Appointed Actuary's recommendation. | The variable fee approach (VFA) is applied to these insurance contracts. The VFA modifies the general measurement model in NZ IFRS 17 to reflect the nature of income to the insurer is a variable fee. |
| Retail protection products, annuities and long-term health | For retail protection products the benefits payable are lump sum or disability income payable on prescribed events. For annuities a pension amount is payable for the ongoing survival of the life assured(s), while the long-term health benefits provide compensation for medical expenses.<br><br>The Group determined that for disability income products the insured event is the initial claim under the policy. Payments caused by a claim are treated as a liability for incurred claims (LIC). | The general measurement model (GMM) is applied to these insurance contracts. |
| Group protection / corporate solutions products | The benefits payable are lump sum or disability income payable on prescribed events. | The premium allocation approach (PAA) is applied to these insurance contracts (see note 1.10.7). |

Terms and conditions for each category are provided in note 25. The basis of accounting for insurance contracts and reinsurance contracts held is discussed in notes 1.10.2 to 1.10.10 below.

## 1.10.2 Separating Components from Insurance Contracts and Reinsurance Contracts Held

At inception, the Group separates distinct investment components from an insurance contract or a reinsurance contract held and accounts for them as if they were stand-alone financial instruments. Distinct investment components are investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

The Group does not have any material distinct investment components. After separating any financial instrument components, the Group separates any promises to transfer distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts).

A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Group provides a significant service of integrating the good or service with the insurance component.

## 1.10.3 Level of Aggregation and Recognition of Group of Insurance Contracts and Reinsurance Contracts Held

### Insurance Contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by identifying portfolios of insurance contracts with similar risks that are managed together, and dividing each portfolio into semi-annual cohorts that are classified into three groups based on profitability:

1) contracts that are onerous on initial recognition;
2) contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
3) any remaining contracts in the portfolio.

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the insurance contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

### Reinsurance Contracts Held

Reinsurance contracts held by the Group cover underlying insurance contracts. A group of reinsurance contracts held is recognised on the following dates:

- Reinsurance contracts held that provide proportionate coverage: The date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into on or before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date.
- Reinsurance contracts acquired: The date of acquisition.

## 1.10.4 Fulfilment Cash Flows and Contract Boundaries

### Fulfilment Cash Flows

Fulfilment cash flows comprises:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in note 12.

### Contract Boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

#### Insurance Contracts

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Contract boundaries are dependent on a number of factors which affect the Group’s ability to set premiums that fully reflect the risks of the portfolio, and which may or may not determine whether risks after a premium reassessment date take into account risks beyond that date. The Group's contract boundaries under each measurement model are determined as follows:

- For participating life contracts measured under VFA, premiums are not subject to review. Therefore, such contracts have a contract boundary corresponding to the full policy term.
- For insurance contracts measured under GMM there is variation depending on the underlying product. The vast majority of GMM business is either annually reviewable or is reviewed every 5 or 10 years. Such business is determined to have a contract boundary of 1, 5 or 10 years respectively. Contract boundaries of level premium contracts, such as to end at a specified age, have a contract boundary to that age.
- The vast majority of business measured under PAA is for group protection products, which are determined to have a contract boundary of 3 years, corresponding to the review period.

#### Reinsurance Contracts Held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

At each reporting date, the contract boundary is reassessed to include the effect of changes in circumstances on the Group’s substantive rights and obligations and, therefore, may change over time.

## 1.10.5 Insurance Acquisition Cash Flows (IACF)

Expenses are included as acquisition cost if, and only if, both conditions are met:

- the expense arises from the cost of selling, underwriting and starting a group of insurance contracts; and
- the expense is directly attributable to the portfolio of insurance contracts to which the group belongs. This includes cash flows that are not directly attributable to individual contracts or group of insurance contract but directly attributable at the portfolio level.

IACF and other costs that are incurred in fulfilling insurance contracts comprise both direct costs and an allocation of fixed and variable overheads.

The Group treats renewal commissions as IACF as they are considered a payment for the persistency of acquired insurance contracts, rather than compensation for maintenance related services such as claims handling and other on-going administration. Therefore, they relate to activities for selling, underwriting and starting a group of insurance contracts and meet the definition of IACF.

IACF are allocated to groups of contracts using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. AIANZ uses the allocation approach based on undiscounted premiums. At each reporting date, the Group revises the amounts allocated to groups of contracts to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

IACF arising before the recognition of the related groups of contracts are recognised as an asset. Such an asset is recognised for each group of contracts to which the IACF are allocated. The asset is derecognised, fully or partially, when the IACF are included in the measurement of the related groups of contracts. The Group does not accrete any interest on IACF.

At transition to NZ IFRS 17 the Group measured an asset for IACF under the fair value approach (FVA) at an amount equal to the IACF that it would incur at 1 January 2022 for the rights to obtain:

- recoveries of IACF from premiums of contracts issued before 1 January 2022 but not yet recognised at that date, and future contracts that are renewals of such contracts;
- future contracts that are renewals of contracts recognised at 1 January 2022; and
- other future contracts after 1 January 2022 without paying IACF that the Group has already paid.

The relevant business for which IACF is calculated is the retail risk business for which the contract boundary is earlier than the benefit maturity date, such that a renewal is expected to occur. A majority of the Group's retail risk business falls into this category.

The fair value of IACF was measured by a factor that represented the percentage of premiums needed to recover incurred acquisition costs from future premiums. This factor was determined using the new business issued during 2021. It was then applied by multiplying against the present value of premiums that were outside the contract boundaries of all contracts in force as at transition. On average, the new business IACF factor was 19.7%, and the present value of premiums beyond the contract boundary of existing contracts was $11,636 million. The balance is sensitive to assumptions within the new business IACF factor. For example, an increase in the allocation of acquisition expenses by 10% for the 2021 year of new business would result in the IACF increasing by $112 million.

### Recoverability Assessment

The recoverability of the asset for IACF is tested semi-annually by doing a full impairment test. The impairment test compares the projected net cash flows from the inforce business against projected future acquisition cash flow allocations to determine if an impairment is required in any individual future year at the level of a CSM group within each relevant portfolio (being GMM retail protection risk and GMM retail medical risk). The overall impairment result is the sum of these individual impairment amounts.

At each reporting date, if the asset for IACF is impaired, then the Group:

- recognises an impairment loss in the income statement so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those IACF to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Group recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

## 1.10.6 Measurement – Insurance Contracts Measured under General Measurement Model (GMM) and Variable Fee Approach (VFA)

### Initial Measurement

On transition to NZ IFRS 17 the Group applied the FVA to identify, recognise and measure groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach. The fair value was derived in accordance with NZ IFRS 13 Fair Value Measurement and represented the price a market participant would require to assume the insurance contract liabilities in an orderly transaction. As quoted market prices are not available for groups of insurance contracts, valuation models were used to calculate the fair value of each group at the transition date. The choice of model and inputs to the model involves judgement and this gives rise to a range of plausible fair values at the transition date. To the extent possible, the Group maximised the use of relevant market data (including benchmarking against market transactions, where these existed and information from the Sovereign Assurance Company Limited business acquisition by AIA International Limited in 2018), with unobservable inputs otherwise used to estimate those that a third party would have applied as at the transition date of 1 January 2022. For the groups of insurance contracts that transitioned using the GMM and VFA, the most significant judgements and inputs for the fair value models used were the expected cash flows under NZ IFRS 17 which were adjusted for discounted future distributable earnings (being the present value of future profit less cost of capital). The risk discount rate (RDR) of 10.4% was used for discounting.

The Group determined the CSM and loss component of the liability for remaining coverage (LRC) as at 1 January 2022 as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

The CSM recognised at transition for long boundary contracts continues to be released over their long contract boundary under the FVA. For short boundary contracts the CSM initially recognised under FVA will release over any remaining contract boundary for those contracts that existed at transition, while all new contracts or renewals will have their CSM recognised under the GMM, as VFA comprises only legacy products that do not have renewals.

After the transition to NZ IFRS 17, the Group applied the GMM which measures at initial recognition a group of contracts as the total of: (a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for IACF) is a net inflow, then the group of contracts is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income of contracts or expenses arising on initial recognition.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue.

### Subsequent Measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the LIC. The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows:

- changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);
- changes relating to current or past services are recognised in the insurance service result in profit or loss; and
- effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses.

The Group measures the CSM on a semi-annual basis and does not change interim reporting period estimates once locked in. References to reporting periods below refer to the relevant semi-annual reporting period. The CSM of each group of contracts is calculated at each interim reporting date as follows:

#### Insurance Contracts without Direct Participation Features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
  - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

Changes in fulfilment cash flows that relate to future services, which adjust the CSM, mainly comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows such as IACF measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows arising from non-financial assumption changes and experience adjustments, measured at the discount rates determined on initial recognition;
- differences between
  a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and
  b) the actual amount that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the contract. Changes in cash flows arising from the Group’s discretion are regarded as relating to future services and accordingly adjust the CSM. These cash flows are determined based on the relevant contract terms, dividend and bonus philosophy.

#### Insurance Contracts with Direct Participation Features (Only Applicable to Contracts Applying the VFA)

Contracts with direct participation features are contracts under which the Group’s obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group’s share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of contracts with direct participation features, the Group adjusts the fulfilment cash flows for the changes in the obligation to pay policyholders an amount equal to the policyholder's share of the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss.

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- the change in the amount of the Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of the Group's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM. The excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
  - an increase in the amount of the Group's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future service, which adjust the loss component in the LRC, and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM.
- the amount recognised as insurance revenue for service provided in the period.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include:

- the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates); and
- the changes in the effect of the time value of money and financial risks that do not arise from underlying items - e.g. the effect of financial guarantees.

## 1.10.7 Measurement – Insurance Contracts Measured under PAA

The Group generally uses PAA to simplify the measurement of groups of contracts in the following circumstances:

- the Group reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of contracts not measured under PAA; or
- insurance contracts and reinsurance contracts held where the coverage period of each contract in the group of contracts is one year or less.

### Initial Measurement

On transition to NZ IFRS 17 the Group applied the FVA to identify, recognise and measure groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach. For the groups of insurance contracts to which PAA applied on transition the premium charged reflected the price that the insurers would require to assume the obligation (e.g. it allows for expected costs and a profit margin). If a market participant purchased these bounded contracts, given the short-term nature of the remaining contract boundary, there was little opportunity to achieve a very different profitability or better efficiency than the seller. As such, the unearned premium reserve at the transition date for these groups of insurance contracts approximated the fair value for these groups.

After transition to NZ IFRS 17 on initial recognition of each group of contracts, the carrying amount of the LRC is measured at the premiums received on initial recognition minus any related IACF.

### Subsequent Measurement

Subsequently, the carrying amount of the LRC is increased by (i) any premiums received; and (ii) any amortisation of the IACF, and decreased by (i) IACF paid; (ii) the amount recognised as insurance revenue for coverage provided; and (iii) any investment component paid or transferred to the LIC. On initial recognition of each group of contracts, the Group expects that the time gap between providing each part of the coverage and the related premium due date is no more than one year. Accordingly, the Group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group recognises a loss in the income statement and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage measured using GMM principles exceed the carrying amount of the LRC without loss component. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk. In subsequent periods, unless facts and circumstances indicate that the group of contracts is no longer onerous, the loss component is remeasured at each reporting date.

The Group recognises the LIC of a group of insurance contracts for the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

## 1.10.8 Reinsurance Contracts Held

For groups of reinsurance contracts held, the Group applies the same accounting policies as that applied to insurance contracts without direct participation features, with the following modifications as noted below.

At transition to NZ IFRS 17 the fair value of the groups of reinsurance contracts held was primarily determined by using present value techniques from the perspective of a market participant.

i) The risk premium was used based on a capital metric at a 99.5% confidence interval and using the risk-free yield curve as at 1 January 2022.
ii) The cashflows was measured under NZ IFRS 13 Fair Value Measurement and adjusted for risk premium and profit margin.

After transition to NZ IFRS 17 the carrying amount of a group of reinsurance contracts held at each reporting date is measured as the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Group measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) cash flows arising from the contracts in the group at that date and (c) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Group recognises the cost immediately in profit or loss as an expense.

The Group measures the CSM on a semi-annual basis and does not change interim reporting period estimates once locked in. References to reporting periods below refer to the relevant semi-annual reporting period. The carrying amount of the CSM at each interim reporting date is the carrying amount at the start of the interim reporting period, adjusted for:

- the CSM of any new underlying contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition of the reinsurance contract;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts to that group. A loss-recovery component is established or adjusted in the remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition of the reinsurance contract, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the amount recognised in profit or loss for the services received in the period.

### Reinsurance of Onerous Underlying Insurance Contracts

The Group adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts held.

For reinsurance contracts held acquired in a business combination, the adjustment to the CSM reduces goodwill or increases a gain on a bargain purchase.

If the reinsurance contract covers only some of the insurance contracts included in an onerous group of contracts, then the Group uses a systematic and rational method to determine a portion of losses on the onerous group of contracts containing the insurance contracts covered by the reinsurance contract held.

A loss-recovery component is established or adjusted in the remaining coverage for reinsurance contracts held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

### Reinsurance Contracts Held Measured Under PAA

The Group applies the same accounting policies as that applied to insurance contracts without direct participation features, to measure a group of reinsurance contracts held adapted where necessary to reflect features that differ from those of insurance contracts.

These groups of reinsurance contracts qualify for measurement under PAA on the basis that the reinsurance contract boundaries match the underlying contract boundaries and either:

- the coverage period of the underlying insurance contract and the related reinsurance contract is one year or less; or
- the Group expects that measuring the reinsurance contract under PAA would not materially differ from using GMM due to the fact that the underlying insurance contract is measured under PAA and the reinsurance is proportional.

If a loss-recovery component is established for a group of reinsurance contracts held measured under PAA, the Group adjusts the carrying amount of the asset instead of adjusting the CSM.

## 1.10.9 Derecognition and Contract Modification

The Group derecognises a contract when it is extinguished — i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a contract in a group of contracts not measured under PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

## 1.10.10 Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for IACF) are included in the carrying amount of the related portfolios of contracts.

The Group disaggregates amounts recognised in the income statement and the statement of comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance and reinsurance finance income or expenses, are presented on a net basis as 'net expenses from reinsurance contracts held' in the insurance service result.

The Group does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows:

### Insurance Revenue — Insurance Contracts Not Measured under PAA

The Group recognises insurance revenue as it satisfies its performance obligations — i.e. as it provides services under groups of contracts. The insurance revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration, excluding expected investment components. Insurance revenue comprises the following items:

- a release of the CSM, measured based on coverage units provided in the period;
- changes in the risk adjustment for non-financial risk relating to current services;
- claims and other insurance service expenses incurred in the period, generally measured at the amounts expected at the beginning of the period; and
- other amounts, including experience adjustments for premium receipts for current or past services and amounts related to incurred policyholder tax expenses.

For IACF recovery, the Group allocates a portion of premiums related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of contracts. The allocated amount is recognised as insurance revenue with the same amount recognised as insurance service expenses.

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period and including the effects of the time value of money.

### Insurance Revenue — Insurance Contracts Measured under PAA

For contracts measured under PAA, the insurance revenue for each period is the amount of expected premium for providing services in the period. The Group allocates the expected premium to each period based on the passage of time.

### Insurance Service Expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- incurred claims and other insurance service expenses;
- amortisation of IACF: this is equal to the amount of insurance revenue recognised in the year that relates to recovering IACF. For contracts measured under PAA, the IACF are included in the LRC and amortised over the coverage period;
- losses on onerous contracts and reversals of such losses; and
- adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

For contracts not measured under PAA, the Group establishes a loss component of the LRC for onerous groups of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from the determination of insurance revenue and are then allocated between loss component and the LRC excluding the loss component when the fulfilment cash flows occur. The allocation is done on a systematic basis which will result in the total amount allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts. The systematic allocation of the future cash flows is done on a pro rata basis based on expected insurance claims, expected releases of risk adjustment and expected maintenance expenses.

Changes in estimates of fulfilment cash flows relating to future services and changes in the Group's share of the fair value of underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of contracts.

### Net Expenses from Reinsurance Contracts Held

Net expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Group recognises a portion of ceding premiums as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Group under groups of reinsurance contracts held. For contracts not measured under PAA, the allocated ceding premiums, being the total of the changes in the asset for remaining coverage, represent the amount which the Group expects to pay for the coverage or other services received under groups of reinsurance contracts held.

For contracts measured under PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

### Insurance Finance Income or Expenses

Insurance finance income or expenses (IFE) comprise changes in the carrying amounts of groups of insurance contracts and reinsurance contracts held arising from the effects of the time value of money, financial risk and changes therein. This includes changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For portfolios measured under GMM, the Group has chosen to disaggregate IFE between profit or loss in the income statement and other comprehensive income. The amount included in other comprehensive income is the difference between the total IFE expected over the duration of the group of contracts, and the amount included in the income statement.

Amounts presented in other comprehensive income are accumulated in the insurance finance reserve.

The amount of IFE to be included in profit or loss is determined by a systematic allocation of the expected total IFE over the duration of the group of contracts. The systematic allocation is determined as follows:

- Contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders:
  - for insurance finance income or expenses arising from the estimates of future cash flows, using a rate that allocates the remaining revised expected finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield); and
  - for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts. This selection of the rate applied is based on the characteristics of contracts.
- Contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders: the discount rates determined on initial recognition of the group of contracts.

On transition to NZ IFRS 17, the cumulative insurance finance income or expenses recognised in other comprehensive income at 1 January 2022 was determined to be zero.

The Group presents insurance finance income or expenses for all other contracts in profit or loss.

## 1.11 Investment Contracts

Investment contracts do not contain sufficient insurance risk to be considered insurance contracts and are accounted for as a financial liability. The majority of the contracts issued by the Group which are classified as investment contracts are unit linked and measured at fair value. The fair value of a unit linked contract is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributed to the contract holder.

### Identification of Assets Backing Life Investment Contracts

All contracts issued by the Group that are classified as life insurance contracts are non-linked. The assets backing unit-linked contracts are in separate investment funds from those backing non-linked contracts.

### Investment Contract Fee Income

Premiums received are split between a fee portion for investment management services and a deposit portion, with the fee portion recognised as revenue on an accrual basis and the deposit portion recognised as an increase in life investment contract liabilities.

## 1.12 Retirement Benefits Obligations

AIA Services Limited (AIASL), a member of the group, acts as a sponsor for the SSRF (Sovereign staff retirement fund) superannuation scheme for its ex-employees.

The assets and liabilities of SSRF are not included in the financial statements of the Group as the Group does not have control of the scheme. The scheme only has defined benefits that pensioners are receiving and has been closed to new members since 1 July 2004.

No contribution is required to be made to SSRF.

## 1.13 Employee Benefits

Employee benefits are recognised when they accrue to employees and include salaries, wages, bonuses, annual leave, long service leave and pension obligations. A provision is made for the estimated liability for employee benefits as a result of services rendered by employees up to the reporting date.

Liabilities arising in respect of employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts. Long service leave is expected to be settled over a period longer than 12 months and is measured as the present value of expected future payments made in respect of services provided by employees up to the reporting date. Consideration is taken based on expected future uptake of the benefit, current wage and salary levels, departures and periods of service. Expected future payments are discounted using the risk-free discount rate at the reporting date based on New Zealand Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

## 1.14 Share-Based Compensation and Cash Incentive Plans

AIAGL, the ultimate owner of the Group, operates several share-based compensation plans, under which AIASL receives services from the employees and executive directors, as consideration for shares and/or share options of AIAGL. These share-based compensation plans comprise the share option scheme (SO Scheme), the restricted share unit scheme (RSU Scheme) and the employee share purchase plan (ESPP).

The share-based compensation plans are predominantly equity-settled plans. Under an equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the award of shares and/or share options is recognised as an expense in the income statement over the vesting period, with a corresponding amount recorded as equity in the Group's financial statements. Any amount recharged by AIAGL to AIASL for equity-settled share-based payment arrangements are offset against the amount recorded in equity, with the corresponding amount recorded as a related party payable to AIAGL.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and/or share options awarded. Non-market vesting conditions are included in assumptions about the number of shares and/or share options that are expected to be vested. At each period end, AIAGL revises its estimates of the number of shares and/or share options that are expected to be vested. Any impact of the revision to original estimates is recognised in the income statement with a corresponding adjustment to the intercompany balance for AIAGL in the Group financial statements. 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.

AIAGL estimates the fair value of share options using a binomial lattice model. This model requires inputs such as AIAGL's share price, implied volatility, risk-free interest rate, expected dividend rate and the expected life of the share option.

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.

### 1.15 Contingent Liabilities

Contingent liabilities are possible obligations, where their existence will be confirmed by uncertain future events, or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the probability of having to meet obligations is remote.

### 1.16 Lease Liabilities and Right-of-use Assets

A contract contains a lease if it conveys the right to control the use of the identified asset for a period of time. The Group's leased assets mainly comprise of premises and motor vehicles. Where the Group identifies a contract as a lessee, it recognises a right-of-use asset presenting its right to use the leased asset, and a lease liability for future lease payments.

The lease liability is initially measured at the net present value of lease payments, which includes fixed and variable lease payments. Lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset is initially measured at cost comprising the following:

- the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term or useful life of the underlying asset.

## 2 Material Accounting Estimates and Judgements

Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. 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.

The areas where a high degree of judgement is applied by management that have the most significant effect on amounts recognised in the financial statements are discussed below.

### 2.1 Measurement of Insurance Contracts not Measured under the PAA

The asset or liability for a group of insurance contracts is measured as the total of fulfilment cash flows and CSM for that group.

The Group has exercised significant judgement in making appropriate assumptions and applying techniques for estimating fulfilment cash flows and risk adjustments for non-financial risk and in determining the quantity of the services provided under a contract which will affect the amounts recognised in the financial statements as insurance revenue from insurance contracts issued.

The judgements exercised in the valuation of insurance contracts affect the amounts recognised in the financial statements as assets or liabilities of insurance contracts. Further details of the related accounting policies, key risks and variables, and the sensitivities of assumptions to the key variables in respect of insurance contracts are provided in notes 1.10, 12 and 25.

#### Determination of Coverage Units

The quantity of services provided by insurance contracts could include insurance coverage, investment-return and investment-related services, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. This is applicable to the majority of the Group's inforce risk business, in which case the quantity of services is determined as the sum assured only. For a small number of products that provide a benefit for the return of premiums, the value is taken as the investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. In particular, for its participating business the Group takes the quantity of investment service as the expected total premiums over the lifetime of the contract, while the quantity of insurance service is taken as the sum at risk, which represents the excess of the amount payable on death of the policyholder over the surrender value. For its medical business, the Group applies a probable maximum loss approach to the quantity of benefits for the purpose of coverage units. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Group applies judgement in these determinations.

Expected coverage duration is derived based on the likelihood of an insured event occurring to the extent it affects the expected duration of contracts in the group. Determining the expected coverage duration is judgemental since it involves making an expectation of when claims and lapses will occur.

### 2.2 Liabilities Arising from Reinsurance Contracts

Liabilities arising from reinsurance contracts can be subject to similar factors as the insurance contract liabilities. The judgements exercised in the valuation of insurance contracts affect the amounts recognised in the financial statements as reinsurance contract assets and reinsurance contract liabilities. Further details of the related accounting policy, key risks and variables, and the sensitivities of assumptions to the key variables in respect of reinsurance liabilities are provided in notes 1.10.8, 13 and 25.

### 2.3 Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Therefore, significant management judgement is required to determine the amount of deferred tax assets arising from tax losses that can be recognised based on the likely timing and quantum of future taxable profits. This assessment has been completed based on the Group's approved strategic plan and financial forecasts, and its current expectation to be able to carry forward losses under tax legislation based on maintaining shareholder or business continuity tests. The strategic plan is dependent on management's ability to generate income and incur expenditure in line with the financial forecasts.

Further details on the deferred tax assets can be found in note 16.

## 3 Insurance Revenue

| **For the year ended 31 December**<br>$ millions | Note | **2024** | **2023** |
|---|---|---|---|
| **Contracts measured under VFA** | | | |
| Amounts related to changes in liabilities for remaining coverage | | | |
| CSM recognised for services provided | | 5 | 5 |
| Expected incurred claims and other insurance service expenses | | 16 | 17 |
| **Total contracts measured under VFA** | 12.2 | 21 | 22 |
| **Contracts measured under GMM** | | | |
| Amounts related to changes in liabilities for remaining coverage | | | |
| CSM recognised for services provided | | 199 | 173 |
| Change in risk adjustment for non-financial risk | | 22 | 20 |
| Expected incurred claims and other insurance service expenses | | 598 | 577 |
| Other | | 4 | (5) |
| Recovery of insurance acquisition cash flows | | 232 | 223 |
| **Total contracts measured under GMM** | 12.4 | 1,055 | 988 |
| Contracts measured under PAA | 12.6 | 89 | 82 |
| **Total insurance revenue** | | 1,165 | 1,092 |
| **Insurance revenue represented by:** | | | |
| Total contracts measured under VFA using fair value approach at transition | | 21 | 22 |
| Total contracts measured under GMM: | | | |
| Fair value approach at transition | | 107 | 135 |
| After transition | | 948 | 853 |
| Total contracts measured under PAA | | 89 | 82 |
| **Total insurance revenue** | | 1,165 | 1,092 |

# 4 Net Investment Result

The following sections present an analysis of the total net investment return recognised in the income statement and statement of comprehensive income.

## 4.1 Total Net Investment Return

| For the year ended 31 December<br>$ millions | Note | 2024 | 2023 |
|---|---|---|---|
| Interest revenue on financial assets | 4.2 | 46 | 38 |
| Other investment revenue | 4.3 | 65 | 77 |
| Net finance expenses from insurance contracts | 4.4 | (42) | (82) |
| Net finance expense from reinsurance contracts held | 4.5 | (40) | (97) |
| Movement in investment contract liabilities | 18 | (60) | (54) |
| **Total net investment result** | | (31) | (118) |
| Amounts recognised in income statement | | (46) | (51) |
| Amounts recognised in other comprehensive income | | 15 | (67) |
| **Total net investment result** | | (31) | (118) |

## 4.2 Interest Revenue on Financial Assets

| For the year ended 31 December<br>$ millions | 2024 | 2023 |
|---|---|---|
| **Financial assets not measured at fair value through profit or loss** | | |
| Financial assets measured at amortised cost | 3 | 1 |
| Financial assets measured at fair value through other comprehensive income | 26 | 21 |
| **Total financial assets not measured at fair value through profit or loss** | 29 | 22 |
| Financial assets designated at fair value through profit or loss | 17 | 16 |
| **Total interest revenue on financial assets** | 46 | 38 |
| Amounts recognised in income statement | 46 | 38 |
| Amounts recognised in other comprehensive income | - | - |
| **Total interest revenue on financial assets** | 46 | 38 |

## 4.3 Other Investment Revenue / (Loss)

| **For the year ended 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| **Financial assets not at fair value through profit or loss** | | |
| Unrealised gains on fixed interest securities measured at fair value through other comprehensive income | 6 | 31 |
| Net realised losses of fixed interest securities measured at fair value through other comprehensive income | (3) | (21) |
| **Net gains in respect of financial assets not at fair value through profit or loss** | 3 | 10 |
| **Financial assets at fair value through profit or loss** | | |
| Net (losses) / gains on fixed interest securities | (11) | 8 |
| Net gains on interests in investment funds | 76 | 57 |
| **Net gains in respect of financial assets at fair value through profit or loss** | 65 | 65 |
| Other net realised losses | (4) | - |
| Dividend income | 1 | 2 |
| **Total other investment revenue** | 65 | 77 |
| Amounts recognised in income statement | 59 | 46 |
| Amounts recognised in other comprehensive income | 6 | 31 |

## 4.4 Net Finance Expenses from Insurance Contracts

| **For the year ended 31 December**<br>$ millions | Note | **2024** | **2023** |
|---|---|---|---|
| **Contracts measured under VFA** | | | |
| Changes in fair value of underlying items of contracts with direct participation features | | (25) | (27) |
| Interest accreted | | 2 | - |
| Effect of changes in interest rates and other financial assumptions | | (6) | (6) |
| **Total contracts measured under VFA** | 12.2 | (29) | (33) |
| **Contracts measured under GMM** | | | |
| Interest accreted | | (50) | (47) |
| Effect of changes in interest rates and other financial assumptions | | 41 | (2) |
| Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition | | (4) | - |
| **Total contracts measured under GMM** | 12.4 | (13) | (49) |
| **Total net finance expenses from insurance contracts** | | (42) | (82) |
| Amounts recognised in income statement | | (70) | (64) |
| Amounts recognised in other comprehensive income | | 28 | (18) |

## 4.5 Net Finance Expenses from Reinsurance Contracts Held

| **For the year ended 31 December**<br>$ millions | Note | **2024** | **2023** |
|---|---|---|---|
| **Contracts measured under GMM** | | | |
| Interest accreted | | (46) | (52) |
| Effect of changes in interest rates and other financial assumptions | | 21 | (34) |
| Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition | | (15) | (11) |
| **Total net finance expenses from reinsurance contracts held** | 12.7 | (40) | (97) |
| Amounts recognised in income statement | | (21) | (17) |
| Amounts recognised in other comprehensive income | | (19) | (80) |

### 4.6 Fair Value Reserve Movement through FVOCI for Fixed Interest Securities Held at Transition

On transition to NZ IFRS 17, for certain groups of contracts that the Group applied the FVA, the cumulative insurance finance income or expenses recognised in other comprehensive income at 1 January was determined to be zero. For those groups of contracts, the movement in the fair value reserve for the fixed interest securities at fair value through OCI was as follows:

| $ millions | 2024 FVOCI | 2023 FVOCI |
|---|---|---|
| Balance at 1 January | 5 | 29 |
| Net change in fair value | (7) | (43) |
| Net amount reclassified to profit or loss | 3 | 19 |
| **Balance at 31 December** | 1 | 5 |

## 5 Expenses

| **For the year ended 31 December** $ millions | Note | 2024 | 2023 |
|---|---|---|---|
| Claims and benefits | | 692 | 584 |
| Commission and other acquisition expenses incurred | | 256 | 265 |
| Losses on onerous insurance contracts and reversal of losses | | (7) | 3 |
| Employee benefits | | 112 | 106 |
| Depreciation | | 4 | 8 |
| Amortisation of intangible assets | | 6 | 7 |
| Investment management expenses and other investment expenses | | 18 | 20 |
| Other operating expenses[(1)] | | 78 | 88 |
| Restructuring and other non-operating costs[(2)] | | 4 | 11 |
| Amounts attributed to insurance acquisition cash flows | | (316) | (332) |
| Amortisation of insurance acquisition cash flows | | | |
| Contracts measured under GMM | 12.4 | 232 | 223 |
| Contracts measured under PAA | 12.6 | 10 | 8 |
| **Insurance service and other expenses** | | 1,089 | 991 |

Insurance service and other expenses represented by:

| **For the year ended 31 December** $ millions | Note | 2024 | 2023 |
|---|---|---|---|
| Insurance service expenses | | | |
| Contracts measured under VFA | 12.2 | 9 | 13 |
| Contracts measured under GMM | 12.4 | 931 | 829 |
| Contracts measured under PAA | 12.6 | 84 | 83 |
| Total insurance service expenses | | 1,024 | 925 |
| Other expenses[(3)] | | 61 | 55 |
| Restructuring and other non-operating costs | | 4 | 11 |
| **Total** | | 1,089 | 991 |

Notes to the expenses disclosure table:

(1) Other operating expenses relate to information technology expenses, intercompany service fees, consultancy fees and other administrative and office expenses.
(2) Restructuring and other non-operating costs relate to restructuring programs, corporate transaction related costs, implementation costs for new accounting standards and other items that are not expected to recur.
(3) Other expenses represent general expenses and investment management expenses that are not directly attributable to insurance contracts and reinsurance contracts held.

## 6 Auditor's Remuneration

PricewaterhouseCoopers New Zealand is the appointed auditor of the Group for the current and prior year.

| **For the year ended 31 December**<br>$ thousands | **2024** | **2023** |
|---|---|---|
| Audit of the financial statements to the Group and its subsidiaries (1) | 2,945 | 3,377 |
| Audit or review related services (2) | 109 | 133 |
| Other assurance services and other agreed-upon-procedures (3) | 200 | 200 |
| **Total fees incurred for services provided by the audit firm - PwC New Zealand** | 3,254 | 3,710 |

Notes to the auditor's remuneration disclosure table:

(1) This includes fees in relation to reporting to AIAGL and related entities (2023: includes fees in relation to the transition to NZ IFRS 17 and reporting to AIAGL and related entities).
(2) This includes fees in relation to assurance over the annual solvency return.
(3) This includes fees in relation to assurance over the scope 1 and scope 2 greenhouse gas (GHG) emissions disclosure and a reassessment of pre-conditions for scope 3 GHG emissions assurance (2023: includes fees in relation agreed-upon procedures for the 31 December 2022 annual solvency return prepared under the Interim Solvency Standard, a gap analysis for the climate-related risk disclosures and GHG emissions assurance pre-condition assessments).

## 7 Taxation

| **For the year ended 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| Current tax (benefit) / expense | (1) | 1 |
| Deferred tax expense | 1 | 8 |
| **Total income tax (benefit) / expense recognised in the income statement** | - | 9 |
| Deferred tax expense relating to fixed interest securities | 2 | 9 |
| Deferred tax expense / (benefit) relating to insurance contracts | 7 | (11) |
| Deferred tax benefit relating to reinsurance contracts held | (6) | (23) |
| **Total income tax expense / (benefit) recognised in the statement of comprehensive income** | 3 | (25) |

The income tax expense on the Group's net profit before tax differs from the theoretical amount that would arise using the domestic rate as follows:

| **For the year ended 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| **Net profit before tax** | 28 | 16 |
| Income tax at the current rate of 28% (2023: 28%) | 8 | 4 |
| Investment income adjustments | (19) | (12) |
| Imputation and PIE tax credit adjustments | (4) | (3) |
| Non-taxable movement in investment contract liabilities | 15 | 12 |
| Non-taxable movement in insurance contract liabilities | 3 | 10 |
| Other non-assessable income | (3) | (3) |
| Other non-deductible expenditure | 3 | 2 |
| Prior period adjustments | (3) | (1) |
| **Total income tax expense / (benefit) recognised in the income statement** | - | 9 |
| Weighted average effective tax rate | 0% | 56% |

AIANZ is a member of a multinational group that is within the scope of the Organisation for Economic Co-operation and Development (OECD) Pillar Two Model Rules. Pillar Two legislation was enacted in New Zealand in March 2024 with an effective date of 1 January 2025 for AIANZ.

Since AIANZ has no non-New Zealand subsidiaries or branches, it has no exposure to New Zealand Pillar Two income taxes. In addition, AIAGL performed an assessment of its potential exposure to Pillar Two income taxes for the year ended 31 December 2024. In respect of AIANZ, AIAGL does not expect any Pillar Two income tax obligations to arise based on current information. AIAGL is still in the process of assessing any possible implications in future years.

## 8 Imputation Credit Account

Companies may attach imputation credits to dividends paid, which represent the New Zealand tax already paid by the company or tax group on profits. New Zealand resident shareholders may claim a tax credit to the value of the imputation credit attached to dividends.

The Group has formed an imputation group with eligible members of the Group (ICA Group). The closing balance of imputation credits available to all members of the ICA Group as at 31 December 2024 is $4 million (2023: $4 million). This amount includes imputation credits that will arise from the payment of the provision for income tax and from the receipt of dividends recognised as receivables as at the reporting date, and imputation debits that will arise from the payment of dividends recognised as payables as at the reporting date.

## 9 Cash and Cash Equivalents

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| Cash at bank and on deposit | 39 | 79 |
| Cash equivalents | 2 | - |
| **Total cash and cash equivalents** | 41 | 79 |

## 10 Other Assets

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| Investment receivables | 7 | 6 |
| Prepayments | 14 | 14 |
| Other assets | - | 2 |
| **Total other assets** | 21 | 22 |

All other assets have an expected settlement date of less than 12 months, except for prepayments that extend beyond 31 December 2025.

## 11 Investments

| **As at 31 December** | **2024** | | | **2023** | | |
|---|---|---|---|---|---|---|
| $ millions | Designated at FVTPL | FVOCI | Total | Designated at FVTPL | FVOCI | Total |
| Fund certificates | 622 | - | 622 | 618 | - | 618 |
| Fixed interest securities | | | | | | |
| Government stock | 455 | 319 | 774 | 492 | 334 | 826 |
| Corporate bonds | 2 | 171 | 173 | 1 | 159 | 160 |
| Total fixed interest securities | 457 | 490 | 947 | 493 | 493 | 986 |
| **Total investments** | 1,079 | 490 | 1,569 | 1,111 | 493 | 1,604 |

As at 31 December 2024, no investments were pledged under repurchase agreements or other arrangements (2023: nil). A maturity analysis for fund certificates has not been presented because these investments are liquid assets and the timing of realisation is not known.

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| **Fixed interest securities maturity analysis:** | | |
| Under one year | 219 | 236 |
| Between one and two years | 22 | 83 |
| Between two and three years | 33 | 19 |
| Between three and four years | 85 | 35 |
| Between four and five years | 50 | 88 |
| Greater than five years | 538 | 525 |
| | 947 | 986 |

## 12 Insurance Contracts and Reinsurance Contracts Held

### Composition of Statement of Financial Position

An analysis of the amounts presented on the statement of financial position for insurance contracts and reinsurance contracts is included in the following table along with references to the notes where further details can be found.

| As at 31 December | | 2024 | | 2023 | |
|---|---|---|---|---|---|
| $ millions | Note | Insurance Contract Assets | Insurance Contract Liabilities | Insurance Contract Assets | Insurance Contract Liabilities |
| Assets for insurance acquisition cash flows | 12.1 | 2,445 | - | 2,396 | - |
| Contracts measured under VFA | 12.2, 12.3 | - | 609 | - | 637 |
| Contracts measured under GMM | 12.4, 12.5 | (1,127) | 20 | (1,110) | 22 |
| Contracts measured under PAA | 12.6 | - | 77 | - | 82 |
| **Total Insurance Contracts Assets and Liabilities** | | 1,318 | 706 | 1,286 | 741 |

| As at 31 December | | 2024 | | 2023 | |
|---|---|---|---|---|---|
| $ millions | Note | Reinsurance Contract Assets | Reinsurance Contract Liabilities | Reinsurance Contract Assets | Reinsurance Contract Liabilities |
| Contracts measured under GMM | 12.7, 12.8 | - | 365 | - | 382 |
| Contracts measured under PAA | 12.9 | 10 | - | 4 | - |
| **Total Reinsurance Contracts Assets and Liabilities** | | 10 | 365 | 4 | 382 |

### Movement in Carrying Amounts

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held under each measurement model changed during the year as a result of cash flows and amounts recognised in the income statement and statement of comprehensive income. The Group presents a table separately analysing the movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement and statement of comprehensive income for contracts measured under GMM, VFA and PAA. A second reconciliation is presented for contracts measured under GMM and VFA, which separately analyses the changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The maturity analysis of insurance contract liabilities and reinsurance contract liabilities have been disclosed in note 25.

### 12.1 Analysis of Assets for Insurance Acquisition Cash Flows

| For the year ended 31 December<br>$ millions | Note | 2024 | 2023 |
|---|---|---|---|
| Opening balance | | 2,396 | 2,334 |
| Assets recognised for insurance acquisition cash flows paid during the period | | 161 | 177 |
| Allocation to groups of insurance contracts | 12.4 | (112) | (115) |
| **Total closing balance** | | 2,445 | 2,396 |

The following table illustrates when the Group expects to derecognise the assets for IACF and include those cash flows in the measurement of the group of insurance contracts to which they are allocated.

| $ millions | Total | Five year or less | After five years through ten years | After ten years |
|---|---|---|---|---|
| **As at 31 December 2024** | | | | |
| Assets for insurance acquisition cash flows | 2,445 | 484 | 502 | 1,459 |
| **As at 31 December 2023** | | | | |
| Assets for insurance acquisition cash flows | 2,396 | 298 | 317 | 1,781 |

## 12.2 Analysis by Remaining Coverage and Incurred Claims of Insurance Contracts Measured under VFA

| | | Year ended 31 December 2024 | | | | Year ended 31 December 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Liabilities for remaining coverage | | | | Liabilities for remaining coverage | | | |
| $ millions | Note | Excluding loss component | Loss component | Liabilities for incurred claims | Total | Excluding loss component | Loss component | Liabilities for incurred claims | Total |
| Opening assets | | - | - | - | - | - | - | - | - |
| Opening liabilities | | 624 | 1 | 12 | 637 | 649 | - | 12 | 661 |
| **Net opening balance** | | (624) | (1) | (12) | (637) | (649) | - | (12) | (661) |
| Insurance revenue | 3 | 21 | - | - | 21 | 22 | - | - | 22 |
| **Insurance service expenses** | | | | | | | | | |
| Incurred claims and other insurance service expenses | | - | - | (10) | (10) | - | - | (12) | (12) |
| Losses and reversal of losses on onerous contracts | | - | 1 | - | 1 | - | (1) | - | (1) |
| **Total insurance service expenses** | 5 | - | 1 | (10) | (9) | - | (1) | (12) | (13) |
| Investment components | | 41 | - | (41) | - | 42 | - | (42) | - |
| **Insurance service result** | | 62 | 1 | (51) | 12 | 64 | (1) | (54) | 9 |
| Net finance expenses from insurance contracts | 4.4 | (29) | - | - | (29) | (33) | - | - | (33) |
| **Total changes in the income statement and statement of comprehensive income** | | 33 | 1 | (51) | (17) | 31 | (1) | (54) | (24) |
| **Cash flows** | | | | | | | | | |
| Premiums received | | (5) | - | - | (5) | (6) | - | - | (6) |
| Claims and other insurance service expenses paid, including investment components | | - | - | 52 | 52 | - | - | 57 | 57 |
| Other amounts received | | - | - | (2) | (2) | - | - | (3) | (3) |
| **Total cash flows** | | (5) | - | 50 | 45 | (6) | - | 54 | 48 |
| **Net closing balance** | | (596) | - | (13) | (609) | (624) | (1) | (12) | (637) |
| Closing assets | | - | - | - | - | - | - | - | - |
| Closing liabilities | | 596 | - | 13 | 609 | 624 | 1 | 12 | 637 |
| **Net closing balance** | | (596) | - | (13) | (609) | (624) | (1) | (12) | (637) |

Insurance contract liabilities of $56 million (2023: $58 million) are expected to be settled in the 12 months after the reporting date.

## 12.3 Analysis by Measurement Component of Insurance Contracts Measured under VFA

| | | Year ended 31 December 2024 | | | | | Year ended 31 December 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | CSM | | | | | CSM | | |
| $ millions | Note | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Contracts under FVA | Other contracts | Total | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Contracts under FVA | Other contracts | Total |
| Opening assets | | - | - | - | - | - | - | - | - | - | - |
| Opening liabilities | | 596 | 4 | 37 | - | 637 | 606 | 4 | 51 | - | 661 |
| **Net opening balance** | | (596) | (4) | (37) | - | (637) | (606) | (4) | (51) | - | (661) |
| **Insurance service result** | | | | | | | | | | | |
| CSM recognised for services provided | | - | - | 5 | - | 5 | - | - | 5 | - | 5 |
| Experience adjustments | | 6 | - | - | - | 6 | 5 | - | - | - | 5 |
| **Changes that relate to current services** | | 6 | - | 5 | - | 11 | 5 | - | 5 | - | 10 |
| Changes in estimates that adjust the CSM | | 9 | - | (9) | - | - | (9) | - | 9 | - | - |
| Changes in estimates that result in losses and reversal of losses on onerous contracts | | 1 | - | - | - | 1 | (1) | - | - | - | (1) |
| **Changes that relate to future services** | | 10 | - | (9) | - | 1 | (10) | - | 9 | - | (1) |
| **Total insurance service result** | | 16 | - | (4) | - | 12 | (5) | - | 14 | - | 9 |
| Net finance expenses from insurance contracts | 4.4 | (29) | - | - | - | (29) | (33) | - | - | - | (33) |
| **Total changes in the income statement and statement of comprehensive income** | | (13) | - | (4) | - | (17) | (38) | - | 14 | - | (24) |
| Cash flows | 12.2 | 45 | - | - | - | 45 | 48 | - | - | - | 48 |
| **Net closing balance** | | (564) | (4) | (41) | - | (609) | (596) | (4) | (37) | - | (637) |
| Closing assets | | - | - | - | - | - | - | - | - | - | - |
| Closing liabilities | | 564 | 4 | 41 | - | 609 | 596 | 4 | 37 | - | 637 |
| **Net closing balance** | | (564) | (4) | (41) | - | (609) | (596) | (4) | (37) | - | (637) |

## 12.4 Analysis by Remaining Coverage and Incurred Claims of Insurance Contracts Measured under GMM

| $ millions | Note | Year ended 31 December 2024 | | | | Year ended 31 December 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Liabilities for remaining coverage | | Liabilities for incurred claims | Total | Liabilities for remaining coverage | | Liabilities for incurred claims | Total |
| | | Excluding loss component | Loss component | | | Excluding loss component | Loss component | | |
| Opening assets | | (581) | (28) | (501) | (1,110) | (572) | (24) | (475) | (1,071) |
| Opening liabilities | | 20 | - | 2 | 22 | 30 | - | 2 | 32 |
| **Net opening balance** | | (601) | (28) | (503) | (1,132) | (602) | (24) | (477) | (1,103) |
| Insurance revenue | 3 | 1,055 | - | - | 1,055 | 988 | - | - | 988 |
| **Insurance service expenses** | | | | | | | | | |
| Incurred claims and other insurance service expenses | | - | 34 | (822) | (788) | - | 42 | (695) | (653) |
| Amortisation of insurance acquisition cash flows | | (232) | - | - | (232) | (223) | - | - | (223) |
| Losses and reversal of losses on onerous contracts | | - | (28) | - | (28) | - | (44) | - | (44) |
| Adjustments to liabilities for incurred claims | | - | - | 117 | 117 | - | - | 91 | 91 |
| **Total insurance service expenses** | 5 | (232) | 6 | (705) | (931) | (223) | (2) | (604) | (829) |
| Investment components | | 7 | - | (7) | - | 10 | - | (10) | - |
| **Insurance service result** | | 830 | 6 | (712) | 124 | 775 | (2) | (614) | 159 |
| Net finance expenses from insurance contracts | 4.4 | (2) | (2) | (9) | (13) | (25) | (2) | (22) | (49) |
| **comprehensive income** | | 828 | 4 | (721) | 111 | 750 | (4) | (636) | 110 |
| **Cash flows** | | | | | | | | | |
| Premiums received | | (1,069) | - | - | (1,069) | (1,007) | - | - | (1,007) |
| Claims and other insurance service expenses paid, including investment components | | - | - | 686 | 686 | - | - | 610 | 610 |
| Insurance acquisition cash flows paid | | 145 | - | - | 145 | 141 | - | - | 141 |
| **Total cash flows** | | (924) | - | 686 | (238) | (866) | - | 610 | (256) |
| **Adjusted for:** | | | | | | | | | |
| Assets for insurance acquisition cash flows allocated to groups of insurance contracts | 12.1 | 112 | - | - | 112 | 117 | - | - | 117 |
| **Total non-cash items** | | 112 | - | - | 112 | 117 | - | - | 117 |
| **Net closing balance** | | (585) | (24) | (538) | (1,147) | (601) | (28) | (503) | (1,132) |
| Closing assets | | (567) | (24) | (536) | (1,127) | (581) | (28) | (501) | (1,110) |
| Closing liabilities | | 18 | - | 2 | 20 | 20 | - | 2 | 22 |
| **Net closing balance** | | (585) | (24) | (538) | (1,147) | (601) | (28) | (503) | (1,132) |

The Group is expecting to receive $111 million of the $1,127 million negative insurance contract asset in the 12 months after the reporting date (2023: settle $15 million). Insurance contract liabilities of $5 million is expected to be settled in the 12 months after the reporting date (2023: $4 million).

## 12.5 Analysis by Measurement Component of Insurance Contracts Measured under GMM

| $ millions | Note | Year ended 31 December 2024 | | | | | Year ended 31 December 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | CSM | | Total | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | CSM | | Total |
| | | | | Contracts under FVA | Other contracts | | | | Contracts under FVA | Other contracts | |
| Opening assets | | (775) | (62) | (171) | (102) | (1,110) | (745) | (60) | (192) | (74) | (1,071) |
| Opening liabilities | | 12 | - | 10 | - | 22 | 27 | - | 5 | - | 32 |
| **Net opening balance** | | (787) | (62) | (181) | (102) | (1,132) | (772) | (60) | (197) | (74) | (1,103) |
| **Insurance service result** | | | | | | | | | | | |
| CSM recognised for services provided | | - | - | 16 | 183 | 199 | - | - | 18 | 155 | 173 |
| Change in risk adjustment for non-financial risk | | - | 5 | - | - | 5 | - | 17 | - | - | 17 |
| Experience adjustments | | (169) | - | - | - | (169) | (77) | - | - | - | (77) |
| **Changes that relate to current services** | | (169) | 5 | 16 | 183 | 35 | (77) | 17 | 18 | 155 | 113 |
| Contracts initially recognised in the year | | 185 | (24) | - | (202) | (41) | 166 | (23) | - | (196) | (53) |
| Changes in estimates that adjust the CSM | | (27) | 3 | 7 | 18 | 1 | (24) | - | 5 | 19 | - |
| Changes in estimates that result in losses and reversal of losses on onerous contracts | | 12 | - | - | - | 12 | 8 | - | - | - | 8 |
| **Changes that relate to future services** | | 170 | (21) | 7 | (184) | (28) | 150 | (23) | 5 | (177) | (45) |
| Changes that relate to past services | | 101 | 16 | - | - | 117 | 87 | 4 | - | - | 91 |
| **Total insurance service result** | | 102 | - | 23 | (1) | 124 | 160 | (2) | 23 | (22) | 159 |
| Net finance expenses from insurance contracts | 4.4 | 2 | - | (7) | (8) | (13) | (36) | - | (7) | (6) | (49) |
| **Total changes in the income statement and statement of comprehensive income** | | 104 | - | 16 | (9) | 111 | 124 | (2) | 16 | (28) | 110 |
| Cash flows | 12.4 | (238) | - | - | - | (238) | (256) | - | - | - | (256) |
| Assets for insurance acquisition cash flows allocated to groups of insurance contracts | 12.1 | 112 | - | - | - | 112 | 117 | - | - | - | 117 |
| **Net closing balance** | | (809) | (62) | (165) | (111) | (1,147) | (787) | (62) | (181) | (102) | (1,132) |
| Closing assets | | (795) | (62) | (159) | (111) | (1,127) | (775) | (62) | (171) | (102) | (1,110) |
| Closing liabilities | | 14 | - | 6 | - | 20 | 12 | - | 10 | - | 22 |
| **Net closing balance** | | (809) | (62) | (165) | (111) | (1,147) | (787) | (62) | (181) | (102) | (1,132) |

## 12.6 Analysis by Remaining Coverage and Incurred Claims of Insurance Contracts Measured under the PAA

| | | Year ended 31 December 2024 | | | | | Year ended 31 December 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Liabilities for remaining coverage | | Liabilities for incurred claims | | | Liabilities for remaining coverage | | Liabilities for incurred claims | | |
| $ millions | Note | Excluding loss component | Loss component | Estimate of present value of future cash flows | Risk adjustment for non-financial risk | Total | Excluding loss component | Loss component | Estimate of present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Opening assets | | - | - | - | - | - | - | - | - | - | - |
| Opening liabilities | | 8 | - | 71 | 3 | 82 | 6 | - | 59 | 3 | 68 |
| **Net opening balance** | | (8) | - | (71) | (3) | (82) | (6) | - | (59) | (3) | (68) |
| Insurance revenue | 3 | 89 | - | - | - | 89 | 82 | - | - | - | 82 |
| **Insurance service expenses** | | | | | | | | | | | |
| Incurred claims and other insurance service expenses | | - | - | (90) | (1) | (91) | - | - | (83) | - | (83) |
| Amortisation of insurance acquisition cash flows | | (10) | - | - | - | (10) | (8) | - | - | - | (8) |
| Adjustments to liabilities for incurred claims | | - | - | 17 | - | 17 | - | - | 7 | - | 7 |
| **Total insurance service expenses** | 5 | (10) | - | (73) | (1) | (84) | (8) | - | (76) | - | (84) |
| **Insurance service result** | | 79 | - | (73) | (1) | 5 | 74 | - | (76) | - | (2) |
| **Total changes in the income statement and statement of comprehensive income** | | 79 | - | (73) | (1) | 5 | 74 | - | (76) | - | (2) |
| **Cash flows** | | | | | | | | | | | |
| Premiums received | | (82) | - | - | - | (82) | (85) | - | - | - | (85) |
| Claims and other insurance service expenses paid | | - | - | 72 | - | 72 | - | - | 64 | - | 64 |
| Insurance acquisition cash flows paid | | 10 | - | - | - | 10 | 9 | - | - | - | 9 |
| **Total cash flows** | | (72) | - | 72 | - | - | (76) | - | 64 | - | (12) |
| **Net closing balance** | | (1) | - | (72) | (4) | (77) | (8) | - | (71) | (3) | (82) |
| Closing assets | | - | - | - | - | - | - | - | - | - | - |
| Closing liabilities | | 1 | - | 72 | 4 | 77 | 8 | - | 71 | 3 | 82 |
| **Net closing balance** | | (1) | - | (72) | (4) | (77) | (8) | - | (71) | (3) | (82) |

Insurance contract liabilities of $39 million is expected to be settled in the 12 months after the reporting date (2023: $43 million settled).

## 12.7 Analysis by Remaining Coverage and Incurred Claims of Reinsurance Contracts Held Measured under the GMM

| | | Year ended 31 December 2024 | | | | Year ended 31 December 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Asset for remaining coverage | | | | Asset for remaining coverage | | | |
| $ millions | Note | Excluding loss-recovery component | Loss recovery component | Asset for incurred claims | Total | Excluding loss-recovery component | Loss recovery component | Asset for incurred claims | Total |
| Opening assets | | - | - | - | - | - | - | - | - |
| Opening liabilities | | 711 | (14) | (315) | 382 | 625 | (10) | (328) | 287 |
| **Net opening balance** | | (711) | 14 | 315 | (382) | (625) | 10 | 328 | (287) |
| **Changes in the income statement and statement of comprehensive income** | | | | | | | | | |
| Actual claims and benefits recovered from reinsurers including other expenses contingent on claims | | - | - | 341 | 341 | - | - | 299 | 299 |
| Experience adjustments | | - | - | (15) | (15) | - | - | (19) | (19) |
| Change in risk adjustment relating to current service | | - | - | 3 | 3 | - | - | 2 | 2 |
| Losses and reversal of losses on underlying onerous contracts | | - | (1) | - | (1) | - | 4 | - | 4 |
| **Amounts recovered from reinsurers** | | - | (1) | 329 | 328 | - | 4 | 282 | 286 |
| Expected claims and expenses recovered from reinsurers | | (283) | - | - | (283) | (263) | - | - | (263) |
| Changes in Risk adjustment for non-financial risk | | (7) | - | - | (7) | (7) | - | - | (7) |
| Amortisation of CSM | | (59) | - | - | (59) | (70) | - | - | (70) |
| Premium variances | | - | - | - | - | 6 | - | - | 6 |
| **Allocation of premiums paid** | | (349) | - | - | (349) | (334) | - | - | (334) |
| **Net expenses from reinsurance contracts held** | | (349) | (1) | 329 | (21) | (334) | 4 | 282 | (48) |
| Net finance income from reinsurance contracts held | 4.5 | (38) | - | (2) | (40) | (103) | - | 5 | (98) |
| **Total changes in the income statement and statement of comprehensive income** | | (387) | (1) | 327 | (61) | (437) | 4 | 287 | (146) |
| **Cash flows** | | | | | | | | | |
| Premiums paid | | 346 | - | - | 346 | 351 | - | - | 351 |
| Amounts received | | - | - | (268) | (268) | - | - | (300) | (300) |
| **Total cash flows** | | 346 | - | (268) | 78 | 351 | - | (300) | 51 |
| **Net closing balance** | | (752) | 13 | 374 | (365) | (711) | 14 | 315 | (382) |
| Closing assets | | - | - | - | - | - | - | - | - |
| Closing liabilities | | 752 | (13) | (374) | 365 | 711 | (14) | (315) | 382 |
| **Net closing balance** | | (752) | 13 | 374 | (365) | (711) | 14 | 315 | (382) |

Reinsurance contract liabilities of $22 million (2023: $29 million) are expected to be settled in the 12 months after the reporting date.

## 12.8 Analysis by Measurement Component of Reinsurance Contracts Held Measured under the GMM

| | | Year ended 31 December 2024 | | | | | Year ended 31 December 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | CSM | | | | | CSM | | |
| $ millions | Note | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Contracts under fair value approach | Other contracts | Total | Estimates of present value of future cash flows | Risk adjustment for non-financial risk | Contracts under fair value approach | Other contracts | Total |
| Opening assets | | - | - | - | - | - | - | - | - | - | - |
| Opening liabilities | | 1,292 | (223) | (580) | (107) | 382 | 1,267 | (226) | (697) | (57) | 287 |
| **Net opening balance** | | (1,292) | 223 | 580 | 107 | (382) | (1,267) | 226 | 697 | 57 | (287) |
| **Net expenses from reinsurance contracts held** | | | | | | | | | | | |
| CSM recognised for services received | | - | - | (48) | (11) | (59) | - | - | (63) | (7) | (70) |
| Change in risk adjustment for non-financial risk | | - | (4) | - | - | (4) | - | (5) | - | - | (5) |
| Experience adjustments | | 58 | - | - | - | 58 | 42 | - | - | - | 42 |
| **Changes that relate to current services** | | 58 | (4) | (48) | (11) | (5) | 42 | (5) | (63) | (7) | (33) |
| Changes in recoveries of losses on onerous underlying contracts that adjust the CSM | | - | - | (1) | - | (1) | - | - | 4 | - | 4 |
| Contracts initially recognised in the year | | (66) | 21 | - | 45 | - | (73) | 27 | - | 46 | - |
| Changes in estimates that adjust the CSM | | 160 | (21) | (116) | (23) | - | 87 | (23) | (72) | 8 | - |
| **Changes that relate to future services** | | 94 | - | (117) | 22 | (1) | 14 | 4 | (68) | 54 | 4 |
| Changes that relate to past services | | (12) | (3) | - | - | (15) | (17) | (2) | - | - | (19) |
| **Total net expenses from reinsurance contracts held** | | 140 | (7) | (165) | 11 | (21) | 39 | (3) | (131) | 47 | (48) |
| Net finance income from reinsurance contracts held | 4.5 | (61) | - | 15 | 6 | (40) | (115) | - | 14 | 3 | (98) |
| **Total changes in the income statement and statement of comprehensive income** | | 79 | (7) | (150) | 17 | (61) | (76) | (3) | (117) | 50 | (146) |
| Cash flows | 12.8 | 78 | - | - | - | 78 | 51 | - | - | - | 51 |
| **Net closing balance** | | (1,135) | 216 | 430 | 124 | (365) | (1,292) | 223 | 580 | 107 | (382) |
| Closing assets | | - | - | - | - | - | - | - | - | - | - |
| Closing liabilities | | 1,135 | (216) | (430) | (124) | 365 | 1,292 | (223) | (580) | (107) | 382 |
| **Net closing balance** | | (1,135) | 216 | 430 | 124 | (365) | (1,292) | 223 | 580 | 107 | (382) |

## 12.9 Analysis by Measurement Component of Reinsurance Contracts Held Measured under the PAA

| | Year ended 31 December 2024 | | | | | Year ended 31 December 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Asset for remaining coverage | | Asset for incurred claims | | | Asset for remaining coverage | | Asset for incurred claims | | |
| $ millions | Excluding loss recovery component | Loss recovery component | Estimate of present value of future cash flows | Risk adjustment for non-financial risk | Total | Excluding loss recovery component | Loss recovery component | Estimate of present value of future cash flows | Risk adjustment for non-financial risk | Total |
| Opening assets | (14) | - | 17 | 1 | 4 | (14) | - | 22 | 1 | 9 |
| Opening liabilities | - | - | - | - | - | - | - | - | - | - |
| **Net opening balance** | (14) | - | 17 | 1 | 4 | (14) | - | 22 | 1 | 9 |
| **Changes in the income statement and statement of comprehensive income** | | | | | | | | | | |
| Actual claims and benefits recovered from reinsurers including other expenses contingent on claims | - | - | 27 | - | 27 | - | - | 22 | - | 22 |
| Experience adjustments | - | - | (4) | - | (4) | - | - | (3) | - | (3) |
| **Amounts recovered from reinsurers** | - | - | 23 | - | 23 | - | - | 19 | - | 19 |
| Reinsurance expenses applying PAA | (24) | - | - | - | (24) | (23) | - | - | - | (23) |
| **Allocation of premiums paid** | (24) | - | - | - | (24) | (23) | - | - | - | (23) |
| **Net expenses from reinsurance contracts held** | (24) | - | 23 | - | (1) | (23) | - | 19 | - | (4) |
| **Total changes in the income statement and statement of comprehensive income** | (24) | - | 23 | - | (1) | (23) | - | 19 | - | (4) |
| **Cash flows** | | | | | | | | | | |
| Premiums paid | 15 | - | - | - | 15 | 23 | - | - | - | 23 |
| Amounts received | - | - | (8) | - | (8) | - | - | (24) | - | (24) |
| **Total cash flows** | 15 | - | (8) | - | 7 | 23 | - | (24) | - | (1) |
| **Net closing balance** | (23) | - | 32 | 1 | 10 | (14) | - | 17 | 1 | 4 |
| Closing assets | (23) | - | 32 | 1 | 10 | (14) | - | 17 | 1 | 4 |
| Closing liabilities | - | - | - | - | - | - | - | - | - | - |
| **Net closing balance** | (23) | - | 32 | 1 | 10 | (14) | - | 17 | 1 | 4 |

Reinsurance contract assets of $10 million (2023: $4 million) are expected to be recovered in the 12 months after the reporting date.

## 12.10 Effect of Contracts Initially Recognised in the Year

The following tables summarise the effect on the measurement components of insurance contracts and reinsurance contracts held arising from the initial recognition of contracts not measured under PAA.

### Insurance Contracts Measured under the GMM

| $ millions | Profitable contracts issued | Onerous contracts issued | Total |
|---|---|---|---|
| **Year ended 31 December 2024** | | | |
| **Estimates of present value of future cash outflows** | | | |
| Insurance acquisition cash flows | 194 | 48 | 242 |
| Claims payable and other expenses | 455 | 169 | 624 |
| **Total estimates of present value of future cash outflows** | 649 | 217 | 866 |
| Estimates of present value of future cash inflows | (868) | (183) | (1,051) |
| Risk adjustment for non-financial risk | 17 | 7 | 24 |
| Contractual service margin | 202 | - | 202 |
| **Losses recognised on initial recognition** | - | 41 | 41 |
| **Year ended 31 December 2023** | | | |
| **Estimates of present value of future cash outflows** | | | |
| Insurance acquisition cash flows | 200 | 54 | 254 |
| Claims payable and other expenses | 446 | 197 | 643 |
| **Total estimates of present value of future cash outflows** | 646 | 251 | 897 |
| Estimates of present value of future cash inflows | (856) | (207) | (1,063) |
| Risk adjustment for non-financial risk | 16 | 7 | 23 |
| Contractual service margin | 196 | - | 196 |
| **Losses recognised on initial recognition** | 2 | 51 | 53 |

### Reinsurance Contracts Measured under the GMM

| **For the year ended 31 December** | **2024** | | **2023** | |
|---|---|---|---|---|
| $ millions | Contracts originated | Total | Contracts originated | Total |
| Estimates of present value of future cash inflows | (316) | (316) | (338) | (338) |
| Estimates of present value of future cash outflows | 382 | 382 | 411 | 411 |
| Risk adjustment for non-financial risk | (21) | (21) | (27) | (27) |
| **Contractual service margin** | 45 | 45 | 46 | 46 |

## 12.11 Analysis of Contractual Service Margin

The following table illustrates when the Group expects to recognise the remaining CSM as revenue.

| $ millions | Total | Five year or less | After five years through ten | After ten years |
|---|---|---|---|---|
| **31 December 2024** | | | | |
| Insurance contracts | (317) | (157) | (52) | (108) |
| Reinsurance contracts held | 554 | 229 | 138 | 187 |
| **31 December 2023** | | | | |
| Insurance contracts | (320) | (157) | (51) | (112) |
| Reinsurance contracts held | 687 | 290 | 168 | 229 |

## 12.12 Fulfilment Cash Flows

### Estimates of Future Cash Flows

Estimates of future cash flows are applicable to GMM and VFA and impacts both LRC and LIC. It is also relevant to PAA LIC.

The Group's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date and the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows.

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, IACF and other costs that are incurred in fulfilling contracts.

IACF arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs within the contract boundary. IACF and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

## Methodology and Assumptions

Key assumptions disclosed below for material balances include:

- mortality, morbidity and termination assumptions applicable to GMM and impacts the LIC and LRC;
- persistency applicable to GMM and impacts the LRC;
- future rates of discontinuance which are all applicable to GMM LRC, and applicable for Participating and Savings products which is relevant to VFA LRC;
- basis of calculation of surrender values and participating bonus rates, which is relevant to VFA LRC;
- expense assumptions which are applicable to GMM and VFA and impacts the LRC;
- yield curves which are consistently applied across all measurement models.

### Mortality

Assumptions have been developed based on recent historical experience, and from expectations of current and expected future experience including mortality improvement. 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 published by the New Zealand Society of Actuaries.

Projected future rates of mortality experience are based on a proportion of the NZ10 table for Modern products or the NZ97 table for Legacy products. These are then adjusted by comparing the standard tables with the Group's own experience using geometric smoothing techniques or moving averages. Annuitant mortality is assumed to be a proportion of the PMA92 and PMF92 tables, adjusted for mortality improvements prior to and after the valuation date.

In general, mortality assumptions are reviewed based on annual experience studies. Mortality experience for all products has been reasonably consistent with the current assumptions.

Over 2024, the factors applied to the NZ10 table for the major products remained unchanged from prior year and ranged from 84% to 180% (2023: 84% to 180%). For legacy term products the assumptions were maintained at 113% of the NZ10 table (2023: 113% of NZ97) and the legacy MetLife claim ratio was maintained at 70% (2023: 70%).

Over 2024 workplace mortality claims ratios assumptions have been maintained for group schemes at a range of 48% to 100% (2023: 48% to 100%) and 48% respectively.

### Morbidity

Projected future morbidity experience is based on a combination of reinsurers' tables, industry tables, industry experience and internal investigations. For significant classes of business, internal experience is compared with reinsurers' tables using geometric smoothing techniques or moving averages.

In general, morbidity assumptions are reviewed based on annual experience studies.

### Termination

Assumptions have been developed based on recent historical experience, and from 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. In general, disability income assumptions are reviewed based on annual experience studies. Disability income experience for all products has been reasonably consistent with the current assumptions.

Termination assumptions have been expressed as a percentage of the Australian FSC-KPMG 2007-2011 ADI termination assumption table (ADI table). Projected future rates of termination experience are based on this table. These termination assumptions vary based on a wide variety of factors, including product group, occupation class, claims cause, age band, gender, duration, wait period, benefit period, sum assured band and benefit type. These are then adjusted by comparing the standard tables with the Group's own experience using comparisons between actual and expected.

Over 2024, the post wait period termination product factors applied to the ADI table for the major products range from 59% to 140% (2023: 65% to 140%). The female assumption factor for sickness was strengthened from 88% to 70% for 2024, while for accident it was unchanged from 2023. The 30-day wait period assumption factor for sickness was strengthened from 90% to 89% for 2024, while for accident it was unchanged, from 2023. The year 0 claim year assumption factor for sickness was weakened from 100% to 105% for 2024, while for accident it was unchanged, from 2023. The year 1 claim year assumption factor for accident was strengthened from 136% to 130% for 2024, while for sickness it was unchanged, from 2023. The nervous disorder claim cause assumption factor was weakened from 85% to 115% for 2024.

### Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, and partial withdrawals.

Assumptions have been developed based on recent historical experience, and from best estimate expectations of current and expected future experience. Persistency assumptions may vary by policy year and product type.

Where experience for a particular product has not been credible enough to allow any meaningful analysis to be performed, experience for similar products has been 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.

### Rates of Discontinuance

Assumptions for the incidence of withdrawal, partial termination and transfer of policies paid-up are primarily based on investigations of the Group's own experience.

Discontinuance rates were reviewed based on data up to 31 December 2024, for the current financial year. Future rates of discontinuance are:

| **As at 31 December** | **2024** | | **2023** | |
|---|---|---|---|---|
| Product Groups: | Life Rate for age | Life level to age 80 | Life Rate for age | Life level to age 80 |
| Policy duration | | | | |
| 1 to 5 years | 9.84% | 6.94% | 10.72% | 6.48% |
| 6 to 9 years | 11.05% | 4.12% | 10.94% | 4.46% |
| 10+ years | 13.61% | 3.37% | 11.06% | 3.50% |

| **As at 31 December** | | **2024** | | | **2023** | |
|---|---|---|---|---|---|---|
| Product Groups: | Other Risk | Participating | Savings | Other Risk | Participating | Savings |
| Life | 7.96% | | | 9.00% | | |
| Non-life | 9.77% | | | 9.92% | | |
| Total | | 3.43% | 8.09% | | 3.41% | 8.34% |

### Basis of Calculation of Surrender Values

Surrender values are set using an asset share approach and taking into consideration equity between continuing and terminating policyholders.

### Participating Business

For most participating business, bonus rates are set such that, over long periods, the returns to policyholders are commensurate with the investment returns achieved on the relevant assets, together with other sources of profit arising from this business. Distributions are split between policyholders and shareholders with the valuation allowing for shareholders to share in distributions at a maximum allowable rate of 20% (2023: 20%).

In applying the policyholders' share of profits to provide bonuses, consideration is given to equity between generations of policyholders and equity between the various classes and sizes of policies in force. Assumed future bonus rates included in life insurance contract liabilities were set such that the present value of life insurance contract liabilities equates to the present value of assets supporting the business together with assumed future investment returns, allowing for the shareholder's right to participate in distributions.

It is assumed that revisionary bonus rates in future will be nil (2023: nil) and that the crediting rate for investment account policies are 5.73% (2023: 5.49%) per annum for individual participating business.

### Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of insurance contracts 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 that can be directly attributed to the portfolio of insurance contracts, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense inflation has been set in line with the Group's forecast budget with long-term expense inflation applied thereafter.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

### Reinsurance

Reinsurance assumptions have been developed based on the reinsurance arrangements in-force as at the reporting date and the recent historical and expected future experience. Methods used to measure reinsurance contracts held have been applied using inputs, assumptions and estimation techniques that are consistent with those used to measure the underlying insurance contracts.

### Policyholder Dividends, Profit Sharing and Interest Crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by the Group reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and each of the Group's best estimate of future policies, strategies and operations consistent with the investment return assumptions.

Participating fund surpluses have been assumed to be distributed between policyholders and shareholders via future reversionary and final bonuses so that there are no residual assets at the end of the projection period.

The assumed estimated crediting rates and participation percentages are generally based on interest rate guarantees.

### An Adjustment to Reflect the Time Value of Money and the Financial Risks Related to Future Cash Flows

The Group adjusts the estimate of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The cash flows are discounted by discount rates that reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.

A bottom-up approach has been adopted under which discount rates are determined by adjusting the liquid risk-free yield curve to reflect the characteristics of the cash flows and liquidity of the insurance contracts. The illiquidity premium is determined as a credit spread between corporate and government bonds minus a long-term credit risk deduction. This is determined with reference to a spread of bonds in the US market as the NZ bond market is not sufficiently deep or liquid. A percentage factor is applied to this illiquidity premium which reflects the liquidity characteristics of the (re)insurance liabilities it is applied to. This factor is 100% for contracts which have a significant surrender value or have pre-funded premiums such as traditional participating business or risk business with level premiums. Otherwise, the factor is 0%.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristic of the insurance contracts. The market observable rates are extrapolated between this point and an ultimate forward rate derived using long-term estimates by applying generally accepted techniques, such as the Smith-Wilson method.

The following tables set out the yield curves used to discount the cash flows of insurance contracts.

| | 1 year | 5 years | 10 years | 15 years | 20 years |
|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | |
| Short contract boundary yield curve | 3.72% | 3.93% | 4.61% | 4.98% | n/a |
| Long contract boundary yield curve | 4.82% | 5.03% | 5.71% | 6.08% | 6.23% |
| **As at 31 December 2023** | | | | | |
| Short contract boundary yield curve | 5.06% | 4.24% | 4.41% | 4.68% | n/a |
| Long contract boundary yield curve | 6.11% | 5.29% | 5.46% | 5.73% | 5.79% |

## 12.13 Risk Adjustments for Non-Financial Risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, AIANZ estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Risk adjustment factors are required for each of the following assumptions:

- expenses;
- mortality/morbidity; and
- discontinuance.

The calculation of the risk adjustment is calibrated to the Group’s pricing and capital allocation framework, leveraging externally available shock parameter methodologies and AIAGL guidance.

## 12.14 Investment Components

The Group identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are excluded from insurance revenue and insurance service expenses. Generally, for relevant contracts, surrender value would be determined as an investment component.

## 12.15 Underlying Items of Contracts with Direct Participation Features

The following table sets out the composition and the fair value of the underlying items for the Group’s contracts with direct participation features at the reporting date:

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| Cash and cash equivalents | 1 | 1 |
| Financial investments and policy loans | 599 | 618 |
| Other assets | 8 | 9 |
| Less: payables and other liabilities | (3) | (3) |
| **Total** | 605 | 625 |

## 13 Plant and Equipment

| $ millions | Leasehold improvements and services | Office equipment and computer equipment | Furniture and Fittings | Total |
|---|---|---|---|---|
| **As at 31 December 2024** | | | | |
| **Gross carrying value** | | | | |
| Balance as at 1 January | 35 | 6 | 4 | 45 |
| Additions | 17 | 1 | - | 18 |
| Transfers | 1 | - | - | 1 |
| Disposals and write-offs | (34) | (7) | (4) | (45) |
| **Balance as at 31 December** | 19 | - | - | 19 |
| **Accumulated amortisation and impairment losses** | | | | |
| Balance as at 1 January | (32) | (6) | (4) | (42) |
| Depreciation expense | (1) | - | - | (1) |
| Disposals and write-offs | 32 | 6 | 4 | 42 |
| **Balance as at 31 December** | (1) | - | - | (1) |
| **Net carrying value at 31 December** | 18 | - | - | 18 |
| **As at 31 December 2023** | | | | |
| **Gross carrying value** | | | | |
| Balance as at 1 January | 34 | 6 | 4 | 44 |
| Additions | 1 | - | - | 1 |
| **Balance as at 31 December** | 35 | 6 | 4 | 45 |
| **Accumulated amortisation and impairment losses** | | | | |
| Balance as at 1 January | (29) | (6) | (4) | (39) |
| Depreciation expense | (3) | - | - | (3) |
| **Balance as at 31 December** | (32) | (6) | (4) | (42) |
| **Net carrying value at 31 December** | 3 | - | - | 3 |

## 14 Right-of-Use Assets and Lease Liabilities

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| **Right-of-use Assets** | | |
| As at 1 January | 4 | 17 |
| Lease modifications | - | (8) |
| New lease agreements | 3 | - |
| Depreciation | (3) | (5) |
| **Carrying amount as at 31 December** | 4 | 4 |
| **Lease Liabilities** | | |
| As at 1 January | 4 | 18 |
| New lease agreements | 3 | - |
| Lease modifications | 1 | (8) |
| Lease payments | (4) | (6) |
| **Carrying amount as at 31 December** | 4 | 4 |

90% of the leases relate to property (2023: 97%), which the Group uses as office premises. The remaining leases relate to motor vehicles. The maturity analysis of lease liabilities is included in note 25.

The Group exited its lease of AIA House at Smales Farm in February 2024 in order for extensive renovations to take place. A new lease agreement for AIA House is currently being negotiated but is expected to commence early in 2025. The cost of the future lease at AIA House has also not been included in the right-of-use asset or lease liability as this does not meet the requirement for recognition at 31 December 2024.

## 15 Intangible Assets

| As at 31 December | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| $ millions | Internally developed software | Other intangible assets | Total | Internally developed software | Other intangible assets | Total |
| **Gross carrying value** | | | | | | |
| Balance as at 1 January | 65 | 1 | 66 | 63 | 1 | 64 |
| Additions | - | - | - | 2 | - | 2 |
| Transfers | (1) | - | (1) | - | - | - |
| Impairment | (3) | - | (3) | - | - | - |
| Disposals and write-offs | (1) | - | (1) | - | - | - |
| **Balance as at 31 December** | 60 | 1 | 61 | 65 | 1 | 66 |
| **Accumulated amortisation and impairment losses** | | | | | | |
| Balance as at 1 January | (39) | (1) | (40) | (32) | (1) | (33) |
| Amortisation expense | (6) | - | (6) | (7) | - | (7) |
| Impairment | 2 | - | 2 | - | - | - |
| Disposals and write-offs | 1 | - | 1 | - | - | - |
| **Balance as at 31 December** | (42) | (1) | (43) | (39) | (1) | (40) |
| **Net carrying value at 31 December** | 18 | - | 18 | 26 | - | 26 |

## 16 Deferred Tax

| As at 31 December<br>$ millions | 2024 | 2023 |
|---|---|---|
| **Deferred tax assets** | | |
| Balance at beginning of period | 27 | 32 |
| Recognised in the income statement | 2 | (5) |
| **Total deferred tax assets** | 29 | 27 |
| **Deferred tax relates to:** | | |
| Losses available for offset against future taxable income | 28 | 28 |
| Other | 1 | (1) |
| **Total deferred tax assets** | 29 | 27 |
| **Deferred tax assets recognised in the income statement** | | |
| Losses available for offset against future taxable income | - | (3) |
| Other | 2 | (2) |
| **Total deferred tax assets recognised in the income statement** | 2 | (5) |

The deferred tax asset relates to the policyholder base and cannot be offset against the deferred tax liability of the shareholder base.

| As at 31 December<br>$ millions | 2024 | 2023 |
|---|---|---|
| **Deferred tax liabilities** | | |
| Balance at beginning of period | 565 | 587 |
| Recognised in the income statement | 3 | 3 |
| Recognised in the statement of comprehensive income | 3 | (25) |
| **Total deferred tax liability** | 571 | 565 |
| **Deferred tax relates to:** | | |
| Insurance, reinsurance and investment contracts | 719 | 694 |
| Losses available for offset against future taxable income | (122) | (125) |
| Other | (26) | (4) |
| **Total deferred tax liability** | 571 | 565 |

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| **Deferred tax liabilities recognised in the income statement** | | |
| Insurance, reinsurance and investment contracts | 19 | 71 |
| Losses available for offset against future taxable income | 7 | (79) |
| Other | (23) | 11 |
| **Total deferred tax liability recognised in the income statement** | 3 | 3 |
| **Deferred tax recognised in the statement of comprehensive income** | | |
| Insurance and reinsurance contracts | 6 | (29) |
| Losses available for offset against future taxable income | (3) | 27 |
| Other | - | (23) |
| **Total deferred tax recognised in the statement of comprehensive income** | 3 | (25) |

Deferred tax assets of $28 million and $122 million (2023: $28 million and $125 million) relating to tax losses for the policyholder base and the shareholder base respectively have been recognised on the basis that future taxable profits will be available against which the unused tax losses will be utilised. The timeframe for utilising these losses is estimated to be 14 to 17 years (2023: 15 to 18 years).

For the policyholder base, the deferred tax asset has arisen due to investment losses that are not expected to recur to the same extent. For the shareholder base, the deferred tax asset has arisen due to investment losses, expenses incurred in generating new business and one-off project costs that are not expected to recur to the same extent and the valuation of life financial reinsurance. The key assumption in the assessment of future taxable profits is that the Group will generate income and incur expenditure in line with the strategic plan and financial forecasts. Any reasonable deviation from the financial forecasts is not expected to materially impact the timeframe within which the deferred tax asset is expected to be progressively utilised. However, any material adverse deviation from the financial forecasts (for example, further prolonged investment losses and significant variations in new business assumptions) could impact the timeframe within which it is expected to be progressively utilised.

## 17 Trade and Other Payables

| **As at 31 December**<br>$ millions | Note | **2024** | **2023** |
|---|---|---|---|
| Expense creditors | | 32 | 33 |
| Employee benefits | | 23 | 18 |
| Provisions | | 1 | 1 |
| Amounts due to related parties | 21 | 1 | 3 |
| **Total trade and other payables** | | 57 | 55 |

As at 31 December 2024, $34 million of trade and other payables have an expected settlement date of less than 12 months (2023: $37 million). A maturity analysis of current and non-current financial liabilities is presented in note 25.

## 18 Investment Contract Liabilities

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| Balance at the beginning of the period | 499 | 514 |
| Net investment return | 60 | 55 |
| Investment contract fees | (9) | (11) |
| Decrease in deferred fee income reserve recognised in the income statement | (3) | (1) |
| Contributions received | 10 | 12 |
| Benefits paid | (71) | (70) |
| **Total investment contract liabilities** | 486 | 499 |

The maturity value of investment contract liabilities is determined by the fair value of the linked assets at maturity date. Refer to note 25 for a contractual maturity analysis of investment contract liabilities.

## 19 Share Capital and Reserves

### Issued Ordinary Share Capital

| **As at 31 December**<br>$ millions | **2024** | **2023** |
|---|---|---|
| Balance at end of period | 863 | 863 |

As at 31 December 2024, share capital includes 248,217,572 ordinary shares (2023: 248,217,572).

All ordinary shares are fully paid and have no par value. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

A dividend of $10 million was paid during the year ended 31 December 2024, at $0.04 per share (2023: no dividends).

### Reserves

#### Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of fixed interest securities measured at FVOCI held at the end of the reporting period plus the related loss allowance recognised in profit or loss until the assets are derecognised.

#### Insurance Finance Reserve

The insurance finance reserve comprises the cumulative insurance finance income or expenses recognised in other comprehensive income.

## 20 Capital Management

The objectives of the Group with regard to the management of capital adequacy are:

- maintain a level of target solvency margin which creates a buffer over minimum regulatory capital while still allowing for efficient use of capital;
- maintain a strong capital base to cover the inherent risks of the business; and
- support the future development and growth of the business to maximise shareholder value.

The Board has ultimate responsibility for managing capital and compliance with the Interim Solvency Standard 2023 (ISS) issued in accordance with Insurance (Prudential Supervision) Act 2010. The Board approves the capital management policy and minimum capital levels. Minimum capital levels are set based on maintaining a target solvency margin in excess of solvency margin requirements under the ISS.

IPSA requires that a life insurer must at all times have at least one statutory fund in respect of its life insurance business. On 1 July 2013, AIANZ established a statutory fund, the Statutory Fund No. 1. AIANZ's standalone health insurance business (which is not classified as life insurance business under IPSA) and business that does not relate to contracts of insurance are included in AIANZ's overall solvency position.

Under its licence, the RBNZ requires AIANZ to hold a solvency margin of at least $0 in the Statutory Fund and at least $0 overall as at 31 December 2024 (2023: $0 in the Statutory Fund and $0 overall).

If the Board has reasonable grounds to believe that a failure to maintain a solvency margin in either the Statutory Fund or overall is likely to occur at any time within the next three years, the likely failure must be reported to the RBNZ as soon as is reasonably practicable. Compliance with these requirements is a continuous obligation. As a minimum, calculations must be undertaken four times a year, at three monthly intervals, and reported to the RBNZ. The Group has complied with all capital requirements as set out by RBNZ for the year ended 31 December 2024.

Target solvency margin is a capital buffer held on top of regulatory requirements to ensure the likelihood of a breach of regulatory requirements is at a level consistent with AIANZ's risk appetite. The level of target solvency margin takes account of management assessments of actual risk, and forecasts and stress testing of future capital requirements. The Board approves the methodology and basis for determining target solvency margin.

The solvency position of AIANZ is as follows:

| **As at 31 December** | **2024** | | **2023** | |
|---|---|---|---|---|
| $ millions | Statutory Fund | AIANZ | Statutory Fund | AIANZ |
| Solvency capital | 770 | 980 | 807 | 1,127 |
| Adjusted prescribed solvency capital | 656 | 851 | 676 | 977 |
| **Adjusted solvency margin** | 114 | 129 | 131 | 150 |
| **Adjusted solvency ratio** | 117% | 115% | 119% | 115% |

Fitch Ratings has affirmed the Insurer Financial Strength (IFS) Rating of AIANZ at AA (Very Strong).

## 21 Related Party Transactions and Balances

### Principal Subsidiaries

AIANZ has an interest in the following entities:

| Entity Name | % | Nature of Business | Balance Date |
|---|---|---|---|
| AIA Services New Zealand Limited | 100 | Management and administration services | 31 December |
| Westside Properties Limited | 100 | Asset leasing services | 31 December |
| AIA Thrive Limited | 100 | Agency services | 31 December |
| AdviceQual Limited | 100 | Agency services | 31 December |

All entities are incorporated in New Zealand.

### Immediate and Ultimate Controlling Party

AIA Holdings Pte. Limited (domiciled in Singapore) owns 100% of AIA Sovereign Limited, AIANZ's immediate holding company. The ultimate holding company is AIA Group Limited (AIAGL), a company incorporated in Hong Kong and listed on the Hong Kong Stock Exchange.

## Directors and Key Management Personnel

Key management personnel are defined as permanent members of the executive committee. The Group has no other transactions or balances with key management personnel. The compensation paid to directors and key management personnel is predominantly in the form of short-term benefits.

| For the year ended 31 December<br>$ millions | 2024 | 2023 |
|---|---|---|
| Short-term employee benefits | 6 | 5 |
| Share-based payments | 1 | 1 |
| Directors fees | 1 | 1 |
| **Total directors and key management personnel compensation** | 8 | 7 |

| As at 31 December<br>$ millions | 2024 | 2023 |
|---|---|---|
| Provisions for short-term benefits | 2 | 1 |

## Share-Based Compensation

Information on share-based compensation is outlined in note 22.

## Transactions with Related Parties

The Group entered into transactions with its related parties in the normal course of business. All related parties listed are subsidiaries of AIAGL. The aggregate amount of income and expenses arising from transactions with related parties during the reporting period was as follows:

| For the year ended 31 December<br>$ millions | 2024 | 2023 |
|---|---|---|
| **Related Party Transactions** | | |
| **Income** | | |
| Received from AIA Reinsurance Limited for commission | 62 | 57 |
| Received from AIA Reinsurance Limited for claims recoveries | 59 | 42 |
| **Expenses** | | |
| Paid to AIA Reinsurance Limited for reinsurance premiums | 119 | 100 |
| Paid to AIA Australia Limited for service fees | 9 | 9 |
| Paid to AIA Company Limited for service fees | 5 | 6 |
| Paid to AIA Shared Services Sdn Bhd for service fees | 3 | 2 |
| Paid to AIA Shared Services (Hong Kong) Limited for Vitality administration costs | 3 | 3 |
| Paid to Amplify Health Asia Pte Limited (HK Branch) for AIA Vitality program initiatives | 2 | 2 |
| Paid to AIA Group Limited for the recharge of share based payments | - | 1 |
| Paid to AIA Company (Guangzhou) Limited for IT support services | 1 | 1 |
| Paid to AIA Company (Beijing) Limited for IT support services | 1 | - |
| Paid to AIA Company (Chengdu) Limited for IT support services | 1 | - |
| Paid to AIA IT (Malaysia) Sdn Bhd for IT support services | 2 | - |

| As at 31 December<br>$ millions | 2024 | 2023 |
|---|---|---|
| **Related Party Balances** | | |
| **Reinsurance Contract Assets and Liabilities** | | |
| Receivable from / (payable to) AIA Reinsurance Limited | 1 | 2 |
| **Liabilities** | | |
| Trade and other payables to AIA Australia Limited | 1 | - |
| Trade and other (receivables from) / payables to AIA Company Limited | (2) | 1 |
| Trade and other payables to AIA Group Limited | - | 1 |
| Trade and other payables to AIA Shared Services (HK Branch) | 1 | - |
| Trade and other payables to Amplify Health Asia Pte Limited (HK Branch) | 1 | 1 |
| | 1 | 3 |

Refer to the statement of changes in equity and note 19 for details of dividends paid to the Shareholder.

During the year ended 31 December 2024, AIANZ participated in the AIAGL's catastrophe treaty. In addition, AIANZ has in place a lower layer catastrophe treaty with AIA Reinsurance Limited. Refer note 25 under insurance risk.

## 22 Share-Based Compensation

### Share-Based Compensation Plans

During the year ended 31 December 2024 the ultimate parent, AIAGL, made grants of RSU and restricted stock purchase units (RSPU) under the RSU Scheme and ESPP, and made grants under the SO Scheme to certain employees, directors and officers of the Group.

#### Restricted Share Unit (RSU) Scheme

Under the RSU Schemes, the vesting of granted RSUs is conditional upon the eligible participants remaining in employment with the Group during the respective vesting periods. RSU grants are vested either entirely after a specific period of time or in tranches over the vesting period. If the RSU grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the respective vesting period. For most RSUs, performance conditions are also attached which include both market and non-market conditions.

RSUs subject to performance conditions are released to the participants at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares. The weighted average fair value of units granted in 2024 was HK$41.70 (2023: HK$63.37).

| **For the year ended 31 December**<br>Restricted share units (number of shares) | **2024** | **2023** |
|---|---|---|
| Outstanding at beginning of financial year | 232,936 | 244,182 |
| Granted | 119,972 | 85,336 |
| Vested or exercised | (29,298) | (41,141) |
| Transfer in | - | 8,188 |
| Transfer out | - | (3,054) |
| Forfeited or expired | (98,885) | (60,575) |
| **Outstanding at end of financial year** | 224,725 | 232,936 |

#### Employee Share Purchase Plan (ESPP)

Under the ESPPs, eligible employees of the Group can purchase ordinary shares of AIAGL with qualified employee contributions and AIAGL will grant one matching RSPU to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the relevant vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by AIASL in order to qualify to receive the matching shares upon the vesting of the matching RSPUs. The granted matching RSPUs are expected to be settled in equity. Under the 2020 ESPP, the level of qualified employee contribution is subject to a maximum amount equal to 10 per cent of the annual base salary or HK$150,000 per annum, whichever is lower. For the year ended 31 December 2024, eligible employees of the Group paid NZ$711,604 (2023: NZ$774,223) to purchase 58,666 ordinary shares (2023: 49,740 ordinary shares) of AIA.

#### Share Option (SO) Scheme

The objectives of the SO Scheme are to align eligible participants' interests with those of the AIAGL shareholders by allowing eligible participants to share in the value created at the point they exercise their options. SO grants are vested either entirely after a specific period of time or in tranches over the vesting period, during which, the eligible participants are required to remain in employment with AIASL. If the SO grants are vested in tranches, each vesting tranche is accounted for as a separate grant for the purposes of recognising the expense over the vesting period. The granted SOs expire 10 years from the date of grant and each SO entitles the eligible participant to subscribe for one ordinary share.

The range of exercise prices for the share options outstanding as of 31 December 2024 and 2023 is summarised in the following table.

| **As at 31 December** | **2024** | | **2023** | |
|---|---|---|---|---|
| Range of exercise price | Number of share options outstanding | Weighted average remaining contractual life (years) | Number of share options | Weighted average remaining contractual life (years) |
| HK$56 – HK$65 | 14,979 | 9 | - | - |
| HK$76 – HK$85 | - | - | 10,268 | 9 |
| **Outstanding at end of financial year** | 14,979 | 9 | 10,268 | 9 |

Information about share options outstanding and share options exercisable by the Group's employees and directors as at the end of the reporting period is as follows:

| For the year ended 31 December | 2024 | | 2023 | |
|---|---|---|---|---|
| Share Options | Number of share options | Weighted average exercise price (HK$) | Number of share options | Weighted average exercise price (HK$) |
| Outstanding at beginning of financial year | 35,217 | 85.52 | 24,949 | 87.48 |
| Granted | 14,979 | 62.33 | 10,268 | 80.73 |
| **Outstanding at end of financial year** | 50,196 | 78.60 | 35,217 | 85.52 |
| Share options exercisable at end of financial year | 41,658 | 79.53 | 27,577 | 85.73 |
| Weighted average remaining contractual life (years) | 8 | | 8 | |

## Valuation Methodology

AIA Group utilises a binomial lattice model to calculate the fair value of the SO grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU and ESPP grants, taking into account the terms and conditions upon which the grants were made. The price volatility is estimated on the basis of implied volatility of the AIAGL's shares which is based on an analysis of historical data since they are traded in the Hong Kong Stock Exchange. The expected life of the SOs is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the AIAGL employees. For performance-based RSUs, the simulation for achievement of market condition depends on assumptions of expected volatility of AIAGL's share and other market comparators as well as the correlations. These assumptions are estimated based on an analysis of historical data over a period consistent with the expected life of the RSUs. An allowance for forfeiture prior to vesting is not included in the valuation of the grants. The fair value calculated for SOs is inherently subjective due to the assumptions made and the limitations of the model utilised.

| For the year ended 31 December | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Share options | Restricted share units | ESPP restricted stock purchase units | Share options | Restricted share units | ESPP restricted stock purchase units |
| Risk-free interest rate | 3.67% | 3.69% | 2.54% - 3.87% | 3.19% | 3.27% | 3.16% - 4.17% |
| Volatility | 29.00% | 29.00% | N/A | 28.00% | 28.00% | N/A |
| Dividend yield | 1.70% | 1.70% | 1.80% | 1.60% | 1.60% | 1.70% |
| Weighted average fair value per option / unit at measurement date (HK$) | 78.60 | N/A | 49.79 | 85.52 | N/A | 62.08 |

The weighted average share price for granted SO valuation is HK$62.33 for the year ended 31 December 2024 (2023: HK$80.73). At the respective dates on which the SOs were exercised, the weighted average share price of AIAGL was HK$79.53 for the year ended 31 December 2024 (2023: HK$85.73).

## Recognised Compensation Cost

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme and ESPP for the year ended 31 December 2024 is NZ$1,035,806 (2023: NZ$1,243,504).

# 23 Fair Value of Financial Instruments

The Group's financial assets and financial liabilities are measured on an on-going basis either at fair value or amortised cost.

The fair value of a financial instrument is the price that would be received to sell a financial asset, or paid to transfer a financial liability, in an orderly transaction between market participants at the measurement date.

A significant number of financial instruments are carried on the statement of financial position at fair value. The best evidence of fair value is a quoted market price in an active market. Therefore, where possible, fair value is based on quoted market prices. Where a quoted market price for a financial instrument is not available, its fair value is based on present value estimates or other valuation techniques based on current market conditions. These valuation techniques rely on market observable inputs wherever possible, or in limited instances, rely on inputs which are unobservable but are reasonable assumptions based on market conditions.

There are three levels in the hierarchy of fair value measurement which are based on the inputs used to measure fair values:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities that the Group can access.
- Level 2: where quoted market prices are not available, fair values have been estimated using present value or other valuation techniques using inputs that are observable for the financial asset or financial liability, either directly or indirectly.
- Level 3: Fair values are estimated using inputs that are unobservable for the financial asset or financial liability. AIANZ has no financial instruments measured using level 3 inputs.

### Fair Value of Financial Instruments Measured at Fair Value

The following tables present an analysis by level in the fair value hierarchy of financial instruments that are recognised and measured at fair value on a recurring basis.

| $ millions | Note | Level 1 | Level 2 | Total |
|---|---|---|---|---|
| **As at 31 December 2024** | | | | |
| **Financial assets** | | | | |
| Investments | | | | |
| Fund certificates | | 58 | 564 | 622 |
| Fixed interest securities | | 947 | - | 947 |
| **Total financial assets measured at fair value** | 11 | 1,005 | 564 | 1,569 |
| **Financial liabilities** | | | | |
| Investment contract liabilities | 18 | - | 486 | 486 |
| **Total financial liabilities measured at fair value** | | - | 486 | 486 |
| **As at 31 December 2023** | | | | |
| **Financial assets** | | | | |
| Investments* | | | | |
| Fund certificates | | 58 | 560 | 618 |
| Fixed interest securities | | 986 | - | 986 |
| **Total financial assets measured at fair value** | 11 | 1,044 | 560 | 1,604 |
| **Financial liabilities** | | | | |
| Investment contract liabilities | 18 | - | 499 | 499 |
| **Total financial liabilities measured at fair value** | | - | 499 | 499 |

* Prior year disclosure for the hierarchy of fair value measurement has been restated. Investments of $118 million previously disclosed as level 2 have been updated to level 1 to reflect the fair value measurement approach used when valuing these assets.

### Fair Value of Financial Instruments Not Measured at Fair Value

The carrying value of financial instruments not measured at fair value approximates their fair value due to their short-term nature.

## 24 Categories of Financial Instruments

The following tables summarise the carrying amounts and fair values of categories of financial assets and liabilities.

| $ millions | Designated at FVTPL | FVOCI | Financial assets at amortised cost | Financial liabilities at amortised cost | Total |
|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | - | - | 41 | - | 41 |
| Other assets | - | - | 7 | - | 7 |
| Investments | 1,079 | 490 | - | - | 1,569 |
| **Total financial assets** | 1,079 | 490 | 48 | - | 1,617 |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 33 | 33 |
| Investment contract liabilities | 486 | - | - | - | 486 |
| **Total financial liabilities** | 486 | - | - | 33 | 519 |
| **As at 31 December 2023** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | - | - | 79 | - | 79 |
| Other assets | - | - | 8 | - | 8 |
| Investments | 1,111 | 493 | - | - | 1,604 |
| **Total financial assets** | 1,111 | 493 | 87 | - | 1,691 |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 36 | 36 |
| Investment contract liabilities | 499 | - | - | - | 499 |
| **Total financial liabilities** | 499 | - | - | 36 | 535 |

## 25 Risk Management Policies

### Introduction

The Group's risk function is the responsibility of the Chief Risk Officer (CRO), who reports to the Chief Executive Officer. The Group's risk management framework (RMF) provides the structure for identifying, quantifying and mitigating risk across the Group and is set by the Board through the BARC.

The CRO is responsible for the implementation of the Group's RMF and all executives have responsibility for the day-to-day management of risk across the Group. The BARC meets on a regular basis to consider financial reporting, internal control, and corporate governance issues. It reviews the annual financial statements, the activities of the internal and external auditors, and monitors the relationship between management and the external auditors.

The Group has management structures and information systems to manage individual risks. Risk initiation and monitoring tasks are separated where feasible. Periodic assessments of all risk management systems, key business processes and applications are undertaken by the internal audit function.

The Group is exposed to the following primary risks:

- operational, which includes data, technology, business operations, conduct, financial crime, legal and regulatory, reputational, horizon, policy, and climate risk; and
- financial, which includes insurance, market, and other financial risk.

Each business manager is responsible for the identification and assessment of these risks and for maintaining appropriate internal controls, and is supported by the Group's governance structures, operational risk management framework and operational risk policies.

The Group conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables such as interest rates, currency exchange rates, mortality, morbidity and inflation. The valuations included in the reported results and the Group's best estimate of future performance are calculated using certain assumptions about these variables. The movement in any key variable will impact the performance and net assets of the Group and as such represents a risk.

The sensitivity analysis in the risk categories that follow, is based on changes in economic conditions that are considered reasonably possible at the reporting date. The correlation of assumptions will have a significant effect in determining the ultimate profit impact, but to demonstrate the impact of a specific assumption change, modelling had to be done on the basis that all other assumptions were held constant.

### 25.1 Insurance Risk

Under an insurance contract the Group agrees to compensate a policyholder if a specified uncertain future event ('the insured event') adversely affects the policyholder and thereby the Group accepts significant insurance risk from the policyholder. Insurance risk is risk, other than financial risk, which is transferred from the holder of a contract to the issuer.

The Group's objectives in managing risks arising from insurance business are:

i) To ensure insurance risk is managed in accordance with the principles set out in the risk appetite statement. The risk appetite statement describes the Group's tolerance level to key risks via a set of statements and principles.
ii) To ensure that an appropriate return on capital is made in return for accepting insurance risk.
iii) To ensure that strong internal controls are embedded within the business to mitigate underwriting risk.
iv) To ensure that internal and external solvency and capital requirements are met.
v) To use reinsurance as a component of insurance risk management strategy.

Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. Variations in claim levels will affect reported profit and shareholder's equity. In addition, in the case of morbidity, the time to recovery may be longer than assumed. Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk, appropriate product design, and claims management, retaining the right to amend premiums on risk policies where appropriate and through the use of reinsurance. The experience of the Group's life insurance business is reviewed regularly.

Concentrations of insurance risk arise due to:

- Large sums assured on certain individuals.
- Geographic concentrations due to employee group schemes. During the year ended 31 December 2024, AIANZ participated in the AIAGL catastrophe treaty which provides cover of USD$215 million (2023: USD$215 million) for single event claims in excess of USD$35 million (2023: USD$35 million). In addition, AIANZ has in place a lower layer catastrophe treaty with AIA Reinsurance Limited which provides cover of USD$25 million (2023: USD$25 million) for a single event claim in excess of USD$10 million (2023: USD$10 million).
- Geographic concentrations due to a pandemic affecting lives in a certain country or region. AIANZ entered into a pandemic treaty and has $50 million (2023: $40 million) pandemic reinsurance cover in excess of an ultimate net loss of 0.17170% (2023: 0.16380%) of the mean retained net amount at risk, or $95 million (2023: $84 million) ultimate net loss in the annual aggregate for the applicable agreement year, whichever the greater.

## Terms and Conditions of Life Insurance Contracts

The nature of terms of life insurance contracts written is such that certain external variables can be identified on which related cash flows for claim payments depend. The following table provides an overview of these:

| Type of Contract | Detail of contract terms and conditions | Nature of compensation for claims | Key variables that affect the timing and uncertainty of future cash flows |
|---|---|---|---|
| Life insurance contracts with fixed and guaranteed terms (retail protection products, long-term health, group protection/corporate solutions products) | Benefits are paid on death, ill health or maturity that are fixed and guaranteed and not at the discretion of the issuer. Premiums may be guaranteed through the life of the contract, guaranteed for a specified term or variable at the insurer's discretion. | Benefits, defined by the life insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as a whole. | • Mortality<br>• Morbidity<br>• Discontinuance rates |
| Life insurance contracts with discretionary participating benefits (endowment and whole of life) | These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed. Benefits may also be augmented by capital growth bonuses, which can be added or removed at the discretion of AIANZ. | Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract. | • Mortality<br>• Morbidity<br>• Market risk<br>• Discontinuance rates<br>• Market returns on underlying assets |
| Life annuity contracts (annuities) | These policies provide guaranteed regular payments to the life assured. | The amount of the payment is set at inception of the policy. | • Longevity<br>• Market returns on underlying assets |

Classification and measurement approaches for life insurance contracts are provided in note 1.10.1.

## Sensitivity to Insurance Risk

Insurance risk is measured by using sensitivity analysis to show the effects on equity and profit. The below sensitivities are calculated based on all other assumptions remaining unchanged.

### Mortality Rates

For life insurance contracts, greater mortality rates would lead to higher levels of claims occurring sooner than anticipated, increasing associated claims cost and therefore reducing profit and shareholder's equity. This is partially offset by increased annuitant mortality which would reduce expected future annuity payments and therefore reduce life insurance contract liabilities.

### Morbidity and Termination Rates

The cost of health-related claims depends on both the incidence of policyholders becoming ill and the duration with which they remain ill. Higher than expected incidence and duration would be likely to increase claim costs, reducing profit and shareholder's equity. For Disability Income claims in payment the deterioration by 10% refers to a reduction of 10% in the claim termination rate assumptions and for Disability Income active lives the deterioration by 10% refers to an increase in expected claims cost of 10%.

### Discontinuance

The impact of the discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on performance and net assets. However, due to the interplay between the factors, there is not always an adverse outcome to profits from an increase in discontinuance rates.

### Expense

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business. Daily operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Group's very substantial experience within the markets in which we operate.

The following table illustrates the sensitivity of reported net profit or loss after tax and equity to changes in insurance risk assumptions:

| **For the year ended 31 December** | | 2024 | | 2023 | |
|---|---|---|---|---|---|
| $ millions | Changes | Change in net (loss) / profit after tax and shareholder's equity | | | |
| **Insurance risks** | | Before reinsurance | After reinsurance | Before reinsurance | After reinsurance |
| Mortality and morbidity | Increase by 10% | (16) | 4 | (14) | 4 |
| | Decrease by 10% | 16 | (5) | 14 | (5) |
| Termination rate | Increase by 10% | 11 | 4 | 10 | 4 |
| | Decrease by 10% | (12) | (4) | (11) | (4) |
| Discontinuance | Increase by 10% | 1 | 13 | - | 13 |
| | Decrease by 10% | (1) | (16) | - | (16) |
| Expenses | Increase by 10% | (3) | (3) | (2) | (2) |
| | Decrease by 10% | 3 | 3 | 2 | 2 |

### Claims Development

The disclosure required for the claims development would only be required for the Group's disability income (DI) products where the uncertainty in the timing of settlement is longer than one year. The value of LIC for DI as at 31 December 2024 under GMM was gross $355 million, or $151 million net of reinsurance (2023: $312 million, or $144 million net of reinsurance).

### Impact of Climate-Related Risks on the Group's Financial Statements

The Group has considered the potential impact of climate-related risks on its financial statements, including both physical risks and transitional risks. Claims, lapse, expense and other assumptions in the financial statements reflect historic experience and expectations of current and future experience. The Group has concluded that based on the information and methodologies currently used, climate-related risks do not have a material impact on the judgements, assumptions and estimates for the year ended 31 December 2024.

The effect of climate change represents a source of uncertainty in the medium to long term which may affect the Group’s financial statements in the future. Climate-related risks will continue to be monitored and assessed and strategies developed to mitigate the physical and transitional risks of climate change and a low-carbon future.

## 25.2 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk arises from the mismatch between assets and liabilities. The Group is exposed to market risk on diverse financial instruments including interest bearing assets, foreign currency investments and equities. For each distinct category of liabilities, a separate portfolio of assets is maintained, and investment mandates are set that are appropriate for each.

A significant proportion of assets is held for investment linked policies where market risk is transferred to the policyholder. The Group earns fees on investment linked policies that are based on the amount of assets invested and it may receive lower fees should markets fall. Asset allocation for investment linked policies is decided in accordance with the policyholders' fund selections.

Market risk arises on discretionary participation business as these contracts have investment guarantees. Risk is mitigated by using an appropriate bonus/crediting rate policy and a suitable growth/income investment allocation.

Market risk arises from investing the Group’s shareholder funds. Investment mandates are approved by the Investment Committee. As at 31 December 2024, 100% of shareholder funds were invested in fixed interest, variable interest, cash and cash equivalents (2023: 100%).

Market risk comprises the following types of risk: credit default, currency, interest rate, price and equity price, and credit spread risk.

### 25.2.1 Credit Default Risk

Credit risk is the potential risk for loss arising from failure of a counterparty to meet their contractual obligations.

Credit default risk is the risk of interest and/or principal payment not paid in full and/or not paid timely by a credit counterparty. Credit default risk principally can arise within the Group from investments of shareholder funds in cash and fixed interest securities, and reinsurer payment obligations. Note 11 provides the size of the Group’s investments in fixed interest securities where credit risk can arise.

The Group’s credit risk can also arise from third party rating downgrades which can result in partial losses in the interest and/or principal payment amounts from fixed interest securities and can result in a need to hold more regulatory capital as a result of reinsurer downgrades. Credit risk also arises from loans to agents, foreign currency contracts, and trade receivables (which are included in insurance contract liabilities and reinsurance contract assets). No collateral exists for any of the securities held by the Group. The maximum credit risk associated with each class of recognised financial asset held by the Group is the carrying value. At 31 December 2024, the maximum exposure to credit risk from insurance contracts is $25 million (2023: $19 million), which primarily relates to premiums receivable for services that the Group has already provided, and the maximum exposure to credit risk from reinsurance contracts held is $95 million (2023: $50 million)

The Group manages the credit risk inherent in its investments in corporate bonds and in its reinsurance arrangements by establishing minimum standards to ratings and by applying risk limits as documented by a set of Risk Standards where the management, escalation and monitoring of credit risk are documented. There are associated management and Board thresholds to cap the amount of credit risk taken due to investments in corporate bonds (e.g. maximum investment limits for a counterparty or a sector or maximum percentage investments in issuers below a certain rating). These are monitored regularly by the Financial Risk Committee (FRC) and any breaches are escalated to the BARC. The credit risk of downgrades is also monitored at the FRC via the use of credit watchlists.

For investment linked contracts the investment credit risk is appropriate for each particular product and the risk is borne by the policyholder. There is no significant credit risk assumed by the Group. The impact on the fair value of life investment contract liabilities due to changes in credit risk is nil (2023: nil), except to the extent that the market value of securities backing life investment contract liabilities is affected by changes in credit risk. Any such credit risk impact is reflected in the movement of securities balances during the year.

The Group monitors concentrations of credit arising from investment in fixed interest securities by type, nature and rating. The Group does not have excessive credit risk with any single issuer and no materially impaired or past due assets.

### Credit Quality of Financial Assets that are not Past Due or Impaired

#### a) Cash and Cash Equivalents

The Standard and Poor's (S&P) credit ratings for the Group's major cash holdings are:

| As at 31 December | 2024 | 2023 |
|---|---|---|
| ASB Bank Limited | AA- | AA- |
| Westpac New Zealand Limited | AA- | AA- |
| Bank of New Zealand Limited | AA- | AA- |
| Citibank NA | A+ | A+ |

Cash equivalents of $2 million held by the Group as at 31 December 2024 were issued by counterparties with an AA- S&P credit rating (2023: nil cash equivalents held).

#### b) Securities and Concentration of Credit Risk

The Group holds fixed interest securities issued by counterparties with the following S&P credit ratings:

| As at 31 December | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
|---|---|---|---|---|---|---|
| $ millions | Investment-linked* | | Non-Linked | | Total | |
| AAA | 2 | 2 | 770 | 810 | 772 | 812 |
| AA | - | - | 30 | 36 | 30 | 36 |
| AA- | - | - | 77 | 75 | 77 | 75 |
| A | - | - | 23 | 36 | 23 | 36 |
| A- | - | - | 25 | 25 | 25 | 25 |
| BBB+ | - | - | 19 | 2 | 19 | 2 |
| BBB | - | - | 1 | - | 1 | - |
| **Total fixed interest securities** | 2 | 2 | 945 | 984 | 947 | 986 |

* For investment-linked assets, the liability to policyholders is linked to the performance and value of the assets that back these liabilities. The shareholder has no direct exposure to any risk in the assets which back these liabilities.

Credit ratings are not provided for fund certificates because they are not subject to credit risk.

The greatest aggregate concentration of fair value to an individual issuer (excluding all government bonds) was approximately 3% of the total equity and debt investments as at 31 December 2024 (2023: approximately 3%).

#### c) Investment Receivables

This balance comprises outstanding sales and accrued interest. All outstanding sales have subsequently been settled. The credit ratings of counterparties for which accrued interest arises are disclosed in the table above.

#### d) Reinsurance Contracts Held

The following table sets out information about the credit quality of reinsurance contracts held which are assets:

| As at 31 December | 2024 | 2023 | 2024 | 2023 |
|---|---|---|---|---|
| $ millions | Reinsurance contract assets | | Reinsurance contract liabilities | |
| **Reinsurance contracts held that are assets** | | | | |
| AA+ | - | - | (97) | (92) |
| AA | 5 | - | - | - |
| AA- | 2 | 3 | - | - |
| A+ | 3 | - | - | - |
| A | - | 1 | - | - |
| A- | - | 2 | - | - |
| **Reinsurance contracts held that are liabilities** | - | (2) | 462 | 474 |
| **Total Reinsurance contracts held** | 10 | 4 | 365 | 382 |

## 25.2.2 Currency Risk

Currency risk is the potential gain or loss from fluctuations in the exchange rate of foreign denominated assets when converted back to NZD. The Group may choose to hedge some or all of its currency risk if it is considered favourable to do so.

## 25.2.3 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk arises from the potential for a change in interest rates to cause a fluctuation in the fair value of financial instruments and the value of life insurance contract liabilities. Interest rate risk arises from the structure and characteristics of the Group's assets, liabilities and equity, and the mismatch in cash flows of its assets and liabilities. The objective is to manage the interest rate risk to achieve stable and sustainable net profit.

For fixed interest investments held to match fixed interest style products selected by policyholders, the interest rate risk is borne by the policyholder.

Interest rate risk also arises on risk contracts where policy assets (arising from the deferral of acquisition costs) are valued at current risk-free interest rates.

Cash flow interest rate risk is the potential for a change in interest rates to change interest expense and interest income in the current year and in future years.

The Group reduces interest rate risk by seeking to match the cash flows of assets and liabilities.

Depending on the profile of the investment portfolio, the investment income of the Group will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder's equity depends on the relative profiles of assets and liabilities, to the extent that these are not matched.

## 25.2.4 Price Risk and Equity Price Risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

This risk is managed by ensuring a diverse range of investments, limits on counterparty exposure and restrictions on types of instruments.

For investment contracts and life insurance contracts with discretionary participation features, liabilities depend on the value of underlying assets. Equity price risk arising from the underlying items of participating contracts is generally borne by policyholders except to the extent of the Group's share of the performance of the underlying items. The Group derives fee income based on the value of the underlying funds; hence revenues are sensitive to changes in market value.

## 25.2.6 Credit Spread Risk

Credit spread risk can arise due to fluctuations in market values of fixed interest corporate bonds as a result of a change in the market perception of credit worthiness of a bond's issuer or in some cases resulting from a loss of confidence in the credit worthiness of a segment of the bond market. The Group manages credit spread risk as part of its management of credit risk which has been outlined under the Credit Risk section.

## 25.2.7 Sensitivity to Market Risk

Market risk is measured by using sensitivity analysis to model changes in interest rates and equity values.

Sensitivity analysis to the key variables, namely interest rate and equity prices, affecting insurance contracts and reinsurance contracts held, and financial instruments held by the Group is set out below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity to changes in interest rates and equity prices, the Group has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders.

Information is presented to illustrate the estimated impact on profits and total equity from a change in a single variable before taking into account the effects of taxation. The effects on these items are as follows:

- The effects on profit or loss are changes relating to loss components and changes in investment return, insurance finance income or expenses and foreign exchange differences that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment results and net insurance finance income or expenses.

The following tables illustrates the sensitivity of reported net profit or loss before tax and equity to changes in market risk assumptions:

| **For the year ended 31 December** | | **2024** | | **2023** | |
|---|---|---|---|---|---|
| $ millions | Changes | Impact on profit before tax | Impact on equity | Impact on profit before tax | Impact on equity |
| **Interest rate risk** | | | | | |
| Insurance contracts and reinsurance contracts held | Increase of 50 bps | 25 | 104 | 30 | 111 |
| | Decrease of 50 bps | (27) | (112) | (33) | (120) |
| Financial instruments | Increase of 50 bps | (26) | (34) | (29) | (36) |
| | Decrease of 50 bps | 28 | 37 | 31 | 39 |

| For the year ended 31 December | | 2024 | | 2023 | |
|---|---|---|---|---|---|
| $ millions | Changes | Impact on profit before tax | Impact on equity | Impact on profit before tax | Impact on equity |
| **Equity prices** | | | | | |
| Insurance contracts and reinsurance contracts held | Increase by 10% | (14) | (14) | (14) | (14) |
| | Decrease by 10% | 14 | 14 | 14 | 14 |
| Financial instruments | Increase by 10% | 14 | 14 | 13 | 13 |
| | Decrease by 10% | (14) | (14) | (13) | (13) |

## 25.3 Other Financial Risks

### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk is designed to ensure that the Group has the ability to meet its financial obligations as they fall due. The Group manages this risk by holding a pool of readily tradable investment assets and deposits on call.

#### Maturity Analysis for Liabilities

The below analysis is based on contractual undiscounted cash flows. Where the counterparty has discretion in requesting payment, liabilities have been classified according to the earliest time period in which the Group may be required to pay.

| $ millions | On Demand | Within 6 Months | Between 6 - 12 Months | Between 1 - 2 Years | Between 2 - 5 Years | Over 5 Years | Total | Carrying Value |
|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Trade and other payables | 1 | 32 | - | - | - | - | 33 | 33 |
| Investment contract liabilities | 478 | - | - | - | - | 18 | 496 | 486 |
| Lease liabilities | - | 1 | 1 | 1 | 1 | 1 | 5 | 4 |
| | 479 | 33 | 1 | 1 | 1 | 19 | 534 | 523 |
| **As at 31 December 2023** | | | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | | |
| Trade and other payables | 3 | 33 | - | - | - | - | 36 | 36 |
| Investment contract liabilities | 490 | - | - | - | - | 9 | 499 | 499 |
| Lease liabilities | - | 1 | - | 1 | 1 | 1 | 4 | 4 |
| | 493 | 34 | - | 1 | 1 | 10 | 539 | 539 |

#### Maturity Analysis for Insurance and Reinsurance Contract Liabilities (Present Value of Future Cash Flows Basis)

| $ millions | Up to 1 year | 1–2 years | 2-3 years | 3-4 years | 4-5 years | >5 years | Total |
|---|---|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | | | |
| Insurance contract liabilities measured under | 100 | 60 | 55 | 51 | 45 | 395 | 706 |
| VFA | 56 | 51 | 48 | 45 | 41 | 368 | 609 |
| GMM | 5 | 2 | 2 | 2 | 1 | 8 | 20 |
| PAA | 39 | 7 | 5 | 4 | 3 | 19 | 77 |
| Reinsurance contract liabilities measured under GMM | 22 | 30 | 28 | 26 | 25 | 234 | 365 |
| **Total net discounted cashflows** | 78 | 30 | 27 | 25 | 20 | 161 | 341 |
| **As at 31 December 2023** | | | | | | | |
| Insurance contract liabilities measured under | 105 | 65 | 58 | 53 | 49 | 411 | 741 |
| VFA | 58 | 55 | 50 | 47 | 44 | 383 | 637 |
| GMM | 4 | 3 | 3 | 2 | 2 | 8 | 22 |
| PAA | 43 | 7 | 5 | 4 | 3 | 20 | 82 |
| Reinsurance contract liabilities measured under GMM | 29 | 31 | 29 | 28 | 27 | 238 | 382 |
| **Total net discounted cashflows** | 76 | 34 | 29 | 25 | 22 | 173 | 359 |

## 26 Capital Commitments

As part of the refurbishment of AIA House at Smales Farm, the Group has committed to capital expenditure costs for new fitout, furniture and equipment. The total incurred capital expenditure as at 31 December 2024 was $16 million, which is included in plant and equipment on the statement of financial position. The remaining estimated capital expenditure in 2025 will amount to approximately $9 million.

The Group has no other material capital commitments as at 31 December 2024 (2023: nil).

## 27 Commitments and Contingent Liabilities

The Group is subject to regulation from insurance, securities, capital markets, pension, data privacy 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 legal proceedings, complaints and other actions 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.

There are no other known material contingent liabilities at reporting date (2023: Nil).

## 28 Events after the Reporting Period

There were no events subsequent to the reporting period which would materially affect the financial statements.

# Glossary

## Legal entities

| | |
|---|---|
| **AIAGL** | AIA Group Limited (the ultimate parent company listed on the Hong Kong Stock Exchange) |
| **AIA Group** | AIA Group Limited and its subsidiaries |
| **AIANZ** | AIA New Zealand Limited |
| **AIASL** | AIA Services New Zealand Limited |
| **Group** | AIA New Zealand Limited and subsidiaries |

## Other acronyms

| | |
|---|---|
| **BARC** | Board Audit and Risk Committee |
| **BCM** | Business continuity management |
| **BESG** | Board Environmental, Social and Governance Committee |
| **Board** | AIA New Zealand Board of Directors |
| **BREM** | Board or the Board Remuneration Committee |
| **CGU** | Cash generating unit |
| **CREs** | Climate reporting entities |
| **CRO** | Chief Risk Officer |
| **CSM** | Contractual service margin |
| **ECL** | Expected credit losses |
| **ESG** | Environmental, social and governance |
| **ESPP** | Employee share purchase plan |
| **FMCA** | Financial Markets Conduct Act 2013 |
| **FRC** | Financial Risk Committee |
| **FVOCI** | Fair value through other comprehensive income |
| **FVTPL** | Fair value through profit or loss |
| **GHG** | Greenhouse gas |
| **GMM** | General measurement model |
| **GST** | Goods and services tax |
| **IACF** | Insurance acquisition cash flows |
| **IASB** | International Accounting Standards Board |
| **IFRS** | International financial reporting standards |
| **IPSA** | Insurance (Prudential Supervision) Act 2010 |
| **LIC** | Liability for incurred claims |
| **LRC** | Liability for remaining coverage |
| **NZ GAAP** | Generally accepted accounting practice in New Zealand |
| **NZ IFRS** | New Zealand equivalents to international financial reporting standards |
| **PAA** | Premium allocation approach |
| **RBNZ** | Reserve Bank of New Zealand |
| **ROUA** | Right-of-use asset |
| **RSPU** | Restricted stock purchase unit |
| **RSU Scheme** | Restricted share unit scheme |
| **SO Scheme** | Share option scheme |
| **SSRF** | Sovereign staff retirement fund |
| **VFA** | Variable fee approach |
| **XRB** | External Reporting Board |

# Independent auditor’s report

To the shareholder of AIA New Zealand Limited

## Our opinion

In our opinion, the accompanying consolidated financial statements (the financial statements) of AIA New Zealand Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2024, its financial performance, and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

## What we have audited

The Group's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our capacity as auditor and assurance practitioner, our firm provides other assurance services. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business. The firm has no other relationship with, or interests in, the Group.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of insurance and reinsurance contract assets and liabilities not measured under premium allocation approach (PAA)**<br>As at 31 December 2024, the Group held:<br>● Insurance contract assets not measured under PAA: $1,318m (2023: $1,286m)<br>● Insurance contract liabilities not measured under PAA: $629m (2023: $659m)<br>● Reinsurance contract liabilities not measured under PAA: $365m (2023: $382m)<br>There is inherent complexity and significant judgement in setting actuarial assumptions and methodologies for the measurement of fulfillment cash flows and contractual service margin for insurance and reinsurance contracts not measured under PAA. Hence the valuation of these insurance and reinsurance contracts is considered a key audit matter.<br>**Fulfilment cash flows (FCF)**<br>Valuation of FCF requires:<br>● Complex valuation methodologies and the application of assumptions. Key assumptions include: mortality, morbidity, termination, persistency, rates of discontinuance, surrender values, investment return, expenses, discount rates (adjusted for an illiquidity premium to reflect the liquidity characteristics of insurance and reinsurance contracts) and an explicit risk adjustment for non-financial risk.<br>● The aggregation of groups of contracts with similar risks which are managed together, which involves determining their measurement models and cohorts, setting contract boundaries, and identifying onerous contracts.<br>**Contractual service margin (CSM)**<br>The CSM of a group of contracts represents the unearned profits that will be recognised as the Group provides and receives services under the insurance and reinsurance contracts.<br>The release of CSM, including the determination of discount rates used at initial recognition and coverage units (quantity of services provided), involves a high degree of management judgement.<br>**Insurance acquisition cash flows (IACF)**<br>The recoverability assessment over the IACF asset is a key area of judgement due to inherent complexity and the use of assumptions in the projection of future net cash flows required to recover the incurred acquisition cash flows. | Together with PwC actuarial experts we performed the following procedures:<br>**FCF**<br>In respect of the actuarial methodologies and assumptions used in the measurement of FCF, we:<br>● understood and evaluated the effectiveness of the design and, where deemed appropriate, tested the operating effectiveness of the key controls in place over: the determination of assumptions, material changes to methodologies, material model changes and the systems used in determining the cash flows and model outputs;<br>● assessed the appropriateness of the methodologies used to derive the assumptions by applying our industry knowledge and experience; and<br>● compared the assumptions used against past experience, market observable data (where available) and our experience of industry practice.<br>We tested the application of the methodologies and assumptions, on a sample basis, by:<br>● testing the implementation of the actuarial methodologies and the accuracy of the output from the actuarial models by recalculating cash flow projections of individual policies over their determined contract boundaries for insurance and reinsurance contracts;<br>● agreeing key attributes of insurance and reinsurance policy information to each underlying contract to determine the level of aggregation used for valuation purposes;<br>● assessing the profitability classification (onerous contract test) against the modelled outputs of the FCF; and<br>● testing the calculation of the subsequent measurement of the FCF and CSM release, by assessing the reasonableness of the outputs against our understanding of the relationships of key assumptions and inputs.<br>**CSM**<br>Our procedures included assessing:<br>● on a sample basis, the appropriateness of the determination of coverage units for contracts recognised during the year, evaluating them against the methodology and our understanding of the product groups;<br>● the methodology to determine the discount rates at initial recognition against market observable data and our experience of industry practice; and<br>● the release of the CSM through the allocation to coverage units in respect to the services to be |

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Data**<br>There is inherent risk associated with the completeness and accuracy of policy and claims data used in the valuation given the volume of data and changes to data required through the valuation process.<br>Refer to the following notes in the financial statements: Note 1.10 for related accounting policies, Note 2 for material accounting estimates and judgements, and Note 12 for insurance contracts and reinsurance contracts held. | provided and received against our understanding of the product groups.<br>**IACF**<br>We evaluated management's impairment assessment of the IACF asset, and tested the projection of net cash flows used in the impairment assessment against the Group's historical experience and application of assumptions.<br>**Data**<br>Our procedures included:<br>● understanding and evaluating the design and testing of the operating effectiveness of key controls in place to ensure data integrity from policy administration and claim systems, into the actuarial models; and<br>● testing, on a sample basis, the accuracy of the policy, claims and reinsurance attributes used within the actuarial models against the source systems and/or supporting documents. |
| **Operation of financial reporting information technology (IT) systems and controls**<br>The Group's operations and financial reporting processes are heavily dependent on complex IT systems, including: certain system calculations; system generated reports; and automated controls. Due to this, we consider the operation of financial reporting IT systems and controls to be a key audit matter.<br>The effective operation of IT systems and controls is dependent on the Group's IT general controls (ITGCs) environment, in particular user access maintenance and that changes to IT systems are authorised and made in an appropriate manner.<br>Complexity in the Group's IT systems also arises because the general ledger is provided information, directly and indirectly, from a number of different source systems. | Our procedures included evaluating and testing the design and operating effectiveness of certain ITGCs that are relevant to financial reporting. These procedures included testing over the significant changes which have occurred to the Group's IT environment during the year.<br>We also tested, on a sample basis, system functionality in order to assess the accuracy of certain system calculations, the generation of certain reports, and the operation of certain automated controls.<br>Where technology services were provided by a third party, we considered assurance reports from the third party's auditor on the design and operating effectiveness of controls and/or management's monitoring controls over third parties. |

## Our audit approach

### Overview


Overall group materiality: $11.6 million, which represents approximately 1% of insurance revenue.

We chose insurance revenue as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is a generally accepted benchmark for life insurers. The application of approximately 1% is based on our professional judgement, noting that it is also within the range of commonly accepted revenue related thresholds.

We selected transactions and balances to audit based on their materiality to the Group, rather than determining the scope of procedures to perform by auditing only specific subsidiaries.

As reported above, we have two key audit matters, being:

- Valuation of insurance and reinsurance contract assets and liabilities not measured under PAA
- Operation of financial reporting Information Technology (IT) systems and controls

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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 the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures, and to evaluate the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

### How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are 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 the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

This description forms part of our auditor's report.

## Who we report to

This report is made solely to the Company's shareholder. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder, for our audit work, for this report, or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Vatsana (Vasana) Vanpraseuth.

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers | Auckland
19 March 2025

# Appointed Actuary's Report

## To the Directors of AIA New Zealand Limited

This Appointed Actuary's report under Section 78 of the Insurance (Prudential Supervision) Act 2010 (Act) is prepared in respect of the financial statements of AIA New Zealand Limited (AIANZ) for the 12-month period ended 31 December 2024.

I have undertaken a review of the actuarial information contained in, and used in the preparation of, the financial statements of AIANZ (Financial Statements) as required under section 77(1) of the Act.

My review has been carried out in accordance with the Interim Solvency Standard 2023 issued by the Reserve Bank of New Zealand under section 55 of the Act (Interim Solvency Standard) and with the New Zealand Society of Actuaries' Professional Standards.

In respect of my review, I confirm as follows:

(a) I, Marco Welgemoed FNZSA, am the Appointed Actuary for AIANZ, and that I have prepared this report.

(b) The work that I have done to review the actuarial information contained in, or used in the preparation of, the Financial Statements includes a review of:
   - (i) information relating to AIANZ's calculations of premiums, claims, reserves, dividends, insurance and annuity rates, and technical provisions;
   - (ii) information relating to assessments of the probability of uncertain future events occurring and the financial implications for AIANZ if those events do occur;
   - (iii) the liability for remaining coverage, including:
     - a) central estimate of expected claims and recoveries;
     - b) allowance for policy administration and claim-handling expenses;
     - c) the contractual service margin;
     - d) a risk adjustment; and
     - e) discounting as required.
   - (iv) the liability for incurred claims, including:
     - a) central estimate of expected claims and recoveries;
     - b) allowance for claim-handling expenses;
     - c) a risk adjustment; and
     - d) discounting as required.
   - (v) the reinsurance liability for remaining coverage;
   - (vi) the reinsurance liability for incurred claims;
   - (vii) any deferred acquisition costs or deferred fee revenue relevant to the liability for remaining coverage;
   - (viii) the policyholder share of the estate for participating life business;
   - (ix) results of any tests for onerousness, as detailed in NZ IFRS 17;
   - (x) the crediting and bonus rates used for participating and investment account contracts;
   - (xi) the analysis of AIANZ's profit and the movement in the solvency margin;
   - (xii) the sensitivity of AIANZ's profit to changes in insurance and market risk assumptions;
   - (xiii) the assumptions used in the calculation of the liability for remaining coverage, the liability for incurred claims and the solvency margin and the impacts of changes in those assumptions;
   - (xiv) the methodology used to calculate the liability for remaining coverage, the liability for incurred claims and the solvency margin;
   - (xv) the consistency between NZ IFRS 17, AIANZ's valuation methodology document and the calculated liability for remaining coverage and the liability for incurred claims; and
   - (xvi) AIANZ's checks and controls over data, valuation and solvency calculation processes.

(c) I am an employee of AIA Services New Zealand Limited, a subsidiary of AIANZ. I do not have any other relationship with, or interests in, AIANZ or any of its subsidiaries apart from holding retail risk insurance policies as a customer and employee of AIANZ.

(d) I have obtained all information and explanations that I have required in order to conduct my review under section 77 of the Act.

(e) I consider that in my opinion as Appointed Actuary and from an actuarial perspective:
   - (i) the actuarial information contained in the Financial Statements has been appropriately included in those Financial Statements; and
   - (ii) the actuarial information used in the preparation of the Financial Statements has been used appropriately.

(f) I consider that, in my opinion and from an actuarial perspective, AIANZ, as at 31 December 2024, is maintaining a solvency margin that complies with that required under the Interim Solvency Standard for the purposes of section 21(2)(b) of the Act.

(g) I consider that, in my opinion and from an actuarial perspective as at 31 December 2024, AIANZ is maintaining solvency margins that comply with those required under the Interim Solvency Standard for the purposes of section 21(2)(c) of the Act.

I have prepared, dated and signed this report solely in my capacity as AIANZ's Appointed Actuary under section 76(1) of the Act. To the fullest extent permitted by law, I do not accept responsibility to anyone other than the Reserve Bank of New Zealand, AIANZ, its Board and shareholder for the contents of this report.

Marco Welgemoed

Appointed Actuary

19 March 2025

# Climate Statements for the year ended 31 December 2024

## Contents

# Introduction

The Board of Directors (Board) is pleased to present the climate statements for AIA New Zealand Limited (AIANZ) and its subsidiaries (together, the Group) for the year ended 31 December 2024.

The Group has an Environmental, Social and Governance (ESG) strategy, which has been in place since 2021 and was localised from the ESG strategy of our parent company AIA Group Limited (AIAGL or AIA Group).

We are proud to be part of the AIA Group's ESG strategy, which includes a commitment to achieve net-zero greenhouse gas (GHG) emissions by 2050 and a commitment to the Science Based Targets initiative (SBTi), a global body enabling businesses to set ambitious emission reduction targets in line with the latest climate science.

ESG is fundamental to our purpose of making a difference and supporting New Zealanders to live healthier, longer, better lives. Our ESG strategy brings together a clear program of goals, commitments and actions to deliver long-term sustainable value for our customers, our partners and our communities. It is built around five pillars:

1. **Health and Wellness**: Engaging, inspiring and delivering better health outcomes, championing financial inclusion and expanding access to quality care, producing a wider positive impact on society.
2. **Sustainable Operations**: Reducing the environmental footprint of our operations as well as incorporating ESG factors into sourcing considerations.
3. **Sustainable Investment**: Delivering long-term value by allocating capital to companies that commit to sustainable outcomes and investing for the future.
4. **People and Culture**: Empowering our people to succeed through fostering a learning environment and a diverse, inclusive and supportive culture.
5. **Effective Governance**: Ensuring that AIA continues to operate to the highest standards of business practices.

To contribute towards AIA Group's targets and to support its commitments, the Group set local near-term targets for scope 1 and 2 emission reductions, which continue to be monitored as part of our Toitū Envirocare carbonreduce certification. In 2024, we commenced Our Future Workplaces (OFW) Project, which is expected to result in a decrease in emissions in 2025, and we made further progress in transitioning our investment portfolio towards ESG-benchmarked funds.

Long-term consideration of risks and opportunities is fundamental to our business model as a life and health insurer. While we have made meaningful progress in relation to our climate commitments and climate-related disclosures, we continue to recognise that we are on a journey as best practice evolves over time, and further development of our local transition strategy for scope 3 emissions is required to meet our long-term commitment of net- zero GHG emissions by 2050.

## Basis of Preparation

AIANZ is a climate reporting entity under the Financial Markets Conduct Act 2013 (FMCA). The Group's climate statements have been prepared in accordance with the FMCA and requirements of the Aotearoa New Zealand Climate Standards (NZ CS) issued by the External Reporting Board (XRB).

In preparing this report, the Group has elected to use the following adoption provisions in NZ CS 2, which exempt us from disclosing:

- **Adoption provision 2**: Anticipated financial impacts of climate-related risks and opportunities.
- **Adoption provision 4**: A selected subset of scope 3 GHG emissions.
- **Adoption provision 5**: Comparative information for scope 3 GHG emissions.
- **Adoption provision 6**: Comparative information for metrics.
- **Adoption provision 7**: An analysis of the main trends for metrics.
- **Adoption provision 8**: Assurance of scope 3 GHG emissions.

### Important Information

These climate statements have been prepared based on information available to the Group as at 31 December 2024. They contain forward-looking statements regarding potential climate-related risks and opportunities, anticipated impacts, strategy, planning and targets. These statements reflect our current views and expectations of future events as at the date of this report. They are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the Group's control. Actual impacts, circumstances and developments may differ materially from those expressed or implied in this report. Accordingly, you should not place undue reliance on any forward-looking statements in this publication. The Group assumes no obligation to update such forward-looking statements, except as required by law.

For and on behalf of the Board

Dame Theresa Gattung
Chair of the Board
19 March 2025

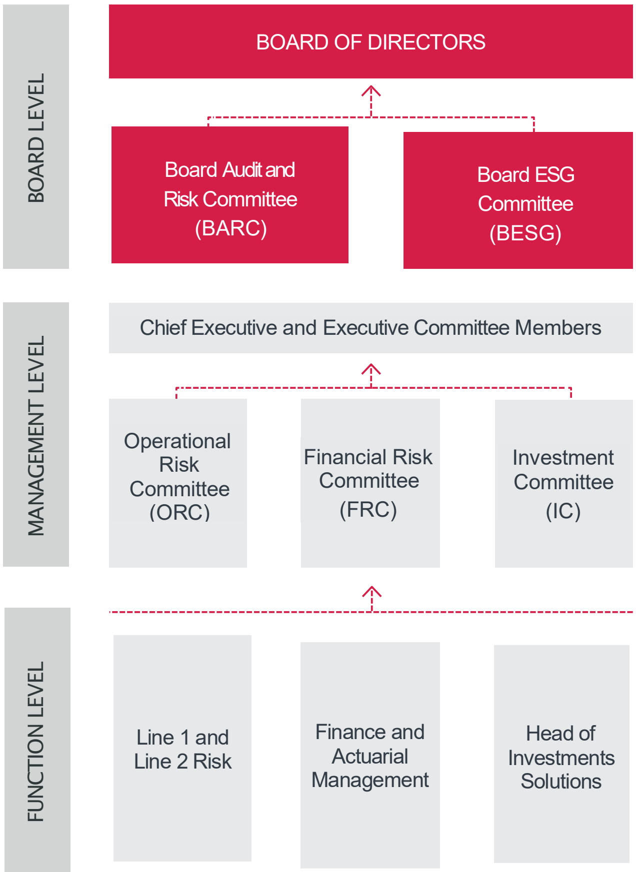
Tracey Cross
Chair of the Board Environmental, Social and Governance Committee
19 March 2025

# 1. Governance

Robust governance is the foundation for driving our climate actions. Through our governance structure, we ensure clarity, transparency and accountability for decisions made at all levels of the business.

## 1.1 Board Accountability

The Board has ultimate oversight of the Group's ESG strategy and implementation and takes a leading role in setting our overall risk appetite, including in relation to climate-related risks and opportunities.




The Board comprises directors who bring a broad range of knowledge, skills and experience to the governance of the Group. At least half of the Board are independent non-executive directors. Responsibility for climate-related matters rests with the Board collectively.

Two permanent committees assist in the execution of the Board's responsibilities for climate-related risks and opportunities: The Board ESG Committee (BESG) and the Board Audit and Risk Committee (BARC). A review is currently underway to consider streamling the committees and amalgmating the responsibilities of the BESG with responsibilites of the BARC and the Board.

The operational responsibility for managing climate-related risks and opportunities rests with the Group's management-level committees and functional bodies.

Currently, to ensure effective governance, the chair of the BESG is required to be an independent director of AIANZ. A second independent director is also a member of the BESG. The chair of the BESG coordinates with the chairs of the BARC and the Board Remuneration Committee (BREM) where necessary, ensuring that ESG and climate-related matters are discussed and considered at the Board level.

To ensure the Board collectively possesses the skills and experience necessary to make an effective Board, the BREM has adopted a Board Skills Matrix and Board Renewal Policy to assist in the review of Board composition. The Board Skills Matrix specifies the primary and secondary skills and experience that the Board should collectively possess. ESG proficiency is specified as a primary or critical skill requirement. Currently, all members of the Board are ESG proficient with proficiency levels ranging from working to in-depth knowledge and professional expert.

To support the continued development of knowledge, the Board participates in deep dive sessions focusing on a range of topics, including ESG matters. Board members also develop experience through their executive roles or their governance roles at other organisations.

The Climate-related Disclosures (CRD) Steering Committee and the Working Group that had been established in the prior year to oversee implementation of the CRD regime have been disestablished. Ongoing processes to meet climate-related reporting obligations have been embedded in the Group's statutory reporting function, with oversight by Finance and Actuarial Management[1] and support from other areas of the business as required.

[1] Finance and Actuarial Management comprises the Head of Financial Control and Tax, Head of Business Partnering, Head of Finance Governance and Strategic Projects, Chief Actuary, and Head of Capital and Appointed Actuary.

## 1.2 Board-Level Governance

The following table summarises the Board and Board Committee responsibilities for ESG, including climate-related risks and opportunities:

| Governance body | Responsibilities | Reporting line | Reporting frequency |
|---|---|---|---|
| Board of Directors | Approves risk management, compliance and control policies and procedures, and monitors and reviews their effectiveness.<br>Approves AIANZ's risk appetite, risk principles and risk tolerances.<br>Approves AIANZ's strategy and provides strategic guidance.<br>Reviews and approves climate-related reporting. | Supported by BARC and BESG. | BESG reported to the Board twice in 2024. |
| Board ESG Committee (BESG) | Assists the Board in discharging its overall responsibility for ESG strategy and climate-related reporting.<br>Endorses AIANZ's ESG strategy and positioning, as well as strategic initiatives to support implementation.<br>Evaluates and oversees AIANZ's climate-related risk assessment methodology, ESG-related policies or initiatives and ESG performance.<br>Where appropriate, recommends to the Board objectives, targets and KPIs to embed ESG considerations within AIANZ's business.<br>Ensures ESG issues are incorporated into management's governance processes and decision making. | Chaired by an independent non-executive director.<br>Discusses and escalates ESG risks to the Board (through BARC) when needed.<br>BESG reports to the Board. | There were three BESG meetings in 2024. |
| Board Audit and Risk Committee (BARC) | Assists the Board in discharging its responsibilities in relation to risk management and compliance with regulatory requirements including external reporting (which includes CRD).<br>Recommends the risk appetite, risk principles and risk tolerances to the Board for approval.<br>Oversees the risk management framework and compliance with that framework.<br>Ensures that material risks, including ESG-related risks, are identified with mitigation actions in place.<br>Ensures the quality, credibility and objectivity of regulatory disclosure. | Chaired by an independent non-executive director.<br>BARC reports to the Board. | Climate-related risks were reported to the BARC at five meetings in 2024. |

## 1.3 The Role of AIA Group

The governance bodies of our parent entity, AIAGL, have ultimate oversight of group-wide ESG-related matters, including climate-related risks and opportunities:

- **AIA Group Board:** oversees AIA Group's risk management activities including ESG and climate-related risks, implements an effective enterprise risk management framework, and monitors overall progress of climate commitments.
- **ESG Committee:** develops, monitors and supports implementation of the ESG strategy, endorses targets and key performance indicators, monitors and reviews performance of climate commitments, overseas group reporting and disclosures, provides updates to the Board and senior management.
- **Climate and Net-Zero Steering Committee:** supports AIA Group's Science Based Targets Initiative (SBTi) commitments (including robust baselining and target setting), oversees strategy and governance (including driving AIA Group's climate transition plan towards operational targets), and collaborates with the ESG Committee on key climate and net-zero decisions.
- **Group Investment Committee:** approves and oversees progress towards investment targets and engages with the Climate and Net-Zero Steering Committee and the ESG Committee.
- **ESG Function:** supports the development of ESG initiatives and coordinates the various cross-functional programmes required to carry out AIA Group's ESG Strategy.

Representatives from AIANZ maintain regular engagement with AIA Group's ESG Function to ensure alignment on ESG matters, including climate-related risks and opportunities.

## 1.4 Integrating Climate into our Strategy

Climate-related matters are integrated into the Group's strategic planning and decision making through a dedicated ESG strategy. The BESG is responsible for overseeing the development and implementation of the ESG strategy, which is closely aligned to AIA Group's ESG strategy. The way in which the five pillars of our ESG strategy contribute to the management of climate-related risks and opportunities is discussed in section 1.7.

The BESG endorses strategic initiatives and oversees their implementation, and where appropriate recommends to the Board localised ESG policies, objectives, targets and metrics to embed climate considerations within the Group's business.

The BESG reports to the Board periodically. The chair of the BESG also coordinates with the respective chairs of the Board, the BARC and BREM where necessary to help ensure that the Board and Committees have all information necessary to fulfil their respective duties and responsibilities.

## 1.5 Setting, Monitoring and Overseeing Progress Against Metrics and Targets

The Group's metrics and targets for managing climate-related risks and opportunities are primarily derived from AIA Group's ESG program, which is localised for the New Zealand business. Additional metrics and targets may be endorsed by the Board, BESG or BARC in relation to specific risks or opportunities for the New Zealand business. Management reports performance against these metrics and targets to the BESG, with BESG reporting back to the Board.

As part of a strong AIA group-wide performance management framework, incentives and remuneration must balance both financial and non-financial aspects. In delivering our ESG strategy, initiatives are assigned to relevant senior management members based on their functional portfolios. ESG goals are further cascaded to the relevant teams and individuals, which are then supported by continuous check-ins and guidance from our leaders to ensure we remain on track to deliver effectively against expectations. Where specific ESG goals are set for an individual, the achievement of these goals has a direct correlation to remuneration outcomes through the performance rating process.

## 1.6 Management Responsibility

In tandem with Board-level oversight, climate-related responsibilities have been assigned to management-level committees and positions. The following table outlines the various management committees along with their respective roles, responsibilities and reporting lines:

| Management committee | Responsibilities | Reporting line | Reporting frequency |
|---|---|---|---|
| Operational Risk Committee (ORC) | Oversees the management of operational risk, including climate-related risks, and ensures that appropriate risk policies for the management of operational risk are in place.<br><br>Reviews the adequacy and effectiveness of the operational risk management framework.<br><br>Establishes priorities and coordinates the activities to manage operational risks.<br><br>Reviews adherence to the operational risk management framework, and operational risk and compliance policies and standards.<br><br>Reports and provides information to the BARC as and when required. | Chaired by the Chief Risk Officer.<br><br>Reports to the BARC.<br><br>Coordinates with chairs of the BARC, FRC, IC and Operational and Business Risks Committee (OBRC) to help ensure that such committees have all information necessary to fulfil their duties and responsibilities. | Climate-related risks were discussed at four ORC meetings in 2024. |
| Financial Risk Committee (FRC) | Oversees the management of financial and liability risks.<br><br>Reviews the adequacy and effectiveness of, and adherence with, the risk management framework.<br><br>Reviews AIANZ's risk appetite and risk profile in relation to financial and liability risks.<br><br>Reviews, monitors and controls material risk exposures against the risk methodologies and management actions | Chaired by the Chief Financial Officer.<br><br>Reports to BARC.<br><br>Coordinates with chairs of the BARC, IC and ORC to help ensure that such committees have all information necessary to fulfil their duties and responsibilities. | Climate-related risks were discussed at four FRC meetings in 2024. No material climate-related risks were raised. |
| Investment Committee (IC) | Responsible for implementing the AIA Group Investment Governance Framework (IGF) standards.<br><br>Approves, maintains and monitors investment policies, portfolio mandates and investment procedures.<br><br>Reviews and approves ESG-related investment requirements set out in the IGF standards. | Chaired by the Chief Product and Strategy Officer.<br><br>Reports to the Chief Executive Officer and coordinates with chairs of the FRC and ORC to ensure that such committees have all information necessary to fulfil their duties and responsibilities. | Quarterly meetings include an ESG update as a standing agenda item. |

## 1.7 Management-level Positions

In delivering the Group's ESG strategy, responsibilities including the management of climate-related risks and opportunities are assigned to relevant senior management members based on their function or functional portfolio.

The Group's ESG function is the responsibility of General Counsel, who reports to the Chief Executive Officer.

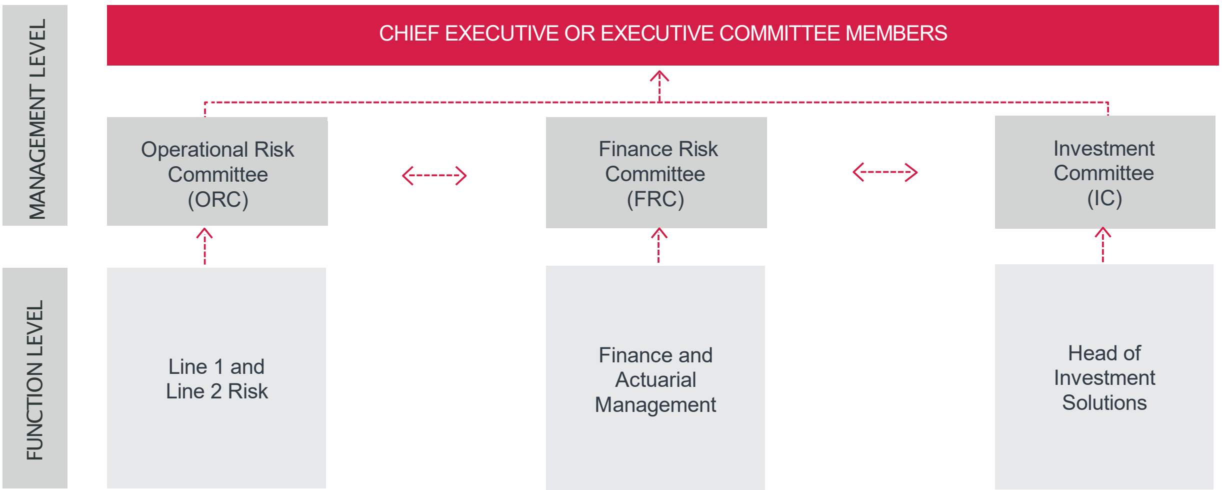
The Executive Committee leads the Group's ESG strategy, in line with the AIA Group's ESG strategy across five pillars, which contribute to management of climate-related risks and opportunities through:

1. **Health and Wellbeing**, led by the Chief Customer Officer, engaging communities to improve their physical, mental and environmental wellbeing.
2. **Sustainable Operations**, led by the Chief Financial Officer, improving the environmental performance of our operations.
3. **Sustainable Investment**, led by the Chief Product and Strategy Officer, incorporating ESG into investment decision-making and allocating capital to companies that commit to sustainable outcomes and reducing the risk of stranded assets in a future low-carbon economy.
4. **People and Culture**, led by the Chief People and Culture Officer, supporting employees and ways of working.
5. **Effective Governance**, led by the Chief Risk Officer, ensuring that we operate to the highest standard of business practice.

Line 1 Risk, supported by Line 2 Risk, identify, monitor and manage risks including climate-related risks, as described in section 3.0. Risk management updates are presented to the ORC and FRC by the Chief Risk Officer quarterly.

Finance and actuarial management also provide input to quarterly reports presented to the FRC by the Chief Financial Officer.

The Head of Investment Solutions manages the investment strategy in line with ESG-related investment requirements set out in the AIA Group IGF standards.



# 2. Strategy

During the past few decades, New Zealand has experienced an unprecedented increase in surface air temperature with its related adverse weather events, posing a threat to its social and economic stability.

## 2.1 Current Climate-related Impacts

In 2024, the Group experienced no material climate-related physical or transition impacts.

In 2023, the flooding experienced in Auckland and Northland, as well as Cyclone Gabrielle which impacted much of the North Island including the Hawkes Bay, highlighted New Zealand's vulnerability to extreme weather events. Widespread damage impacted infrastructure and supply chains, which came with a high economic impact from both disaster recovery costs and lost productivity. As a business, the Group experienced relatively minor disruption to operations and was able to provide support to staff and customers affected by the events. The financial impact was not material.

We continued to monitor the impacts of the 2023 weather events throughout 2024 and there were no further material financial impacts. Although the Group experienced an increase in medical claims in 2024, that increase is not related to climate impacts.

## 2.2 Scenario Analysis

The Group has reviewed emerging trends and information released since the development of our scenarios and concluded that there has been no material change.

The Group undertook stand-alone scenario analysis in the prior year to assess our risks and opportunities under varying climate warming and transition trajectories and the timeframes shown, which aligned with those used by AIA Group.

**AIANZ Timeframes**

| | | |
|---|---|---|
| Short | 0 to 3 years | Aligns with strategic planning period. |
| Medium | 3 to 10 years | Aligns with capital management of risk insurance products, near-term science-based targets for emission reduction and our global ambition to engage a billion people to live Healthier, Longer, Better Lives by 2030. |
| Long | 10 to 30 years | Aligns with Net-Zero Commitment and the long-term nature of AIANZ's life insurance business. |

The graphic adopted from the Network for Greening the Financial System (NGFS) depicts the relative magnitude of transition and physical risks under the scenarios.

## 2.3 The Climate Scenarios Used

The following table summarises the sources of data used in construction of our scenarios:

| | Sources of data | Net-Zero 2050 (Orderly) | Delayed Transition (Disorderly) | Current Policies (Hothouse) |
|---|---|---|---|---|
| Global climate and socioeconomic parameters | Intergovernmental Panel on Climate Change (IPCC) Shared Socioeconomic Pathway (SSP) | SSP1-1.9 | SSP1-1.9 | SSP5-8.5 |
| Global energy and emission pathway parameters | Network for Greening the Financial System (NGFS) | NGFS Net Zero 2050 (1.5°C) | NGFS Delayed Transition (1.8°C) | NGFS Current Policies (>3°C) |
| NZ physical impact parameters | National Institute of Water and Atmospheric Research (NIWA) Representative Concentration Pathway (RCP) | NIWA RCP2.6 | NIWA RCP2.6 | NIWA RCP8.5 |
| NZ transition impact parameters | Climate Change Commission (CCC) | CCC Tailwinds | CCC Headwinds | CCC Current Policy Reference |
| Rationale for selection | | Meets NZ CS requirement for a 1.5°C aligned scenario. Aligned with AIA Group scenario. Aligned with Financial Services Council of New Zealand (FSC) scenario. Explores highest transition risk and opportunities over short timeframe. | Aligned with AIA Group scenario. Aligned with FSC scenario. Explores highest transition risk over medium timeframe | Meets NZ CS requirement for a greater than 3°C aligned scenario. Aligned with AIA Group scenario. Aligned with FSC scenario. Explores highest physical risk. |

## 2.4 How the Scenario Analysis was Conducted

Stand-alone scenario analysis was undertaken in the prior year to understand how the business could be impacted by climate change. The internally developed scenarios were crossed-checked for consistency against FSC industry scenarios and developed by aligning all sources of data with reference to the XRB guidance. Summaries of the scenarios were produced outlining key physical and socioeconomic impacts both globally and for New Zealand.

The scenarios have been reviewed and have not materially changed. The overall findings were presented to the FRC for discussion and endorsement before approval by the Board.

The reviewed scenarios have been used to identify potential climate-related risks and opportunities under different conditions. Based on this analysis, there are no material financial impacts to include in the financial statements for the year ended 31 December 2024.

## 2.5 Net-Zero 2050 (Orderly) Scenario

This scenario assumes there is immediate stringent policy action and innovation to limit global warming. $CO_2$ removal is used to accelerate decarbonisation but is kept in line with sustainable levels of bioenergy production.

### NZ Physical Impacts

Beyond the climate change already experienced by 2024, there are further limited increases in both temperature and extreme events with the changes levelling off around mid-century.

### NZ Transition Impacts

There is rapid electrification of transport, starting with light vehicles and buses but widening to include trucks and some domestic aviation with over 90% of light passenger vehicles electrified and transport emissions close to zero by 2050. There is also a significant increase in cycling and walking, increased use of public transport and working from home.

Buildings are more thermally efficient and domestic heating and cooking gradually switches away from fossil fuels between 2025-2050.

Overtime, the reduction in transport emissions reduces air pollution and this, combined with healthier, drier homes and increased physical activity, results in improvements to the health of the New Zealand population. Due to socioeconomic differences, impacts to the insured population may be less than those for the New Zealand population.

Industry decarbonises where possible, increasing the demand on electricity. There is a shift to a more circular economy with an increased waste economy and 50% of forestry waste repurposed to biomass for production heat. Steel production switches to green hydrogen technology by 2040 but technologies are not available to convert some sectors such as cement production.

There is a shift from exotic forestry towards native forestry, providing capacity for a long-term carbon sink and benefiting the natural ecosystem. Improved farm management practices, as well as technologic developments (such as low emissions breeding and methane inhibitors) reduce emissions intensity enabling similar production levels for meat and dairy despite lower stocking levels and conversion of land to horticulture and forestry.

There are short-term costs to the economy but gains over the longer term largely offset the cost of transition. The toll is highest on those that live in remote areas and older workers, while younger workers gain from the transition.

## 2.6 Delayed Transition (Disorderly) Scenario

This scenario assumes that annual emissions do not decrease until 2030 and strong policies are introduced to limit warming to below 2°C.

Climate policies and the level of actions vary widely across countries and regions with limited $CO_2$ removal. As a result, emissions exceed the carbon budget temporarily and subsequently decline faster than in other scenarios.

### NZ Physical Impacts

The delayed action results in the temperature rise and extreme events continuing for longer (until 2050) However, longer term impacts are curbed with the temperature peaking above that for orderly but slowly reverting in the second half of the century.

### NZ Transition Impacts

Transition activities are similar to those under orderly, albeit delayed, and there is a higher cost to the economy with the more abrupt changes providing less time for businesses and individuals to adapt.

Over the medium-term there are significant impacts on both the economy and mental health due to more rapid, less telegraphed changes. Over the longer term, physical health improves from the same drivers as the orderly transition.

There is less technological advancement in this scenario, and steel production remains carbon intensive with agricultural gains also lower than in the orderly scenario.

There is also less of a transition between exotic and native forestry over the next few decades.

## 2.7 Current Policies (Hothouse) Scenario

This scenario assumes the continuation of any currently implemented climate policies and no further action. There is slow technology uptake and low $CO_2$ removal, with emissions growing until 2080 leading to 3˚C of warming and severe physical risks.

### NZ Physical Impacts

The mean temperature continues to rapidly increase. The amount of warming is highest over the north-eastern North Island and most prominent in spring and summer. Variability in temperatures also increases.

In the north (Northland, Auckland, Bay of Plenty) the number of hot days approximately doubles by 2040.

Changes in rainfall start impacting by 2040, with regional rainfall likely to increase in some parts of the west through winter and spring (particularly in the South Island), while rainfall may decrease in the north and east.

Changes in precipitation extremes generally follow the regional changes in rainfall. Meanwhile, a consistent increase in drought risk is seen over much of the North Island, with strongest changes over northern and eastern regions, and north-eastern and central South Island east of the main divide.

There is a moderate increase in physical health risks over time from extreme events, water supplies, vector-borne and zoonotic diseases. Mental health is highly impacted through lack of social cohesion, displacement of individuals, families, and communities.

There are major economic impacts from lost productivity and the cost of disaster relief. This is compounded by global financial system instability along with supply chain and distribution network disruptions.

### NZ Transition Impacts

Under this scenario, actions already committed to continue, including closure of the methanol plant and aluminium smelter as well as a slow growth in electric vehicles and new renewable generation.

However, technological advances are limited and there is significant reliance on exotic forestry to help with meeting emission targets to 2050 at a cost of reduced pastureland for sheep and beef farming.

## 2.8 Relative Timing and Sizing of Risks under the Three Different Scenarios

Under all scenarios, New Zealand is less directly impacted by physical climate change than most countries, benefitting from its latitude and ocean cooling. However, global health impacts such as increasing incidence of zoonotic and vector borne disease as well as pandemic risk and global socioeconomic effects have a flow-on impact on the New Zealand population and economy.

### Net-Zero 2050

In this scenario, there is immediate global policy action and innovation, limiting the degree of physical climate change over the next 30 years. The orderly transition supports affected sectors and individuals, reducing negative transition impacts. Behavioural change is also more pronounced, increasing benefits such as health improvements from active transport.

### Delayed Transition

In this scenario, physical climate change also levels off due to stringent policy action. However, negative transition impacts are exacerbated with many industries and individuals finding it challenging to adapt to the pace of change as governments push through changes in regulation to limit warming to below 2°C.

### Current Policy Scenario

In this scenario, climate change continues to increase to 2050 and accelerate thereafter with significant climate adaptation action taking place. Only transition activities already committed to take place, minimising transition risk.

## 2.9 Climate Related Risks and Opportunities

The following table summarises the potential climate-related risks and opportunities over the short, medium and long term that the Group has identified through its scenario analysis, including how those impact on internal capital deployment and funding decision-making:

| Driver of change | Risk | Manifestation of risk / opportunity | Risks and opportunities for the Group | | | | Impact on strategy (capital deployment or funding) |
|---|---|---|---|---|---|---|---|
| | | | Operations | Insurance and reinsurance | Investments | Reputation and regulatory | |
| Physical risks and opportunities | Environment - acute | Local increase in extreme weather events (flood, cyclone) | Business disruption | Morbidity<br>Mortality<br>Lapse and sales<br>Pandemic and catastrophe<br>Reinsurance availability | Asset values<br>Market volatility<br>Market liquidity | Customers in vulnerable circumstances | Migration of data to the AIA managed Cloud increasing business resilience |
| | Environment - chronic | Local managed retreat and lack of social cohesion worsens mental health<br><br>Global increasing prevalence of disease<br><br>Global socioeconomic impacts (lost productivity, disaster relief, financial system instability) and supply chain disruption | | | | | |
| | Opportunity | AIA Vitality supports customers' health | Mortality, morbidity, lapse and sales | | | | |
| Transition risks and opportunities | Social | Local economic transition worsens mental health particularly for customers in impacted sectors/regions | Talent acquisition and retention | Morbidity<br>Lapse and sales<br>Expense | Asset values<br>Market volatility<br>Market liquidity | Customers in vulnerable circumstances | Decarbonisation of operations and portfolio |
| | Political / economic | Global economic transition increases inflation<br><br>Global disruption of investment markets | | | | | |
| | Opportunity | Improvements in population health from lower transport emissions, healthier drier buildings | Mortality, morbidity | | | | |
| | | AIA Vitality supports customers' health | Mortality, morbidity, lapse and sales | | | | |
| | | Market leadership in climate transition | Lapse and sales, expense, asset values | | | | |
| Liability risk | Reputation / regulatory | Increased local regulatory change and societal expectations of climate action | | Lapse and sales<br>Expense | | Regulatory compliance<br>Public perception | |

## 2.10 Our Business Model

The Group aims to meet the long-term wealth protection and management needs of individuals by offering a range of products and services, including life and health insurance as well as management of our legacy suite of investment and participating products. The Group's main distribution channels are through intermediaries. As a life and health insurer, long-term risks and opportunities are fundamental to our business. The operational, insurance, investment and reputational risks noted in section 2.9 are part of our risk landscape and are monitored and managed through product design and pricing, underwriting criteria, financial reporting and the use of reinsurance.

Climate change could potentially change the size or nature of these risks and opportunities for our business. Climate-related risks and opportunities will continue to be monitored and assessed, and strategies developed which seek to mitigate the physical, transitional and liability risks and make the most of opportunities presented by climate change and the transition to a low-carbon future.

## 2.11 Anticipated Impacts[2]

In reflecting on anticipated impacts, we have considered which risks and opportunities are likely to be present across all scenarios. We have also considered impacts under the "Current Policies" scenario over the short term. Through monitoring of trends and emerging risk, the Group can adapt its strategy if there is a shift to a more rapid climate transition pathway.

If action is not taken to address climate change, physical health risk is likely to increase over coming decades from increasing weather events and the increasing prevalence of disease both locally and globally (which will impact availability and cost of reinsurance). Mental health is also likely to be impacted through lack of social cohesion and displacement of families and communities through managed retreat. This has a flow-on impact on customer vulnerability.

These deteriorations in health are likely to reduce product profitability across the New Zealand life insurance industry. Any actions taken to manage the higher risk through pricing and/or policy terms and conditions will impact on insurance affordability or appeal, which would then lead to market contraction. Our flagship AIA Vitality offering is a science-backed health and wellbeing programme that provides the guidance, tools, and rewards to support our customers and staff in improving their health. We expect this to soften the health impacts on our customers while also increasing the relative value and appeal of AIA NZ products in the market.

The Group has committed to pursuing decarbonisation of its operations and investment portfolio and takes a proactive approach to reduce the transition market risk of falls in asset values or stranded assets.

Claims, lapse, expense and other assumptions in the financial statements reflect historic experience and expectations of current and future experience. The Group has considered the potential impact of physical and transition climate-related matters on its financial statements. The Group has concluded that based on the information and methodologies currently used, climate-related risks and opportunities do not have a material impact on the judgements, assumptions and estimates for the year ended 31 December 2024.

The effect of climate change represents a source of uncertainty in the medium to long term, which may affect the Group's financial statements in the future.

## 2.12 Our Climate Change Strategy

AIA Group's ESG strategy sets forth a long-term programme including the identification, assessment and management of climate risks and opportunities. In 2021, AIA Group committed to net-zero GHG emissions by 2050. In 2023, it became the first pan-Asian life and health insurer to have its near-term targets validated by SBTi and also published its first climate transition plan.

The Group has developed a localised ESG Strategy which is closely aligned with AIA Group's strategy incorporating climate-related matters as noted in section 1.7. This approach has paved the way for sustainability initiatives, climate commitments and improving the environmental performance of our operations and investments.

In 2022, the Group set local near-term targets for scope 1 and 2 emission reductions with guidance from Toitū Envirocare. These are monitored as part of Toitū Envirocare carbonreduce certification. However, we acknowledge that further development of our transition strategy for scope 3 emissions is required to meet our long-term commitment of net-zero GHG emissions by 2050.

## 2.13 Alignment of Transition Plan with Capital Deployment and Funding Decision-making Process

The Group's strategic asset allocation takes into consideration the nature of the liabilities to be matched and the capital charges under the Interim Solvency Standard 2023, resulting in a significant proportion of assets being held in New Zealand Government Bonds. Capital, beyond target surplus levels, is returned to AIA Group to promote the efficient use of capital.

[2] The Group has elected to apply adoption provision 2 of NZ CS 2, which provides an exemption from disclosing the anticipated financial impacts of climate-related risks and opportunities and the time horizons over which these could reasonably be expected to occur.

The following table outlines our initiatives targeting reductions in emissions for both operations and investments and progress to date:

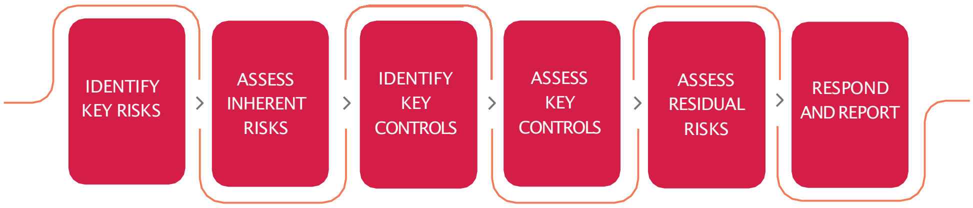
| | Decarbonisation of our operations | Decarbonisation of our investment portfolio |
|---|---|---|
| Commit | Committing to net-zero GHG emissions and SBTi by setting targets under the SBTi methodology. | Committing to net-zero GHG emissions and SBTi by setting targets under the SBTi methodology. |
| Assess | As part of our commitment to net-zero by 2050 and to the SBTi, we have measured our baseline emissions from our operations and set demonstrably robust targets to reduce scope 1 and 2 GHG emissions in line with the SBTi methodology.<br><br>This involved evaluating the levers available in relation to our premises and our corporate vehicle fleet to help us achieve our commitments.<br><br>There has also been a focus on digitalisation, with budget allocated to technology, data and analytics projects. | Embedding and explicitly considering ESG factors, including climate change, as part of our bottom-up investment decision making process.<br><br>We assessed the ESG impact of our general account (shareholder) direct fixed income investments and implemented an exclusion for companies that engage directly in coal mining and coal-fired power generation.<br><br>We are committed to considering ESG factors for all our unit-linked portfolios. We have continued to work with our fund management provider to transition our existing investments to track ESG benchmarks, including global equities, NZ equities, emerging market equities, US equities, European equities and Australian equities. |
| Transform | Through the actions outlined above, the aim is to activate the viable levers across our premises and our corporate vehicle fleet in order to decarbonise and meet our near-term targets for scope 1 and 2 emissions as noted under section 4.4.<br><br>The Group's OFW Project is delivering a refurbished head office for our main leased building. This is expected to result in a decrease in emissions in 2025 with the removal of natural gas, and other sustainability upgrades, as well as reducing the building footprint.<br><br>The Group's project to digitalise customer communications in a phased approach is expected to decrease net emissions from 2025 due to the reduction in paper, printing and postage, after taking into account an expected increase in emissions from our digital footprint. | Where plausible, collective investment schemes are being transitioned to align to sustainability benchmarks; all apply exclusions for United Nations violations.<br><br>Non-Linked global equities are invested in the Betashares Global Sustainability Leaders Fund (currency hedged and unhedged), the Betashares Australian Sustainability Leaders Fund and the Betashares NZ Sustainability Leaders Fund. The objective of these funds is to track the performance of indices (before fees and expenses) that include a portfolio of stocks that have passed Betashares' positive screens as well as negative screening to exclude companies with direct or significant exposure to fossil fuels or which engage in activities deemed inconsistent with responsible investment considerations.<br><br>Work is underway to transition the remainder of the equities portfolio to ESG benchmarked funds where available.<br><br>Further embedding the consideration of ESG factors in our bottom-up investment process in relation to our investment portfolio, which has resulted in favouring renewable energy producers and green bonds where available.<br><br>Developing open and transparent climate-related disclosures including ongoing progress on our commitments.<br><br>Working with Smartshares to align our NZ equities exposure to the SandP/NZX 50 ESG Tilted 15/40 Capped Index. |

# 3. Risk Management

At AIANZ, climate-related risks are integrated into our risk management framework. Climate-related risks are managed as a transverse risk within the Group's risk management framework. Risks are reported within the business area where the risk is realised, as well as collated for monitoring and reporting as climate risk.

## 3.1 Risk Identification, Assessment and Management

The Group's primary mechanism for identifying, assessing, and controlling risk is the Risk and Control Assessment (RCA).




The RCA is a forward-looking process involving business subject matter experts, which is used to understand risks and considers the full Group's value chain including third parties, internal processes, people, systems, and external events and trends. To ensure a comprehensive and robust approach, the overall RCA is comprised of a high-level top-down assessment at the enterprise level that is supported and validated by a detailed bottom-up assessment at the functional level.

Current risks are further assessed according to the Group's likelihood and impact criteria, while emerging and longer-term risks are monitored and assessed if or as they become current. Climate-related risks are mapped to the Group's risk landscape, respective Executive owners, and prioritised in the same manner as other risks, and where required additional management action is undertaken. Oversight of the risk assessments and any actions undertaken is provided by the Board and management level governance bodies described in section 1.

The Group has a risk management framework, which is made up of the systems, policies, people and processes. The Group has adopted the three lines of defence model, which defines key risk management roles within its business.

Each RCA is performed annually or more frequently upon the identification of a trigger event such as a change in the internal or external operating environment.

| Three lines of defence | Role | Responsibility |
|---|---|---|
| First line | Executive Management | Work together to ensure ESG-related risks are anticipated and managed, regardless of the ownership over any specific ESG issue. |
| Second line | Risk and Compliance | |
| Third line | Internal Audit | Internal review of risk management. |

# 4. Metrics and Targets

We have been measuring our emissions since 2021 through Toitū Envirocare carbonreduce certification. We are confident that we will meet our scope 1 and scope 2 near-term targets through the levers identified but recognise that more work is needed to monitor and reduce our scope 3 emissions.

## 4.1 Energy and Emissions[3]

In 2024, the Group's total gross emissions were 1,676 tCO2e (tonnes of carbon dioxide equivalent) (2023: 1,530 tCO2e):

| GHG emissions | 2024[4] | 2023 | Leading source of emissions |
|---|---|---|---|
| Scope 1 | 122 tCO2e | 128 tCO2e | Fuel emissions from our leased vehicle fleet |
| Scope 2 | 54 tCO2e | 263 tCO2e | Electricity usage and gas heating at our offices |
| Scope 3 | 1,500 tCO2e | 1,139 tCO2e | Primarily air travel and employee commuter emissions |
| Operational emissions intensity per employee | 2.27 tCO2e per employee | 1.94 tCO2e per employee | |

Our emissions are primarily derived from the resources and materials that we consume. Refer to Appendix 1 for a detailed summary of our emission sources and measurement methodologies, including assumptions and limitations.

## 4.2 Emission Measurement

All purchased and generated energy emissions are dual reported using both the location-based method and market-based method. The Group's GHG emissions have been measured in accordance with ISO 14064-1:2018 and the GHG protocol.

An operational control consolidation approach was selected.

We utilise Toitū's Emanage software to calculate our emissions. The sources of emission factors and associated Global Warming Potential (GWP) rates for material emissions (excluding fuel emissions) were based on the Ministry for the Environment's measuring emissions guide for organisations (2023 and 2024). The Department for Business, Energy and Industrial Strategy (BEIS) 2024 conversion factors for company reporting, and Turner et al. (2015) greenhouse gas emission factors for recycling of source-segregated waste materials was used for some non-material emissions.

Fuel emissions were pre-calculated by our third-party fleet management company based on the vehicle manufacturers' fuel efficiency ratings for each make/model, fuel type and consumption during the reporting period.

The main data limitations and sources of uncertainty were reliance on third-party supplier reports and estimation of emissions based on proxy data where actual data was not available. The most significant estimate relates to electricity and purchased heat emissions, which account for approximately 46% of scope 2 emissions.

As part of our Toitū carbonreduce certification, we carried out significance screening based on 2023 spend. The following sources of scope 3 emissions were identified as relevant to our business but were excluded due to lack of available data on emissions.

1. Data and software services
2. Consultancy services
3. Advertising and sales
4. Events and entertainment

Emissions from downstream distribution channels and financed emissions were also excluded from 2024 reporting and are likely to significantly increase our scope 3 emissions once included from 2025 onward.

[3] The Group has elected to apply adoption provision 4 of NZ CS 2, which provides an exemption from disclosing scope 3 GHG emissions in its second reporting period. The Group has chosen to disclose a subset of scope 3 emissions, with excluded sources outlined in 4.2. It has also elected to apply adoption provisions 5, 6 and 7 of NZ CS 2, which provide an exemption from disclosing comparative information for the preceding two reporting periods and an analysis of the main trends evident from a comparison of each metric reported in previous periods.

[4] For 2024, PwC performed limited assurance in relation to scope 1 and 2 emissions as set out in their Assurance Practitioner's report. No assurance has been performed in relation to the comparatives.

## 4.3 Risk and Opportunity Metrics[5]

### Risk Metrics

The most material impacts identified from transition risk are mental health impacts on our claims experience (which mainly effects our disability income portfolio, representing 10% of annual premium income), as well as impacts on our investment portfolio.

The most material impacts identified from physical risk are longer-term health impacts on our claims experience (which impacts across all protection products), as well as impacts on our operations and investment portfolio. The effect of climate change represents a source of uncertainty in the medium to long term.

### Opportunity Metrics

The improvement in health that may come about through transition activity would impact across all protection products. Over 68,000 (2023: 55,000) customers currently have AIA Vitality. The number has been steadily increasing with a continued focus as part of our AIA One Billion initiative for supporting healthier, longer, better lives.

### Capital Expenditure and Investments

The spend on projects associated with climate-related risks and opportunities for the year ended 31 December 2024 was $15.4 million (2023: $11.5 million). The Group did not apply an internal emissions price in 2024 or the prior year. The Group will consider an internal carbon price as New Zealand market practice evolves as well as alignment with AIA Group.

The following table summarises the Group's investments and cash equivalents under management by ESG management category:

| | 2024 | 2023 |
|---|---|---|
| Investments and cash equivalents | $1.571 billion | $1.604 billion |
| Summarised by ESG management category: | | |
| ESG benchmarked funds | 10% | 9% |
| ESG managed through exclusions | 37% | 36% |
| Government / Local Government | 50% | 52% |
| Cash funds | 3% | 3% |

## 4.4 Actions Towards Targets

Toitū Envirocare helped us set targets grounded in science aimed at limiting the increase in global average temperature to below 1.5˚C above pre-industrial levels. We track and monitor our emissions annually.

Progress on our decarbonisation strategy is described under section 2.12. With this roadmap and the levers identified below, we have confidence we will meet our near-term target without reliance on offsets.

The Group is in the process of transitioning its fleet to hybrid vehicles to reduce fuel usage, with 75% of the total fleet at 31 December 2024 being hybrid and the remaining vehicles expected to transition at lease expiry date (with the last of these being in January 2026). In 2024, our main office was under refurbishment and when we return to the building in 2025, as well as improved efficiency, we will occupy a smaller floorspace. A project has been approved to digitalise physical customer communications including anniversary, review, arrears and lapse letters, with an expected completion date in 2025.

We recognise that further work is required in developing the Group's climate transition plan, particularly for scope 3 emissions, in order to meet our long-term targets.

### Group localisation of AIA Group SBTI and net-zero commitments

| Net-zero all category | Near-term emissions target:<br>2030: 46.2% reduction of scope 1 and 2 emissions from 2019 baseline | Long-term emissions target:<br>2050: Net-zero emissions by 2050 |
|---|---|---|
| Levers | Improve efficiency for building operations.<br>Improve efficiency for land transport (hybrid or EV vehicles to reduce petrol or diesel use).<br>Improve digitalisation (reducing paper, printing and postage).<br>Where permitted, improve levels of sustainable investments. | |

[5] The Group has elected to apply adoption provisions 6 and 7 of NZ CS 2, which provide an exemption from disclosing comparative information for the preceding two reporting periods and an analysis of the main trends evident from a comparison of each metric reported in previous periods.

# Appendix 1

| Scope | Emission type and definition | Methodology and source of emissions | Assumptions, uncertainties and limitations |
|---|---|---|---|
| Scope 1 | Emissions from fuel consumption of the Group's leased corporate vehicle fleet | Emissions pre-calculated by third-party fleet management company based on manufacturers' fuel efficiency ratings for each make/model, fuel type and consumption during the reporting period (tCO2). | Full reliance on third-party supplier information, which is assumed to be accurate and complete as there is no method of verifying the data. |
| Scope 1 | Emissions from diesel consumption of the Group's owned generator | Consumption is based on actual diesel used during the year (litres). | Diesel consumed by landlord owned generators is not included due to lack of available data. |
| Scope 2 | Emissions from purchased electricity | Consumption is based on supplier invoice data for the year where available (kWh). For sites where actual data was not available, proxy data from the landlord was used to estimate usage based on occupied floor area. | Where invoices were not received at year end, prior period invoices were used as an estimate. Proxy data from the landlord is based on the reporting period from 1 July to 30 June, which does not align with the Group's reporting period. No adjustment has been made for the difference in reporting periods. |
| Scope 2 | Emissions from purchased heat | Purchased heat is not applicable for regional sites. For applicable premises, usage is based on supplier invoice data for the year (kWh). For two sites where actual data was not available, proxy data from the landlord was used to estimate usage based on occupied floor area for one site, and estimates based on prior year actuals for a similar site (pro-rated based on occupied floor area) were used for the second site. | Where invoices were not received at year end, prior period invoices were used as an estimate. Proxy data from the landlord is based on the reporting period from 1 July to 30 June, which does not align with the Group's reporting period. No adjustment has been made for the difference in reporting periods. |
| Scope 3 | Emissions from air travel and accommodation for work-related travel | Emissions pre-calculated by third-party travel management company (tCO2). | Full reliance on third-party supplier information, which is assumed to be accurate and complete as there is no method of verifying the data. |
| Scope 3 | Emissions from rental cars for work-related travel | Consumption is based on reported mileage provided by third-party travel management company. | Uncertainly on mileage data provided by third-party travel management company. This is assumed to be accurate as there is no method of verifying the data. |
| Scope 3 | Emissions from taxis for work-related travel | Consumption is based on spend for the year. | Uncertainty on whether spend is an accurate reflection of the emissions related to taxi travel. |
| Scope 3 | Emissions from freight relating to parcels and letters delivered to customers | Emissions pre-calculated by third-party freight management company (tCO2). | Full reliance on third-party supplier information, which is assumed to be accurate and complete as there is no method of verifying the data. |
| Scope 3 | Emissions from employee travel in both private and public transport for business reasons | Based on mileage data per mode of transport (i.e. car, bus, ferry, motorcycle, rail) as well as type of fuel (km). | 2023 survey data was used on the basis that employee travel patterns have not materially changed. |

| Scope | Emission type and definition | Methodology and source of emissions | Assumptions, uncertainties and limitations |
|---|---|---|---|
| Scope 3 | Emissions from household energy use for employees working from home | Employee days calculated as average number of days working from home applied to the permanent and fixed-term employees of the Group. Consultants and contractors, as well as employees on annual leave and extended leave are not included. | Average number of days working from home is based on the Group's hybrid working policy and not actual attendance data of employees. |
| Scope 3 | Emissions from consumption of paper, including hygiene supplies | Consumption is based on actual paper volumes provided by the suppliers (kg). Where actual volumes for the current reporting period were not available, prior year data was used. | 2023 paper volumes were used (where actual data was not available) on the basis that usage patterns have not materially change. |
| Scope 3 | Emissions from water usage and treatment of wastewater | Consumption is based on supplier invoice data for the year, where available (m3). For sites where actual data was not available, proxy data from the landlord or from a similar Group site was used (based on occupied floor area). | Where invoices were not received at year end, prior period invoices were used as an estimate. Proxy data from the landlord is based on the reporting period from 1 July to 30 June, which does not align with the Group's reporting period. No adjustment has been made for the difference in reporting periods. |
| Scope 3 | Emissions from disposal of office waste (i.e. recycled, organic and landfill) | Consumption is based on supplier invoice data for the year, where available (kg). For sites where actual data was not available, proxy data from the landlord was used to estimate usage based on occupied floor area. Regional sites excluded due to lack of information. | Where invoices were not received at year end, prior period invoices were used as an estimate. Uncertainty on whether proxy data from the landlord is an accurate reflection of Group's consumption. |
| Scope 3 | Emissions from disposal of construction waste from refurbishment of the Group's main office | Consumption is based on the waste reports received from the contractors (kg). | Full reliance on third-party supplier information, which is assumed to be accurate and complete as there is no method of verifying the data. |

# Glossary

## Legal entities

| | |
|---|---|
| **AIAGL** | AIA Group Limited (the ultimate parent company listed on the Hong Kong Stock Exchange) |
| **AIA Group** | AIA Group Limited and its subsidiaries |
| **AIANZ** | AIA New Zealand Limited |
| **Group** | AIA New Zealand Limited and its subsidiaries |

## Other acronyms

| | |
|---|---|
| **BARC** | Board Audit and Risk Committee |
| **BESG** | Board Environmental, Social and Governance Committee |
| **Board** | AIA New Zealand Board of Directors |
| **BREM** | Board Remuneration Committee |
| **CCC** | Climate Change Commission |
| **CRD** | Climate-related disclosures |
| **ESG** | Environmental, social and governance |
| **FMCA** | Financial Markets Conduct Act 2013 |
| **FRC** | Financial Risk Committee |
| **FSC** | Financial Services Council of New Zealand |
| **GHG** | Greenhouse gas |
| **IC** | Investment Committee |
| **IGF** | Investment Governance Framework |
| **IPCC** | Intergovernmental Panel on Climate Change |
| **NGFS** | Network for Greening the Financial System |
| **NIWA** | National Institute of Water and Atmospheric Research |
| **NZ CS** | Aotearoa New Zealand Climate Standards issued by the External Reporting Board. |
| **NZ CS 1** | Aotearoa New Zealand Climate Standard 1, which contains requirements for each of the four thematic areas (being governance, strategy, risk management, and metrics and targets) and the assurance requirements for GHG emissions. |
| **NZ CS 2** | Aotearoa New Zealand Climate Standard 2, which provides optional adoption provisions. |
| **NZ CS 3** | Aotearoa New Zealand Climate Standard 3, which contains the principles, the underlying concepts such as materiality, and the general requirements. |
| **ORC** | Operational Risk Committee |
| **RCA** | Risk and control assessment |
| **RCP** | Representative Concentration Pathway |
| **SBTi** | Science Based Targets Initiative |
| **SSP** | Shared Socioeconomic Pathways |
| **tCO2e** | Tonnes of carbon dioxide equivalent |
| **Scope 1** | Direct GHG emissions from sources owned or controlled by the reporting entity |
| **Scope 2** | Indirect GHG emissions from the consumption of purchased electricity, heat or steam |
| **Scope 3** | Indirect GHG emissions not covered in scope 2 that occur in the value chain of the reporting entity. Scope 3 includes: purchased goods and services, capital goods, fuel and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, downstream transportation and distribution, processing of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, and investments. |
| **TDA** | Technology, data and analytics |
| **XRB** | External Reporting Board |

# Independent Assurance Report

To the Directors of AIA New Zealand Limited

## Limited Assurance Report on AIA New Zealand Limited's Greenhouse Gas (GHG) Disclosures

### Our conclusion

We have undertaken a limited assurance engagement on the gross GHG emissions, additional required disclosures of gross GHG emissions, and gross GHG emissions methods, assumptions and estimation uncertainty (the GHG Disclosures), within the *Scope of our Limited Assurance Engagement* section below, included in the Climate Statements (the Climate Statements) of AIA New Zealand Limited (the Company) and its subsidiaries (the Group) for the year ended 31 December 2024.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance with the Aotearoa New Zealand Climate Standards (NZ CSs) issued by the External Reporting Board (XRB), as explained on page 64 of the Climate Statements.

### Scope of our Limited Assurance Engagement

We have undertaken a limited assurance engagement over the following GHG Disclosures on pages 64, 76 and 78 of the Climate Statements for the year ended 31 December 2024:

- gross GHG emissions on page 76:
  - Scope 1 GHG emissions, and
  - Scope 2 GHG emissions (location method).
- additional required disclosures of gross GHG emissions on pages 64 and 76; and
- gross GHG emissions methods, assumptions and estimation uncertainty on pages 76 and 78.

Our assurance engagement does not extend to any other information included, or referred to, in the Annual Report. The comparative information for the year ended 31 December 2023 disclosed in the Group's Climate Statements is not covered by the assurance conclusion expressed in this report. We have not performed any procedures with respect to the excluded information and, therefore, no conclusion is expressed on it.

### Other matter - comparative information

The comparative GHG Disclosures (that is GHG Disclosures for the year ended 31 December 2023) have not been subject to assurance. As such, these disclosures are not covered by our assurance conclusion.

### Directors' responsibilities

The Directors of the Company are responsible on behalf of the Company for the preparation and fair presentation of the GHG Disclosures in accordance with NZ CSs. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of GHG Disclosures that are free from material misstatement whether due to fraud or error.

#### Inherent uncertainty in preparing GHG Disclosures

GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

## Our independence and quality management

This assurance engagement was undertaken in accordance with NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*, issued by the External Reporting Board (XRB). NZ SAE 1 is founded on the fundamental principles of independence, integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also complied with the following professional and ethical standards and accreditation body requirements:

- Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand);
- Professional and Ethical Standard 3: Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements; and
- Professional and Ethical Standard 4: Engagement Quality Reviews.

We are independent of the Group. In addition to our role as statutory auditors and assurance practitioners, our firm carries out other assurance services for the Group. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships has not impaired our independence.

## Assurance practitioner's responsibilities

Our responsibility is to express a conclusion on the GHG Disclosures based on the procedures we have performed and the evidence we have obtained. NZ SAE 1 requires us to plan and perform the engagement to obtain the intended level of assurance about whether anything has come to our attention that causes us to believe that the GHG Disclosures are not fairly presented and are not prepared, in all material respects, in accordance NZ CSs, whether due to fraud or error, and to report our conclusion to the Directors of the Company.

As we are engaged to form an independent conclusion on the GHG Disclosures prepared by management, we are not permitted to be involved in the preparation of the GHG information as doing so may compromise our independence.

### Summary of work performed

Our limited assurance engagement was performed in accordance with NZ SAE 1, and ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Emissions*. This involves assessing the suitability in the circumstances of the Group's use of NZ CSs as the basis for the preparation of the GHG Disclosures, assessing the risks of material misstatement of the GHG Disclosures whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the GHG Disclosures.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. In undertaking our limited assurance engagement on the GHG Disclosures, we:

- Obtained, through enquiries, and understanding of the Group's control environment, processes and information systems relevant to the preparation of the GHG Disclosures. We did not evaluate the design of particular control activities, or obtain evidence about their implementation;
- Evaluated whether the Group's quantification methodology, including methods for developing estimates, are appropriate and had been consistently applied;
- Performed analytical reviews and trend analysis of Scope 1 and Scope 2 GHG emissions and made enquiries of management to obtain explanations for any significant differences we identified;
- Tested, a limited number of items to, or from, supporting records, as appropriate;
- Recalculated Scope 1 and Scope 2 GHG emissions;
- Considered the presentation and disclosure of the GHG Disclosures.

The 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 we performed a reasonable assurance engagement and does not enable us to obtain assurance that we would become aware of all significant matters that we otherwise might identify. Accordingly, we do not express an assurance opinion on these GHG Disclosures.

## Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error or non-compliance may occur and not be detected.

## Who we report to

This report is made solely to the Company's Directors, as a body. Our work has been undertaken so that we might state those matters which we are required to state to them in our assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Directors, as a body, for our procedures, for this report, or for the conclusions we have formed.

The engagement leader on the engagement resulting in this independent assurance report is Mathew McQueen.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
19 March 2025

Auckland