

Sustainable Investment Guideline

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1. Introduction

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

Our current business portfolio comprises life and health insurance, employee benefits and Shariah and family takaful products across 10 markets, including some of the fastest growing insurance markets in the world. As such, we invest our human resources and our policyholders and shareholders capital with a view towards contributing to sustainable development of the countries we invest in.

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

FWD believes embedding ESG into our investment process will promote sustainable financial performance. We do this in two key ways:

- Ensuring the integration of ESG criteria into our investment process
- Being active owners of our investments through engagement

2. Governance

The governance framework for FWD is led by the Group Board of Directors. The Group ESG Committee is a management committee chaired by our Group CEO and comprising senior managers from across the business. It is responsible for FWD’s ESG ambition, including sustainable investments, as well as ESG strategy, benchmarking, and evaluation of our performance, and responding to emerging risks or opportunities. It reports to the Board at least twice a year.

The development and direct oversight of the Sustainable Investment Guideline (“Guideline”) rests with the Group Investment Committee. The Group Investment Policy which refers to the Guideline is approved by the Group Asset & Liability Management Committee (“GALMCO”).

3. Principles for Responsible Investment (PRI)

In December 2020, FWD became a signatory to the six Principles of the United Nations supported PRI. Our investment processes are guided by these Principles:

PRI Principle	
1	We will incorporate ESG issues into investment analysis and decision-making processes.

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

4. ESG Integration

Internally Managed Funds

FWD Group is committed to being a responsible investor and as part of this will seek to ensure that ESG factors are integrated into our investment decision making processes. In order to assist our ESG integration process we utilise ratings and other information from a variety of external data providers.

ESG factors are incorporated into investment due diligence and existing portfolio reviews for a holistic view of the issuer. The portfolio managers systematically take this data into consideration to determine whether identified ESG risks:

- Are manageable, or
- Require:
 - Engagement with the issuer
 - A reduced weighting or
 - Divestment or exclusion

Example of ESG factors include:

Environmental	Social	Governance
Water management	Consumer protection	Board composition
Greenhouse gas	Data security	Risk management
Air quality	Labour practices	Anti-Corruption
Energy management	Supply chains	Business ethics
Biodiversity	Diversity & inclusion	Incentive structures
Product packaging	Occupational health & safety	Competitive behaviour
Climate risk management		ESG Reporting

Externally Managed Funds

We will integrate ESG considerations into our externally managed investments by:

- Incorporating ESG analysis into external manager due diligence processes.
- Regularly assessing the ESG policies, strategy, capability, and performance of our managers in investment.
- Monitoring the ESG performance of external managers.

5. Stewardship

We believe stewardship (i.e. active ownership) helps realise long-term shareholder value and can be exercised via a number of actions including the following:

- (1) Voting on resolutions at company AGMs. We expect external managers to adopt a voting policy that supports long-term performance by voting on shareholder proposals on behalf of FWD and taking relevant ESG issues into account in doing so, and reporting the voting records to FWD.
- (2) Writing to or meeting with company management on particular issues.
- (3) Joining multi-lateral groups to support initiatives.

We also believe in open dialogue with issuers to encourage improvements in their management of ESG factors. Engagement refers to discussions with a company at Board or senior management level with the objective of increasing awareness of ESG underperformance and changing behaviour. Once a potential company has been identified, our preference is to engage the company via the external portfolio manager, or in the case of internally managed assets, we will either engage directly with the company and/or seek to engage collaboratively with an investor organisation.

Where the response from the company is sufficient to address concerns and/or they have a credible plan for rectifying the underperformance, the company will not be placed on the ESG Exclusion List.

If, after a meaningful period of time the company does not respond, further escalation actions may be taken. Such action may involve voting against management at shareholder meetings, reducing exposure to the particular issuer or divestment.

We will monitor and report engagement actions on a regular basis.

6. Consideration of Key ESG Issues

6.1 Climate Change

As part of our climate action strategy, we support the transition towards a low-carbon economy with the goal of helping to achieve net zero by 2050. Our approach to impact change is through engagement and escalation based on certain risk indicators. We work

closely with portfolio managers, both external and internal, with reference to financed emissions for sectors and issuers which we believe pose higher long-term risk from climate change.

We recognise the need for an inclusive transition to a low-carbon economy. This is why we continue to prioritise active engagement as our preferred approach for decarbonisation of the investment portfolio to impact real change in business strategies.

6.2 Human Rights

We apply ESG considerations to human rights and labour practices. We seek to factor in human rights and labour practices in our investment analysis. We monitor our investee companies for compliance with the United Nations Global Compact (“UNGC”), a non-binding United Nations pact to encourage businesses to adopt sustainable and socially responsible policies, and to report on their implementation. The ten principles of the UNGC are derived from international agreements on four topics: human rights, labour, environment and anti-corruption. We escalate companies that violate one or more of the ten principles of UNGC based on data of an external data provider. FWD has detailed reporting requirements, engagement criteria, engagement frequency, expected outcome and follow-up actions in this regard.

6.3 Sector Specific Approaches and Considerations

Certain sectors are associated with a common set of ESG concerns and challenges. FWD has established sector-specific approaches and considerations to manage investment decisions related to the following sectors. We will add further sectors as required.

Tobacco

Tobacco is considered to be unhealthy and has serious long-term health repercussions on users due to its addictive nature. We follow Tobacco-Free Portfolios’ guidelines and exclude companies that manufacture and/or produce tobacco.

Controversial weapons

FWD deems anti-personnel mines, cluster munitions, chemical, biological weapons, depleted uranium weapons and nuclear weapons to be controversial weapons. Exclusion is applied to companies that are manufacturers of certain products that do not comply with the following treaties or legal bans on controversial weapons: The Ottawa Treaty (1997), The Convention on Cluster Munitions (2008), The Chemical Weapons Convention (1997), Biological Weapons Convention (1975).

Fossil fuels

We acknowledge the world is transitioning to a lower carbon economy and this process presents both risks and opportunities from an investment perspective. As such, FWD expects companies operating in the mining and extraction of fossil fuels and power generation using fossil fuels to have and communicate transition or transformation plans to a lower carbon economy. Where companies are not demonstrating any sort of plan, such companies may

be excluded from FWD portfolios.

We exclude companies that generate more than 5% revenue from thermal coal mining and extraction. As such, we will exit from fixed income and listed equity investments in thermal coal mining and extraction by 2030 within our directly managed investment portfolios. We also do not permit any new investments to be made.

Palm oil

The palm oil industry is important to South East Asia, a core market for FWD. The industry provides significant opportunities for the region, however, at the same time has been linked to significant negative social and environmental impacts that pose risks to investors, including widespread deforestation, increased greenhouse gas emissions, social conflicts and damage to ecosystem services.

To ensure FWD makes a contribution to the development of a sustainable palm oil industry in South East Asia we have joined the PRI Investor Working Group on Sustainable Palm Oil¹ and endorsed the Working Group's statement "Investor Expectations on Sustainable Palm Oil²".

7. Staying Informed

We will leverage our membership and support of key ESG organisations to expand our understanding of material ESG issues affecting portfolios and stay informed on emerging trends.

¹ <https://www.unpri.org/sustainable-land-use/pri-investor-working-group-on-sustainable-palm-oil/5873.article>

² <https://www.unpri.org/download?ac=10612>