



2021 TCFD REPORT

FM GLOBAL'S CLIMATE-RELATED FINANCIAL DISCLOSURES





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ABOUT THIS REPORT

There is clear, scientific evidence that shows the world's climate is changing. As climate change progresses, the frequency and severity of some natural disasters will increase.

Expanding global population, globalized supply chains and rapid growth of less resilient developing markets are already increasing the impact of natural hazards. Climate change only exacerbates this trend.

FM Global's founding principle is that the majority of loss is preventable, and we believe that loss prevention and property conservation are integral to sustainability. We have a shared purpose of loss prevention and risk management to make businesses, communities and the world more resilient. We also believe that the choices people make, individually and collectively, can make the critical difference as we face the uncertainties and challenges presented by the current state of climate change.

For nearly 200 years, FM Global has been at the forefront of commercial and industrial property insurance. As a mutual company, we focus on the needs of our policyholder-owners or clients, who are our primary stakeholders. We understand the unique role we play in partnership with our policyholders in response to global climate risk. Leading with the most

advanced property loss prevention research, we help our clients confront the global challenges of climate change, increased climate risk and associated business disruptions. This allows us to take a longer-term view of our clients' risks and be more strategic and deliberate in how we work with them to reduce and mitigate their property exposures. With rich experience in loss prevention, we also have been leading and actively engaged in the public discussion around climate change.

Based on our recent comprehensive sustainability materiality assessment, we identified climate change as a high priority issue to both our business and our stakeholders. In response, in addition to other initiatives and programs, we committed to enhancing our climate-related disclosure. This report is aligned to the Task Force on Climate-related Financial Disclosures (TCFD) and summarizes our climate-related governance and strategy, approach to climate risk management, and related metrics as of Dec. 31, 2021. It reflects significant progress made to date toward our goal of incorporating climate risk and opportunity into our core business strategy and disclosure. Our climate data and scenario analysis will continue to evolve, and we expect to refresh and continuously expand our disclosure over time.

The approach outlined in this report is part of a larger climate risk management approach at FM Global. The governance, management, strategy and frameworks outlined have applicability and alignment with other environment-related initiatives.

This report represents a critical steppingstone upon which we will continue to advance our climate strategy and risk mitigation processes, both for our own business as well as for our clients.



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With losses related to climate risk becoming more frequent and severe, we will continue to focus on providing science-based, data-driven property loss prevention solutions to help our clients adapt to climate change, manage related risk and maintain climate resilience.

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MALCOLM C. ROBERTS PRESIDENT AND CHIEF EXECUTIVE OFFICER (L)

THOMAS A. LAWSON CHAIRMAN (R)



GOVERNANCE

FM Global is the communicative name of Factory Mutual Insurance Company (“FMIC”) and its subsidiaries and affiliates, and is the name used by the group world-wide. FM Global is a mutual insurance company owned by its clients and benefits from a well-established corporate governance structure reflecting its mutuality. The Board of Directors, eight advisory boards and five risk management executive councils are at the center of FM Global’s corporate governance.

FM Global’s board of directors, which consists of client representatives, and FM Global’s executive management play a critical role in the strategy, direction and governance of the organization. Board members are elected from a diverse pool of policyholders, from manufacturing-based companies to media and entertainment companies. The directors share a common purpose and represent the interests of FM Global’s clients because they, like other clients, are committed to the protection and maintenance of their property to ensure their business continuity and resilience.

The Board has overall responsibility and oversight for the management of FM Global’s climate-related risks and opportunities together with the strategy for supporting client efforts in climate-related resilience and loss prevention. The Board is supported by the Business Risk Executive Committee (“BREC”), the Planning & Management Group (“P&M Group”), and the regional Risk Management Committees (“RMCs”). In 2022, FM Global will appoint a chief sustainability officer (“CSO”) and will establish an Environmental, Social and Governance (ESG) Steering Committee to fully integrate the company’s ESG strategy within the business.

Our recent sustainability materiality assessment identified climate change as a high priority material topic, both internally and to our clients, community and other stakeholders. Given the high level of importance of climate change to our business and stakeholders, we maintain governance structures around climate at the highest levels and cascade responsibility through the organization.

CLIMATE CHANGE STATEMENT

We recently updated our Climate Change Statement, which addresses the link between a changing climate and the frequency and severity of natural hazard events. Our Climate Change Statement notes that, as a market leader in property loss prevention, FM Global will continue to evaluate climate change and its evolving risk. We are expanding our efforts to develop practical, cost-effective loss prevention engineering solutions to improve our clients' resilience to natural hazard loss and resulting business interruption.



We are exploring how we can leverage our unique capabilities to make a meaningful and differentiated impact on the environment and society. In the next several months, we expect to begin making and sharing commitments in areas that are consistent with our company values, our data-driven approach to risk management and our mutual structure.



MALCOLM C. ROBERTS PRESIDENT AND
CHIEF EXECUTIVE OFFICER
THOMAS A. LAWSON CHAIRMAN

FM Global's Board has oversight over FM Global's internal and external climate strategy. Management of the strategy is delegated to FM Global's senior management and governing committees/bodies including the BREC, the RMCs and the P&M. In addition, key individuals with responsibility for the management of FM Global's climate related risks and opportunities include the manager of research, director of structures and natural hazards research, chief underwriting officer and the chief investment officer.

As indicated, in 2022, FM Global will appoint a chief sustainability officer (CSO) and establish an Environmental, Social and Governance (ESG) Steering Committee. Future day-to-day management of ESG issues, including climate, will be the primary responsibility of the CSO in consultation with the ESG Steering Committee and business and functional subject matter experts within FM Global. The FM Global Foundation's mission and operating processes will be reviewed as part of the ESG strategy to ensure greatest impact and alignment with ESG commitments. Moreover, the CEO and senior executives will continue to monitor and manage internal climate strategy on a regular basis.

The Board, the BREC and regional RMCs frequently consider climate-related risks and opportunities as part of their regularly scheduled meetings and at least annually receive relevant reports from FM Global's Strategic Intelligence Council and external advisors. Members of FM Global's P&M have taken part in multiple climate change risk management training and awareness sessions addressing natural hazards, climate risk and resilience, and urban flooding.

SUPPORT LINKS

[FM Global Annual Report 2021](#)

[FM Global Corporate Governance Annual Disclosure](#)



STRATEGY

As a market leader in property loss prevention, FM Global will continue to evaluate climate change and its evolving risk. We continue to invest in scientific research and innovative technologies and deliver leading property loss prevention engineering solutions, loss prevention and engineering standards and natural hazard risk maps for our policyholders and others to use and act upon when managing evolving property risks. Climate risks we identify include physical risk, transitional risk and climate-related risk to our investment portfolio.

PHYSICAL RISK

As a leading commercial property insurance company, natural hazard risks, in particular, have an impact on our business and clients. In this regard, floods, wildfires, hail, tornadoes, and cyclones all directly impact our clients' potential exposure to losses.

Climate change has the potential to significantly impact the chronic (or longer-term) risks around the world. Risk in this area is dominated by the combined effects of changes in hazards, and the increasingly fast evolution of economic vulnerability to extreme events. Factors driving the increase in vulnerability continue to expand, for example, the total assets exposed to climate risks and the consequences of those assets suffering a loss continue to increase.

Interconnected economic growth is increasingly concentrated in coastal urban areas. This increases the density of economic value in regions that are disproportionately exposed to wind and water, two hazards greatly affected by changes in climate. The East

and Gulf Coasts of the United States are the key geographical areas that FM Global monitors not only from the portfolio aggregate net exposure perspective but also to protect insured properties and minimize their business interruption.

At FM Approvals, a product testing and certification organization for manufacturers and suppliers, our scientific approach has led to new certification standards aimed at minimizing wind and fire damage to solar panels and assessing flood mitigation products. Working with the U.S. Department of Homeland Security's Science and Technology Directorate and the U.S. Geological Survey allowed us to introduce the first industry certification standard for Early Warning, providing a more cost-effective, rapidly deployable and scalable advanced warning system of impending floods.

TRANSITIONAL RISK

Transitional risks, which may include current and emerging regulation, technologies, litigation, shifts in markets and changing customer or community perceptions, may impact our business in the medium- to long-term including valuations of clients' insurable interests, changing energy costs, and adherence to carbon and other environmental regulations.

The pace of investment in mitigating the effects of severe weather and climate risks creates opportunities to focus on loss prevention services and products, as evidenced by increased demands for innovative solutions for flood protection following Superstorm Sandy. To address businesses' growing appetite for risk

ENHANCED TRAINING FOR ENGINEERS AT FM GLOBAL

Following the extreme natural catastrophe events seen in 2017 and 2018, FM Global began to provide opportunities for enhanced training to approximately 1,500 of FM Global's loss prevention engineers on the topics of flood mitigation, wildfire exposures and windstorm. In addition, in 2019 approximately 60 FM Global engineering specialists were provided advanced training on the topics of flood and/or windstorm.

reduction, FM Global continues to study the effects of severe wind and flood hazards at the FM Global Research Campus allowing us to offer clients market-leading recommendations on property loss prevention tools to help reduce the physical impact of natural catastrophes.

CLIMATE RISK IN OUR INVESTMENT PORTFOLIO

As FM Global manages our investment portfolio, we continually evaluate potential risk, return, and diversification opportunities across assets to inform our investment strategy, and to invest those assets with the goal of protecting and optimally growing the surplus for the long-term benefit and protection of our policyholders.

Climate risk is an increasingly important consideration that can potentially be evaluated and integrated in the investment decision-making process across various dimensions, including asset allocation, geographic, sector and industry positioning, and security selection.

The primary drivers of our strategic asset allocation framework across asset classes are expected returns and risks, diversification, market, liquidity and credit risk, along with valuations, growth potential, in the context of our investment objectives. As the evidence and understanding of climate impact across markets continues to mature, our strategy in this area will also evolve prudently and as appropriate. We thoughtfully approach the climate risk related investments analysis to ensure that we continue to invest in a long term strategic and prudent manner.

Within asset classes, such as equities, climate risk is an increasingly important and differentiable factor that can be integrated in security selection strategies. Potential risk exposures can be driven by numerous fundamentals, including regulatory forces, geographical factors, supply chain dynamics, and firm-specific competitive positioning and strategy, as well as customer and investor sentiment. We work with high quality investment firms that have made a strong commitment to allocating resources and building expertise in the climate risk analytics and metrics area. We selectively evaluate strategies that incorporate a comprehensive analytics framework and expertise to make prudent sector allocation and security selection decisions in the respective strategies portfolio construction processes.

As we further develop our strategy to incorporate climate risk, we will selectively invest in strategies and companies focused on the energy transition, reducing the carbon footprint, and dedicating capital and talent towards developing breakthrough solutions that advance climate resilience. We do believe that such investments include quality, innovation and long-term growth characteristics and will generate positively differentiated returns, strengthening our long-term stability and resilience. As a commercial property insurer, this strategy aligns well with our efforts to put our capital to work to help increase the resilience of our clients and collective communities.

STABLE CLIMATE-RELATED INVESTMENT

FM Global is committed to dedicating capital to breakthrough solutions that advance climate resilience for our clients and communities. In 2021, we joined a consortium of strategic global asset owners, investing in active sustainable funds aligned to transition to a low-carbon economy. We are making continued progress on our long-term sustainable investment strategy, building a resilient diversified portfolio, working alongside strategic partners and leveraging on differentiated data analytics.

BUSINESS, STRATEGY AND FINANCIAL IMPACT

As a regulated commercial property insurance company, FM Global meets the requirements of Solvency 2 and accordingly has adopted a robust actuarial-based capital modeling approach to its financial planning and solvency and liquidity management.

FM Global employs multiple approaches to strengthen its resilience in response to climate risk. We embed the management of climate change risk and opportunities into our overall business strategy, including by developing and adjusting products and services, continuously updating policies and processes, tracking relevant metrics, and engaging with internal and external stakeholders.

Our climate strategy is evolving as we expand our programs and solutions, particularly in response to advancements in climate science. We envision our climate strategy goals will include further identifying and advancing initiatives that mitigate climate-related risks, responsibly engage in climate-related investment opportunities, support philanthropic programs through the FM Global Foundation and strengthen operational resiliency.

CLIMATE-RELATED INITIATIVES

FM Global collaborates with national and international organizations such as National Oceanic and Atmospheric Administration (NOAA), UK Met Office, U.S. Geological Survey (USGS), and Federal Emergency Management Agency (FEMA), and supports research on the impacts and consequences of severe weather events with reputable research organizations, including:

- Supporting and developing state-of-the-art standards for solar panel farms and roof installations with Western University and American Society of Civil Engineers (ASCE).
- Leading with the Wind Engineering, Energy and Environment Research Institute (WindEEE) new research to protect properties against severe tornadoes.

CLIMATE RISK IS A BUSINESS DISRUPTION RISK

Clear scientific evidence shows that the world's climate is changing. As climate change becomes more significant, its effect on the frequency and magnitude of natural disasters will also likely increase. Expanding global population, globalized supply chains and rapid growth of less resilient developing markets are already increasing the impact of natural disasters. Climate change will only exacerbate this trend.

The world may be changing, but we will continue to partner with our clients to maintain business resilience, especially in the face of climate change. We believe that climate risk presents a choice—resilience or disruption—and that by proactively addressing the risk of climate change together, we can significantly reduce business disruption exposure and enhance the resilience of business operations.

- Developing accurate storm surge models for the U.S. East Coast and for the West Pacific regions with Notre Dame University.



As an example of the power of collaboration, we were among the first partner members of the Global Earthquake Model Foundation, an organization that provides open-source risk models and maps for widespread use in the private and public sectors, including underserved and vulnerable parts of the world. Helping to develop their most advanced, globally consistent natural hazard maps and making them available has allowed clients, public officials, developers and other scientists to better understand the risks at any site in the world.

FM Global is also a leader of insurers in contributing to the United Nations International Strategy for Disaster Reduction Secretariat (UNISDR) Science and Technology Partnerships to advance the goals of the Sendai Framework for Disaster Risk Reduction and recently joined as an active member of the UNISDR Private Sector Alliance for Disaster Resilient Societies (ARISE). Scientists and engineers in FM Global have served as panel members, presented, or led discussions involving the topic of climate change and insurance at numerous conferences.

Additionally, the company issues research publicly on how climate risk is affecting unprepared organizations. FM Global's NatHazToolkit offers resources to prepare for, and respond to, earthquakes, floods, windstorms and other severe weather. In white papers, articles, videos and checklists, we address the threat these hazards pose to businesses. FM Global has also developed interactive maps that help understand the worldwide risks of earthquake and flood, and the regional risk posed by hail. These maps incorporate the best information from around the world to provide a comprehensive view of exposures. In keeping with FM Global's commitment to property loss prevention education, the resources in our NatHazToolkit are available to the general public, with many more available to FM Global clients.

STRENGTHENING OPERATIONAL RESILIENCE

At our FM Global locations, we address and adapt to climate risk from climate change and mitigate the potential impact of our operations on the climate. Adaptation initiatives are projects and tactics we implement to adjust to the current or future impact of climate change. Mitigation initiatives are projects and tactics that prevent or reduce the amount of greenhouse gas emissions we emit. The adjacent table highlights steps we have taken at some of our sites to adapt and mitigate our climate-related risk.

LOCATION	ADAPTATION	MITIGATION
 <p>GLOBAL RESEARCH AND DEVELOPMENT FACILITY Massachusetts, USA</p>	<ul style="list-style-type: none"> • Conduct regular field engineering risk assessments (the same type of risk assessment provided to our clients) and summarized in location-specific Risk Report. • Assess flood risk due to increased precipitation rates. • Installed FM Approved flood doors. • Revised landscaping to allow improved drainage, ordered backup de-watering pump. 	<ul style="list-style-type: none"> • Began a re-vitalization project that includes the replacement of the FM Global Research and Approvals building. The new facility will limit the impact related to increased risks from natural hazards driven by climate change and incorporate energy efficient design components to reduce greenhouse gas emissions.
 <p>FM GLOBAL RESEARCH CAMPUS Rhode Island, USA</p>	<ul style="list-style-type: none"> • Conduct regular field engineering risk assessments (the same type of risk assessment provided to our clients) and summarized in location-specific Risk Report. • Mitigated an on-site dam to reduce the grade (steepness) of the slope and therefore be more resilient to extreme precipitation events. 	<ul style="list-style-type: none"> • Developed plans for rooftop and carport solar using FM Approved solar panels and energy storage system with energy monitoring. Design and installation to be performed in 2022 and 2023. • Completed electric vehicle charging stations plan and budget to be installed in 2022. Installed energy-efficient LED lighting to replace older technology, high consumption lighting in six buildings. • Replaced boiler controls, giving greater control and insight and allowing more energy-efficient operation.

In addition to adapting and mitigating climate risk, we contribute to the health and well-being of our employees by designing and constructing our office and research centers according to high-performance building rating systems, such as Leadership in Energy and Environmental Design (LEED) standards. Our corporate headquarters in Rhode Island, USA, is LEED Gold Certified, with a sizeable amount of construction material with recycled content. FM Global estimates that the headquarters have reduced the company's carbon footprint by as much as seven percent. A number of our owned properties have also achieved LEED certification with several at the Gold and Platinum levels.

In 2022, FM Global is developing a new ESG strategy to build resilience in the areas of environmental sustainability, business excellence, societal sustainability and business integrity. Climate risk and opportunity will be integrated throughout the new strategy and we anticipate future programs and initiatives to build further climate resilience for our clients, offer more climate resilience products and increase our commitment to climate resilient-related investments.

CLIMATE-RELATED SCENARIOS CONSIDERATIONS

The Own Risk and Solvency Assessment (ORSA) is regularly reviewed by the FMIC Audit Committee. The ORSA includes a climate change scenario and the two largest natural hazard exposures identified by the data analytics team. The current scenario planning does not consider a 2 degree Celsius or lower scenario.

SUPPORTING LINKS

[FM Global's Natural Hazards Toolkit and Maps](#)

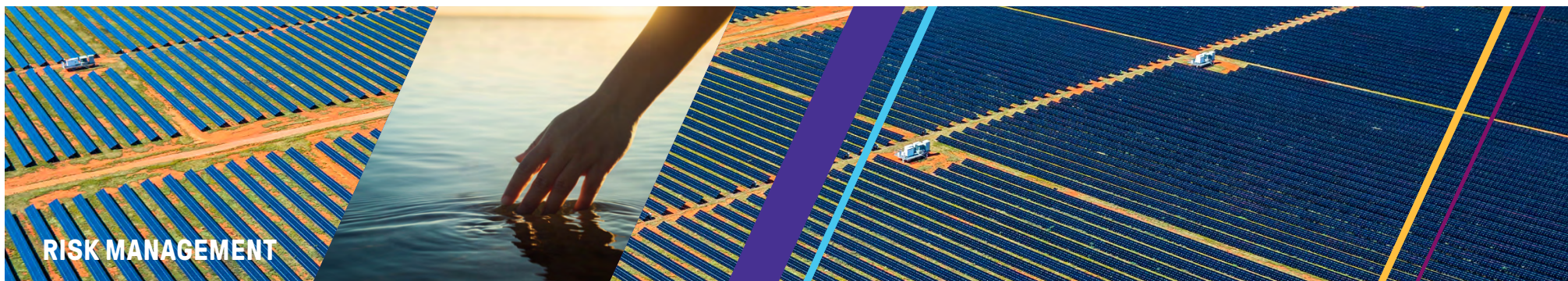
[2022 FM Global Resilience Index](#)



FM GLOBAL CENTRE IN SINGAPORE AWARDED BCA GREEN MARK

The FM Global Centre in Singapore is a six-story, 125,000 square-foot (11,610 square-meter) building nestled into the hillside surrounding Singapore Science Park which opened in early 2019. The FM Global Centre was awarded the BCA Green Mark Award (Gold Status). In order to qualify for the BCA Green Mark, FM Global had to satisfy the following benchmarks:

- Energy efficiency features such as electricity usage, air conditioning, lighting and office equipment.
- Water efficiency features to reduce water usage.
- Sustainable management and operations feature, such as office design, material selection, waste management, greenery and public transportation accessibility.
- Indoor environment quality feature such as air, lighting, thermal and noise quality.



RISK MANAGEMENT

FM Global's robust risk management framework identifies, assesses and manages climate-related risk and opportunities. Additional prioritization, rigor and focus on climate-related risk is anticipated in subsequent years.

As part of the process of identifying climate-related risks, scientists and engineers in the FM Global research division continuously monitor the latest climate research by reviewing reports from, among other organizations, the Intergovernmental Panel on Climate Change, the U.S. National Climate Assessment, Canada in a Changing Climate, and scientific peer-reviewing journal articles, actively participating in scientific workshops, and leading local to international discussions at meetings and conferences. The research team also engages in direct discussions with reputable research institutions and scholars to assess relevant risks to the business.

FM Global is a leader of insurers in contributing to the UNISDR Science and Technology Partnership to advance the goal of the Sendai Framework for Disaster Risk Reduction and recently joined as an active member of the UNISDR Private Sector Alliance for Disaster Resilient Societies (ARISE). Additionally, we have issued research publicly on how climate risk is affecting unprepared organizations.

IDENTIFYING AND ASSESSING CLIMATE-RELATED RISK IN OUR UNDERWRITING

A FM Global survey of several hundred CEOs and CFOs at companies with US\$1 billion or more in revenue across a wide variety of industries in North America, Europe and Asia Pacific revealed more than 3 in 4 (77%) CEOs and CFOs of the largest companies in the world admitting their firms are not fully prepared for the adverse financial impact of a changing climate. Moreover, 8 out of 10 (82%) believe their companies have somewhat to no control over such an impact on their business.

To better understand climate-related risk, FM Global has more than 125 researchers evaluating the potential for natural and technological catastrophes, developing innovative methods and tools to predict and prevent property damage, and providing technically sound and cost-effective loss prevention engineering solutions to clients. As climate change evolves, we develop solutions coupled with risk-informed underwriting to help protect our clients' assets and manage investments. We continue to advise clients to build better than current building codes and/or 100-year (1% exceedance probability) design guidelines require and protect their business to the 500-year (0.2% exceedance probability) levels, making assets more resilient to property loss, business interruption, and climate risk.

To address businesses’ growing appetite for risk reduction, FM Global continues to study the effects of severe wind and flood hazards at its Research Campus and with reputable labs allowing us to offer our clients reliable information and recommend current property loss prevention tools to help reduce the physical impact of natural catastrophes.

FM Global reduces loss potential through a collaborative effort with our clients to improve their resilience at properties. We provide loss prevention engineering guidance to clients of all of its large insured locations on an all-risk basis, including natural hazards perils that are affected by climate change such as wind, flood, and wildfire. Based on physical site assessments and/or remote aerial imagery, our loss prevention engineers

make recommendations for clients to harden their facilities against loss, thereby helping reducing client exposure. Natural catastrophe exposures are modeled through proprietary techniques developed by our research scientists and also by applying commercially available models to its portfolio. Natural hazard modeling is substantially improved because our engineers obtain accurate geo-coding as well as peril-specific information (for example: roof construction details in wind zones and floor elevation in flood zones) while visiting client locations. Potential losses associated with natural catastrophes may be further mitigated by clients through risk improvement in line with our FM Global Property Loss Prevention Data Sheets.

For companies seeking to grow and expand around the world responsibly and serve new customers and communities, the publicly available **FM Global Resilience Index** is a ready-made online analysis tool. It ranks 130 territories and countries based on the resilience of their business environment and gives organizations a new level of understanding of how climate risk could impact their business. With stakeholder demands on companies increasing, in 2022 the Resilience Index will be enhanced to include filters that present data related directly to businesses’ Climate Risk and Environmental, Social and Governance (ESG) interests, as organizations strive to become more transparent in their commitments and values.

The two new filters (**Climate Risk** and **ESG**) will enable users to focus exclusively on the climate risk- and ESG-related measures to better understand inherent country risks and identify opportunities through these lenses. For climate risk concerns, two measures can help businesses intensify their focus on emerging environmental perils: **Climate Risk Exposure**, which reflects such threats as severe floods and windstorms; and **Climate Risk Quality**, which reflects building codes, code enforcement and facilities improvements.

FM GLOBAL’S APPROACH TO REDUCE LOSSES RELATED TO CLIMATE CHANGE

1



Assess risk drivers for hurricanes, floods, and wildfires with site visits by trained loss-prevention engineers, remote aerial assessments and statistical modeling data.

2



Reduce key exposures protecting stakeholders’ value and reputation through cost-effective loss-prevention engineering solutions for properties and business interruption.

3



Manage uncertainty by identifying key exposures and recommend protection to 500-year levels.

4



Educate our policyholders on the topic of climate risk and communicate effectively with them about the need for resiliency by describing risk in real terms (not complex statistics) and bringing disaster to life by describing scenarios experienced by others in similar situations.

As we continue to develop a comprehensive and effective climate resilience strategy, we consistently collect and analyze climate-related data to support informed risk management. We believe that one of the greatest impacts FM Global can have on climate change is to help clients identify, assess and manage climate exposure, preparing them for the adverse financial impact and minimizing uncertainty and potential business disruption.

FM Global self-insures its own properties. When considering physical risk impact and strategy of our locations, we use the same approach we do with our clients with assessment and mitigation. We ensure our core functions are not in flood zones, meet or exceed FM Global wind speed criteria, etc. We adopt the same approach to the underwriting of the property insurance for our own buildings. Our loss prevention engineers conduct physical site visits and use remote aerial imagery as appropriate. They then share this data with our underwriters which helps determine appropriate levels of coverage and identify areas where exposure can be improved by implementing loss prevention engineering solutions.

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Building resilience to achieve long-term sustainable outcomes is critical to business success, whether adjusting to war, navigating a pandemic, dealing with the threat of a changing climate, or meeting ESG demands. The 2022 FM Global Resilience Index is designed to support senior executives with preparing for—and adapting to—a dynamic risk landscape and with building business resilience responsibly.

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PENTTI TOFTE STAFF SENIOR VICE PRESIDENT,
DATA ANALYTICS

ADVISING OUR CLIENTS ON CLIMATE-CHANGE ADAPTATION PLANS

FM Global partners with clients to adapt to climate-change risk across the globe. In 2021, we worked with one of the UK's largest food manufacturers to minimize the impact of flooding from a local river. This included the practice, review and optimization of their flood response plan and the installation of physical flood protection measures to minimize business impact.

MANAGING AND INTEGRATING CLIMATE-RELATED RISK

The management of climate-related risk is consistent across the FM Global Group. The inventory of risks developed at group level by BREC is shared with and adopted by all operations teams who can supplement the inventory with local information as necessary. The following diagram which describes the risk management framework in FM Global Asia-Pacific division, is representative of the risk management framework across the organization.

ASIA-PACIFIC RISK MANAGEMENT FRAMEWORK

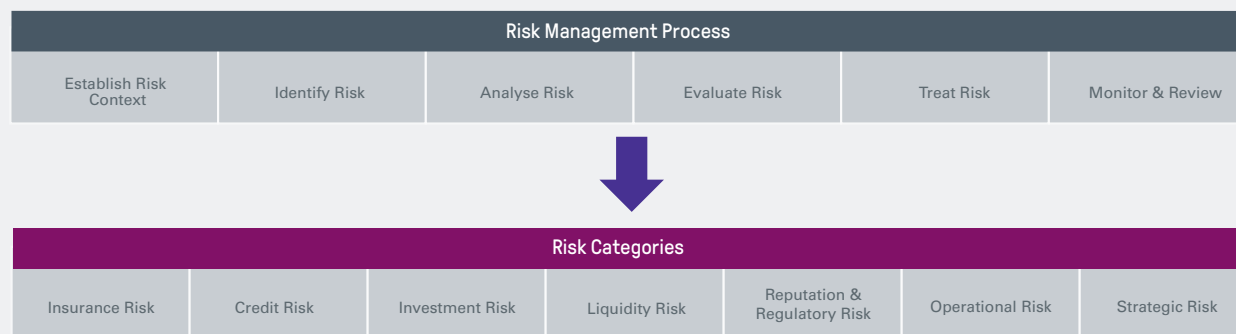
FM GLOBAL ROLES & RESPONSIBILITIES



COMPONENTS OF THE RMF



ASIA-PACIFIC ROLES & RESPONSIBILITIES



There are several areas of the risk inventory that support our ongoing identification and management of climate-related risks. Specifically, the following risks are actively managed as part of each operation's risk inventory:

- Aggregation risk
- Geopolitical risk
- Investment risk
- Liquidity risk
- Regulatory risk
- Simultaneous risk

Growth of exposure to climate change risk is managed through new business risk selection criteria. FM Global applies specific terms and conditions to locations exposed to these events to reduce its liability to policyholders. This liability is further reduced by our reinsurance program.

FM Global's "Three Lines of Defense" risk management model, ensures our Internal Audit function is engaged with climate-related risk assessments. We intend to further engage our audit team to review, validate and assure environmental risk disclosures.

SUPPORTING LINKS AND RESOURCES

[2022 FM Global Resilience Index](#)

[In "Going Green," Companies Can Face Surprising Risks](#)

FM GLOBAL'S 5 P'S FOR RISK IMPROVEMENT

RISK IMPROVEMENT IS EVERYONE'S BUSINESS AT FM GLOBAL. WE CONSIDER THESE 5 PRINCIPLES AS WE WORK TOGETHER TO HELP OUR CLIENTS.

- 1 **PREPARE:** RESEARCH, LEARN AND UNDERSTAND
- 2 **PRESENT:** EXPLAIN, INTERACT AND BE POSITIVE
- 3 **PERSUADE:** SHOW INTEREST AND HELP FIND SOLUTIONS
- 4 **PRACTICE:** ROLE-PLAY AND REHEARSE
- 5 **PERSIST:** FOLLOW UP AND CONTINUOUSLY COMMUNICATE



METRICS AND TARGETS

In an effort to better understand our direct and indirect emissions we began implementing processes and programs to gather greenhouse gas emissions data for the reporting year ending Dec. 31, 2021. Our Scope 1 footprint includes emissions from owned or controlled sources. includes onsite heat generation and our

company car fleet. Our Scope 2 footprint includes indirect emissions such as purchased electricity, steam, heating and cooling. The data below provides quantitative performance information to inform our climate strategy and establishes a baseline for setting future targets and goals.

FM GLOBAL'S 2021 SCOPE 1 AND 2 GREENHOUSE GAS EMISSIONS

SCOPE 1 GHG EMISSIONS	10,257 METRIC TONS
SCOPE 2 GHG EMISSIONS	10,304 METRIC TONS
TOTAL SCOPE 1 AND 2 GHG EMISSIONS	20,561 METRIC TONS

1. FM Global's energy emissions data cover approximately 98% of our business operations based on data collected from 57 of 58 locations.
2. We have made assumptions about energy use and emissions due to unavailability of energy data at 13% of our locations. Calculations are based on regional average energy use per operational square feet.
3. Company car fleet data includes Asia Pacific, Canada, EMEA, Mexico, South America and the United States.
4. We intend to increase the scope of our GHG reporting over time. We are currently in the process of strengthening internal controls related to the collection and aggregation of activity data to ensure a more complete and consistent data set.
5. 100% of our GHG emissions were calculated using a location-based method.
6. Our carbon emissions reporting is in accordance with the World Resources Institute (WRI) / World Business Council for Sustainable Development's (WBCSD) Greenhouse Gas Protocol. Other protocols, standards and methodologies have been used to supplement calculations.
7. GHG data reflects the reporting year Jan. 1 – Dec. 31, 2021.



FM GLOBAL'S 2021 SCOPE 3 GREENHOUSE GAS EMISSIONS

SCOPE 3 GHG EMISSIONS

2,225 METRIC TONS

1. FM Global's Scope 3 emissions data includes:
 - a. Business travel including air travel and rental car
 - b. Employee mileage reimbursement
2. Rental car mileage data covers approximately 58% of total vehicle rental expenses.
3. Employee mileage reimbursement data includes Australia, Canada, China, France, Germany, India, Ireland, Italy, Japan, Korea, Malaysia, Netherlands, New Zealand, Philippines, Singapore, South Africa, Thailand, United Kingdom, and United States.
4. Air travel and rental car reporting excludes data from Argentina, Chile and Colombia.
5. Our carbon emissions reporting is in accordance with the WRI/WBCSD Greenhouse Gas Protocol. Other protocols, standards and methodologies have been used to supplement calculations.
6. GHG data reflects the reporting year Jan. 1 – Dec. 31, 2021.



RESILIENCE IS A CHOICE.

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Regulated by the Financial Services Authority.