



# CLIMATE REPORTING AID

Please share this document with the appropriate individual(s) responsible for reporting climate-related financial disclosures on behalf of your organization.

## What are Climate-related Financial Disclosures?

Increasingly, organizations around the world are making public disclosures on their climate-related risks and opportunities. In some jurisdictions, such disclosures are required now as part of regular financial reporting, while in others, organizations may choose to disclose their climate-related risks and opportunities voluntarily. Several reporting frameworks have evolved in the past few years. The most widely accepted disclosure framework is published by the Task Force on Climate-related Financial Disclosures (TCFD)\*.

Whether your organization is embarking on making such disclosures for the first time or seeking to improve your current disclosures, we can help by providing specific information and metrics to support your climate-related reporting.

## How we can help

Here are some suggestions for how you might use the climate risk information generated by FM Global's on-site field engineering assessments in your TCFD-aligned disclosures.

The TCFD framework specifies climate-related risks and opportunities that may have a material financial impact on your organization, and recommends specific disclosures on each. We can support your disclosures on climate-related physical risks and opportunities to build resilience.

Physical climate risk is distinguished in the TCFD framework between event-driven exposures (referred to as acute risk), such as the increased severity of extreme weather events, and longer-term shifts in climate patterns (referred to as chronic risk), such as changes in global mean temperature or drought, or the impact of rising sea levels. We are uniquely positioned to assist your efforts in reporting both acute and chronic risk.

## OUR INFORMATION ON YOUR PHYSICAL RISKS AND RESILIENCE CAN SUPPORT THE FOLLOWING TCFD CATEGORIES:

### STRATEGY

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.

### RISK MANAGEMENT

How the organization identifies, assesses and manages climate-related risks.

### METRICS AND TARGETS

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

\*Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017. <https://www.fsb-tcfd.org>



The TCFD recommends the following core disclosures, of which information collected by FM Global can support your reporting as indicated by the bold text.

GOVERNANCE	STRATEGY
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.
<p>Recommended Disclosures</p> <ol style="list-style-type: none"> <li>Describe the board's oversight of climate-related risks and opportunities.</li> <li>Describe management's role in assessing and managing climate-related risks and opportunities.</li> </ol>	<p>Recommended Disclosures</p> <ol style="list-style-type: none"> <li><b>Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.</b></li> <li><b>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.</b></li> <li><b>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2-degree Celsius or lower scenario.</b></li> </ol>
RISK MANAGEMENT	METRICS AND TARGETS
Disclose how the organization identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
<p>Recommended Disclosures</p> <ol style="list-style-type: none"> <li><b>Describe the organization's processes for identifying and assessing climate-related risks.</b></li> <li><b>Describe the organization's processes for managing climate-related risks.</b></li> <li>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.</li> </ol>	<p>Recommended Disclosures</p> <ol style="list-style-type: none"> <li><b>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</b></li> <li>Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.</li> <li><b>Describe the targets used by the organization to manage climate-related risks and opportunities, and performance against targets.</b></li> </ol>

## Disclosure approach using FM Global information

Many organizations have an increasing need to understand and report their current and potential future exposure to physical climate risk. This may include extreme weather events, such as wind, flood, hail or wildfire, or longer-term risks, such as changes in temperature, drought, or sea levels. Organizations adopting the TCFD reporting framework are reporting their climate-related opportunities also and future planned actions toward greater resilience against climate risk.

We understand that not one size fits all when it comes to reporting your climate-related risks and opportunities. Based on feedback and input from our clients, the following is a suggested use of our data to support your reporting needs.



## PHYSICAL RISK - ACUTE AND CHRONIC

**DEFINED AS: PHYSICAL DAMAGE TO TANGIBLE ASSETS (BUILDINGS, MACHINERY, INVENTORY) AND ASSOCIATED LOSS IN PROFITS, CAUSED BY INCREASED SEVERITY OF EXTREME WEATHER EVENTS OR BY LONGER-TERM SHIFTS IN CLIMATE PATTERNS.**

### STRATEGY

The purpose of this section is to describe the actual and potential impact of climate-related physical risk on an organization's businesses, strategy and financial planning, where such information is material. Such impacts could include:

- Loss or damage to tangible assets (buildings, equipment, inventory) in high-risk locations
- Increased capital expenditure to rebuild/repair/replace facilities or equipment
- Reduced revenue and loss in profits due to business interruption
- Potentially increased operating costs to mitigate business interruption

For locations that we have visited and insured, we provide information on your current and potential future exposure to climate-related physical risks in terms of Total Insured Value (exposure to both property damage and business interruption) and by climate peril; see your [Climate Risk Report](#) and [Climate Change Impact Report](#).

Where the direct financial impact may be material, the disruption to operations from climate-related events can affect strategic direction and financial planning. Even where the direct financial impact is not material, a significant operational disruption can cause loss of market share, reputation damage and reduced long-term owner value. Your FM Global client service team or your AFM account team can help provide additional detail about the impact of climate-related risks on your key facilities.

### RISK MANAGEMENT

This section of the TCFD framework describes an organization's processes to identify, assess and manage climate-related physical risk.

Our standard offering includes state-of-the-art engineering site evaluations to assess climate risk at your key locations. As a leading commercial property insurer, FM Global assigns loss prevention engineers to visit and assess over 60,000 locations annually across the world.

On a country level, the [FM Global Resilience Index](#) provides a national context that can assist in the risk evaluations of supply chains, the siting of new facilities and in acquisition/divestment due diligence. This can serve as a helpful indicator for assessing the relative risk of facilities for which no location-based engineering data are available. The climate risk exposure component of the annual Index provides a ranking of 130 countries and territories according to their exposure to wind or riverine flood. Wind and riverine flood maps are used to determine exposure, while satellite-based night lights are used as a proxy to indicate economic/industrial activities. Together, they capture how extensive an area of economic/industrial activities in each country is exposed to wind or riverine flood. Exposed areas are determined based on potential losses from 100-year wind gusts not less than 100 mph (161 kph) or water flowing from rivers in 100-year flood zones.

### METRICS AND TARGETS

The climate risk score is a proprietary measure developed by FM Global. This metric is a relative risk score that captures the potential for physical damage to tangible assets and associated business interruption from climate-related events across a portfolio of locations. Climate risks included in the model are wind, flood, hail, wildfire, freeze, collapse and lightning. The climate risk score is a strong predictor of property losses and has the advantage of being applied consistently across all industries and regions.

For the climate risk score for your organization, see your Climate Risk Report. The metric shows the achievable score attainable by completing all mitigating recommendations to address outstanding climate exposures. The achievable score is the highest possible score, assuming all engineering recommendations are completed.

Organizations can use their climate risk score to prioritize, budget and plan climate risk improvement efforts at their facilities and, through a commitment to programs of loss prevention and insurance purchase, can minimize their exposure to extreme weather events.

## OPPORTUNITIES – RESILIENCE

DEFINED AS: INVESTMENT IN LOSS PREVENTION TO MITIGATE THE ADVERSE IMPACT OF CLIMATE-RELATED PHYSICAL RISKS ON AN ORGANIZATION'S BUSINESSES, STRATEGY AND FINANCIAL PLANNING.

### STRATEGY

In this section, you may wish to describe the expected financial impact of investment in resilience against climate-related physical risks. We would expect the return on such investment to be positive. Through informed and targeted investment, you can anticipate greater operational and strategic reliability, and a lower loss experience for your tangible assets and their associated revenue streams.

### RISK MANAGEMENT

We identify and help you to prioritize engineering and behavioral solutions that will reduce the risk of loss and minimize damage from climate-related physical risks. FM Global loss prevention engineers regularly visit and monitor some of your portfolio of facilities and, through the resulting risk reports, bring to your attention specific risk improvement measures that could strengthen your climate resilience.

If FM Global has identified climate-related exposures at your facilities that can be mitigated, a corresponding recommendation with details on how to address that exposure can be found in the risk report for that location.

### METRICS AND TARGETS

The following metrics can help describe your planned actions toward mitigating the adverse impact of climate-related physical risks based on our latest assessment information; see your Climate Risk Report. For all locations visited by FM Global, you will receive a report for your organization's:

- ✓ Top outstanding physical climate-related recommendations
- ✓ Top outstanding human element (behavioral) climate-related recommendations
- ✓ Achievable climate risk reduction in U.S. dollars
- ✓ Climate risk achievements in the past 3 years

### ABOUT TRANSITION RISKS

The Task Force on Climate-related Financial Disclosures divides climate-related risks into two major categories:

1. risks related to the *transition* to a lower-carbon economy and
2. risks related to the *physical* impacts of climate change.

As outlined in the TCFD recommendations, transition risks are those associated with society's responses to climate change and the transition to a lower-carbon economy.

Transition Risks include:

- **Policy and Legal**
- **Technology**
- **Reputation**
- **Market**

Guidance on these transition risks, which are beyond the current scope of FM Global's Climate Resilience Products, may be found within the TCFD framework. Our current products provide support for physical climate-related risks and opportunities.

**Your FM Global client service team or your AFM account team is uniquely positioned to help you with prioritizing investments in climate resilience and in monitoring progress.**

The International Sustainability Standards Board (ISSB) will take responsibility for the work of Task Force on Climate-related Financial Disclosures (TCFD) from 2024. Additional guidance may be forthcoming, as the new governing body takes over the monitoring of progress on companies' climate-related disclosures from the TCFD.



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