



2023 TCFD REPORT

FM GLOBAL'S CLIMATE-RELATED FINANCIAL DISCLOSURES







About This Report

We are pleased to present our third annual publication in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This report summarizes our climate-related governance and strategy, approach to climate-related risk management, and related metrics, as of December 31, 2023. It reflects how FM Global incorporates and manages the impact of climate-related risks and opportunities to our business.

Table of Contents

About This Report	1
Governance.....	3
Strategy	4
Risk Management.....	9
Metrics and Targets.....	13



OUR APPROACH TO CLIMATE CHANGE

Our world is rapidly changing, and with change comes increasing accountability for companies in how they impact the environment, society, and in how they operate their business. One of the biggest challenges we face today is climate risk. The impacts not only threaten communities directly, through natural disasters such as flood and fire, but entire economies. A lack of resilience in the operations of one business can have devastating effects on an entire supply chain. As a leading commercial property insurer and mutual company, FM Global's purpose—to protect today for a better tomorrow—has never felt more relevant.

For nearly 200 years, we have proactively responded to change by using our science-based research and engineering approach to create solutions for our clients, who are also our primary stakeholders. We invest significantly in helping them not only to understand, but also to mitigate their own exposures to climate risk. Our suite of climate resilience products and a ground-breaking resilience credit representing US\$650 million over the past two years, are examples of how we continue to invest in helping clients to counter climate change and increase their business resilience.

Our renewables business unit, established in 2023, will bring the best of our engineering knowledge and expertise to develop risk management solutions that accelerate the transition to renewable energy. We also continue to invest in our research centers around the world to develop next generation solutions for region-specific as well as global natural hazards. As we expand the presence of those centers, we do so with a strong focus on reducing the environmental impact of our own operational footprint.

We have a bold sustainability vision that resilience is for everyone—and firmly believe that more resilient businesses result in more resilient communities. As we support our clients in becoming more sustainable, so we become more sustainable ourselves, and the communities we live in are strengthened as a result. This is the circle of resilience we are building around the globe.



Our investments in research and science-backed solutions help our clients mitigate against climate risk—building a circle of resilience that can be felt around the globe.



MALCOLM C. ROBERTS
CHAIRMAN AND CHIEF EXECUTIVE OFFICER



GOVERNANCE



OUR GOVERNANCE

FM Global is a mutual insurance company owned by its clients and benefits from a well-established corporate governance structure reflecting our mutuality. Our board of directors, eight advisory boards and five risk management executive councils are at the center of our corporate governance. Along with our executive management, these bodies play a critical role in FM Global's strategy, direction and governance.

OVERSIGHT OF CLIMATE-RELATED RISK

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 senior leadership group (SLG), and the regional risk management committees (RMCs). The board, the BREC and regional RMCs regularly consider climate-related risks and opportunities as part of our risk management framework.

FM Global's chief sustainability officer (CSO) supports the development and execution of our long-term sustainability strategy, including climate-related risks and opportunities. A sustainability subcommittee of the SLG, comprised of business and functional subject matter experts within FM Global, provides leadership, direction and accountability. Day-to-day management of material sustainability issues is the primary responsibility of the CSO in consultation with the sustainability subcommittee and external experts, as needed. Key functional and executive leaders also have responsibility for the management of FM Global's climate-related risks and opportunities including the chief science officer, chief engineer, director of structures and natural hazards research, chief underwriting officer, head of renewables and chief investment officer.

For more information on FM Global corporate governance and performance, please see the 2023 FM Global Annual Report.



STRATEGY

FM Global's sole focus is commercial property insurance. Since 1835, we have been a pioneer in the innovation and engineering of resilience for our clients with the aim of protecting today for a better tomorrow.

Climate-related chronic and acute physical risks present material property damage and business disruption exposures to many of our policyholders. Their increasing incidence and severity can impact FM Global's underwriting exposure, while our own operational locations and property portfolio are also subject to these physical risks.

Transition risks associated with the shift towards a lower-carbon economy, which may include renewable energy and other technological developments, current and emerging regulation, litigation, shifts in markets and changing customer or community perceptions, may impact our business in the medium to long term. Potential impacts include valuations of our policyholders' insurable interests, increased losses from immature technologies, changing energy costs, and adherence to carbon and other environmental regulations.

Climate-related risks are increasingly recognized as a meaningful component of the broader set of investment risks embedded within financial assets.

OUR VISION

Our sustainability vision—resilience is for everyone—comprises four focus areas, two of which relate directly to climate-related risks and opportunities—counter climate change and accelerate the renewables ecosystem.

To counter climate change, we apply and expand our science-based knowledge and solutions to enable adaptation to and protection against climate-related risks, while reducing our own impact to the environment. Our goals are to:

- Help our clients reduce their climate-related risk and its impact on their businesses and communities.
- Reduce the environmental impact of our global operational footprint for a more sustainable planet.
- Support our clients as they transition towards cleaner energy sources, incorporating sustainability perspectives and the associated business risks in our approach.

To accelerate the renewables ecosystem, we aim to advance the renewables industry through research and innovation, supporting the transition to alternative energy. Our goals are to:

- Support the global transition to renewable energy by providing new, innovative, market-leading insurance products and services.
- Use our engineering and research and recommend FM Approved products to reduce risk and losses associated with renewable technologies.

HELPING OUR CLIENTS REDUCE THEIR CLIMATE-RELATED RISK

Researching the evolving science of current and future climate both informs our business and enables us to develop risk management solutions for clients that protect our mutual business model. This is evidenced by analyses undertaken after major weather events, which consistently show that clients that implement our recommendations experience lower losses than those that do not act.



CLIMATE RESEARCH

FM Global has more than 140 researchers, scientists, engineers and technicians dedicated to 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.

We have three centers of excellence—the FM Global Research Campus in West Gloucester, RI and Learning Center in Norwood, MA, both in the US, and the FM Global Centre in Singapore. Collectively, these house state-of-the-art laboratories, testing areas, interactive simulation facilities and learning spaces, allowing us to undertake a wide range of climate-related risk management activities, such as:

- Studying the short-and long-term effects of severe weather and climate-related hazards;
- Researching how climate-related risk is affecting unprepared organizations;
- Developing solutions to mitigate climate-related risk and expand adaptation capabilities;
- Testing and certifying third-party climate loss prevention products;
- Demonstrating to visitors how risk mitigation and engineering can prevent losses.

Our research division engages in direct discussions and partnerships with reputable research institutions and scholars, participating in scientific workshops and leading discussions at local, national and international levels. We bring our climate research, engineering and analytical capabilities to partnerships with public, private and academic organizations across the globe, including:

- Collaborating with the Institute for Catastrophe Risk Management at Nanyang Technical University in Singapore.
- Leading the advisory board and collaborating with Western University, Ontario, Canada on the design and operation of their wind research facilities.

- Developing guidelines to design and test ballasted roof-mounted and fixed-tilt ground-mounted solar panel installations with Western University and the American Society of Civil Engineers.
- Increasing the understanding of wind loads and critical wind speeds that can cause aeroelastic instability for ground-mounted single-axis tracker solar panel arrays with Western University.
- Conducting research with the Wind Engineering, Energy and Environment Research Institute and Texas Tech University, TX, US, to protect properties against severe tornadoes.
- Leading the advisory board leadership and collaborating with the Extreme Events Institute at Florida International University, FL, US, focusing on wind and storm surge hazards.
- Developing accurate storm surge models for the East Coast and West Pacific regions of the US with Notre Dame University, IN, US.
- Investigating the interface of sustainability and resilience as a member of the United Nations Office for Disaster Risk Reduction Private Sector Alliance for Disaster Resilient Societies.
- Collaborating with the National Oceanic and Atmospheric Administration, United States Geological Survey and Federal Emergency Management Agency on the review and exchange of climate-related data and studies.

FM APPROVALS

FM Approvals tests property loss prevention products and certifies those that meet rigorous loss prevention standards. During testing, product performance is evaluated under conditions consistent with climate change and the natural hazards associated with more frequent and severe climate-related risks.

The Approval Guide and RoofNav include climate-related risk mitigation products that meet rigorous loss prevention standards including flood barriers, flood sensors, roof-mounted rigid photovoltaic module systems and hydrocarbon and water leak detectors.



CLIMATE-RELATED RISK MODELING

FM Global—in collaboration with climate research institutions—uses a physics-based computational modeling and analytics approach to understand how climate change is affecting natural perils. This approach links the best science-based data, top tier computational climate model results and location specifics from our engineering site visits to calculate the total insured property and business interruption value exposed.

The methodology considers relevant scientific insights on factors such as rainfall, ground motion, windspeed and terrain to provide a comprehensive view of a property's exposure to climate-related risk as well as prioritized opportunities to improve climate resilience. The potential impacts of two acute—extreme precipitation and wind—and three chronic—temperature, drought and sea level rise—climate perils are assessed across three Intergovernmental Panel on Climate Change representative concentration pathways—2.6, 4.5 and 8.5—for scenarios to 2030 and 2050.

Climate change is a complex and evolving issue that requires ongoing monitoring and adaptation. Our physics-based climate-related risk analysis approach leverages the latest advancements in analytics, including artificial intelligence and machine learning to enable continuous evolution and improvement.



CLIMATE RESILIENCE PRODUCTS

Our engineering, scientific and research-backed approach to assessing and mitigating climate-related risk allows us to support our clients with the adaptation and resilience solutions they need. To help our clients and partners take more control in this ever-changing environment, since 2022 we have introduced a suite of climate resilience products to assess climate-related risk and prioritize improvements.

RESILIENCE CREDIT

In 2023 FM Global issued our second resilience credit, a unique premium credit to help clients complete climate-related risk improvement. This US\$350 million credit, following the inaugural 2022 credit of US\$300 million, reflects our mutual structure and is a demonstration of our commitment to help clients combat climate-related risk.

CLIMATE RISK REPORT

Leveraging hundreds of millions of property risk data points collected in approximately 40,000 engineering risk service visits to client sites around the globe each year, the Climate Risk Report (CRR) provides clients with a unique view of their current climate-related physical risk exposures. The CRR includes the currently-exposed total insured value (TIV), together with the degree of improvement available and the actionable, prioritized opportunities to do so.

CLIMATE CHANGE IMPACT REPORT

Launched in 2023, the Climate Change Impact Report (CCIR) leverages our climate-related risk modeling and engineering data to assess the future impact of acute and chronic physical risks at visited client locations. This helps us and our clients evaluate the long-term reliability and effectiveness of current risk mitigation solutions.

CLIMATE REPORTING AID AND EXAMPLE

The Climate Reporting Aid and Example are resources to support clients using FM Global's climate-related risk information in their public reporting.

RESILIENCE INDEX

The FM Global Resilience Index captures the relative resilience of a country's business environment. The Index comprises six physical factors and 12 macro factors that combine equally to form the composite score for 130 countries and territories. It incorporates three climate measures:

- Climate risk exposure reflects current threats such as severe floods and windstorms;
- Climate change exposure reflects estimated wind and flood impacts by 2050;
- Climate risk quality reflects building codes, code enforcement and facilities improvements.

NATURAL HAZARD TOOLKIT

FM Global provides publicly available tools to assess and mitigate the impact of climate-related events. Our natural hazard toolkit offers resources to help clients and other organizations prepare for and respond to floods, windstorms and other severe weather. We have also developed interactive global flood and freeze maps, and a hail map for the US.

Since launching our climate resilience product suite in 2022, our clients have been completing climate-related risk improvement recommendations and reducing loss expectancy at a greater pace than before.

“

Business leaders are deeply concerned about the changing climate and often lack objective, actionable data to help them protect the value they've created. Our climate resilience products support clients with information they need to protect their property against climate risks today and into the future. In 2022 and 2023, clients completed over 3,000 climate risk recommendations, eliminating US\$33 billion of loss expectancy associated with climate risks, and as a result made their business more resilient.

”



OSCAR MATUS

OPERATIONS MANAGER
LATIN AMERICA



SUPPORTING THE TRANSITION TO CLEANER AND RENEWABLE ENERGY

We place significant restrictions around the categories of fossil fuel business that we underwrite—we do not insure the extraction and production of oil and natural gas, while standalone coal mining and handling have been prohibited for several years. Consequently, our fossil fuel book is a small proportion of our business, made up primarily of clients in the power generation and chemical industries, and is shrinking as many transition away from fossil fuel.

Our power generation book includes locations that use thermal coal as a fuel source. Burning coal to generate electricity accounts for a significant proportion of global greenhouse gas (GHG) emissions so transitioning to more sustainable energy sources is a societal priority to address climate change. We support clients through their transition to more sustainable energy, providing guidance for retiring assets and for construction projects to transition to lower emitting fuels, leveraging our unique engineering expertise.

The use of renewable energy is currently being explored by every industry and the renewable energy market is expected to experience accelerated growth for the next several years. The technology and risk management landscape is complex, costly and still fluid. Insurance industry experience shows an increased volatility of losses associated with immature renewable energy technologies, presenting a need for technological and insurance solutions.

FM Global is leveraging our research, engineering and product expertise to ensure renewables can be built and operated in a resilient way. Our stable capacity and strong balance sheet enable us to develop insurance products to support the renewable energy market. These initiatives will reduce the risks associated with renewable technologies and promote their adoption. In 2023, we established a renewables business leadership team charged with delivering risk management solutions to help accelerate the transition to renewable energy.

CIRCLE OF RESILIENCE

We believe one of the most effective strategies to address FM Global's climate-related risks and opportunities is to help our clients identify, assess and manage their climate-related exposures.

If our clients are better prepared to face climate-related physical risks, by implementing loss prevention and risk management solutions, they are likely to suffer fewer losses and better manage those that do occur. Our mutual company structure allows more capital to go back to work for our clients.

REDUCING OUR ENVIRONMENTAL IMPACT

Core areas of focus to reduce the environmental impact of FM Global's global operational footprint include the use of renewable energy—both purchased and generated—as well as green construction, waste reduction and a higher rate of low-emissions vehicle adoption.

- Solar arrays have been installed at several locations, including our corporate headquarters, and a large installment is under development at our Research Campus.
- Our new development in Norwood, MA, US will incorporate geothermal energy, all electric building systems and a high-performance building envelope.
- We are increasing the number of low-emissions vehicle options available to employees.

While reducing our footprint is of paramount importance, we have initiated steps to balance our annual GHG emissions by investing in carbon offsets and renewable energy certificates (RECs) while we continue to build a longer-term plan for GHG reduction.

MANAGING CLIMATE-RELATED RISK IN OUR INVESTMENTS

We continually evaluate potential risk, return and diversification opportunities across assets to inform our investment strategy with the goal of protecting and optimally growing the surplus for the long-term benefit and protection of our policyholders. 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.

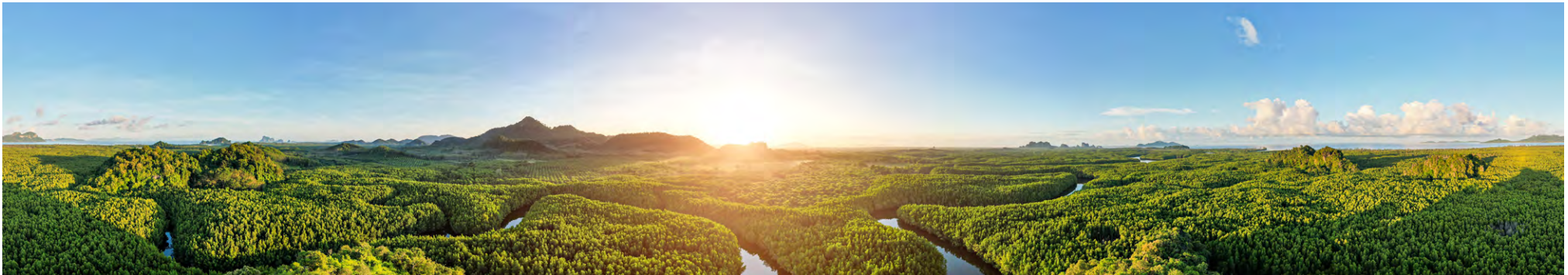
Climate-related risks are increasingly recognized as a meaningful component of the broader set of investment risks embedded within financial assets. We are taking a prudent approach to assessing and incorporating climate-related risk considerations within our investment portfolio to ensure alignment with our long-term investment strategy. We work with several high-quality investment firms that have a commitment to allocating resources and expertise to climate-related risk analytics, and to the integration of potential transition-related risk factors alongside other fundamental and technical inputs within their investment decision-making processes. We continue to make progress in the measurement of carbon emissions, carbon intensity and other exposures associated with the publicly traded equity portion of our investment assets.

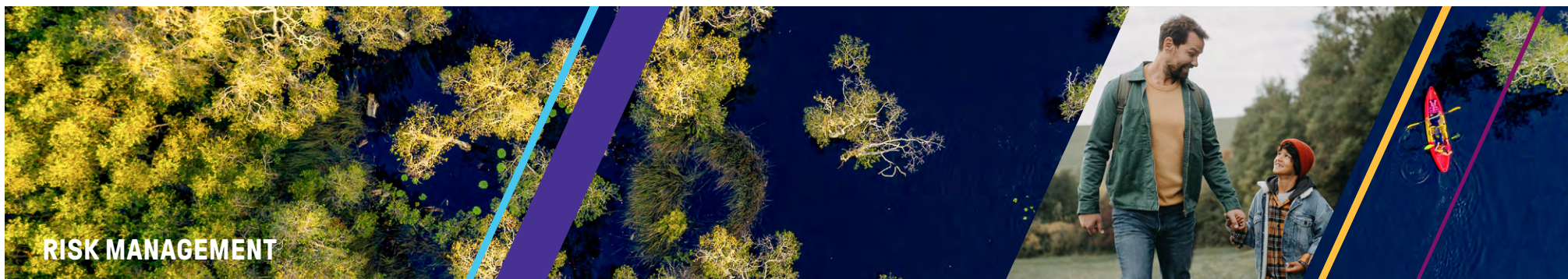
We selectively invest in strategies that are focused on the transition to a lower-carbon economy, and believe that such investments incorporate the quality, innovation and long-term growth characteristics that are well aligned with our overall investment strategy, contributing to long-term stability and resilience. We believe that important investment opportunities will continue to arise related to the transition to a lower-carbon economy with the development of innovative technologies and solutions across a wide range of asset types.

As the understanding of climate impact across markets matures, our strategy in this area will evolve too. Overall, we see the incorporation of climate-related risks and opportunities in the management of our portfolio as prudent and additive to portfolio resilience, consistent with our overarching principle to invest in a strategic manner focused on the long-term growth and protection of surplus for the benefit and protection of our policyholders.

CLIMATE RESILIENCE IN OUR FINANCIAL PLANNING

As a regulated commercial property insurance company, we comply with various regulatory and solvency requirements globally and have embedded a robust actuarial-based capital modeling approach to our financial planning and solvency and liquidity management. Several jurisdictions require an own risk and solvency assessment (ORSA) to be prepared annually, which considers climate change in its capital modeling. The Factory Mutual Insurance Company (FMIC) audit committee and board review and approve the FMIC ORSA annually.





RISK MANAGEMENT

CLIENT RISK ASSESSMENT

FM Global is a location-based underwriter—our specially trained engineers visit client facilities and evaluate them based on construction, occupancy, protection and exposure. Each visited location is provided with an FM Global Risk Report, comprising a detailed explanation of the exposures that could cause a property loss and recommendations to address those exposures. Approximately 40,000 in-person location engineering visits are conducted each year.



UNDERWRITING

The high-quality information gathered enables us to develop a detailed understanding of the property damage risks—including climate-related physical risks—at each location. Various scenarios are assessed to determine aggregate exposures, using the location-based information together with scientific models—proprietary techniques developed by our research scientists as well as commercially available packages. Compared to the use of models alone, this approach significantly improves our understanding of exposures and enables the efficient deployment of insurance and reinsurance capacity with appropriate terms and conditions.

Potential growth of FM Global's exposure to climate-related risk is managed through new business risk selection criteria. Terms and conditions are applied to locations exposed to climate events to manage our liability, which can be further reduced through our reinsurance program.

RISK REDUCTION

FM Global reduces loss potential through a collaborative effort with our clients to improve resilience at their facilities. Based on the location assessments, our engineers use our property loss prevention guidelines—incorporating nearly 200 years of experience, research and engineering results, as well as input from consensus standards committees, equipment manufacturers and others—to make detailed recommendations for clients to reinforce their facilities against loss and to reduce their exposure accordingly.

For climate-related physical risks, these loss prevention recommendations are supplemented by our climate resilience products such as the CRR and CCIR.

Our engineering capability often results in reduced losses in comparison to predicted losses in catastrophe models—clients that reinforced their properties in Puerto Rico to the 500-year wind speed level, in line with FM Global recommendations, experienced significantly lower losses in Hurricane Maria than similar buildings in the region. This was not unique—analyses undertaken after Hurricanes Harvey, Maria and Katrina show that losses for clients that acted on our recommendations cost between four and six times less than those that did not.

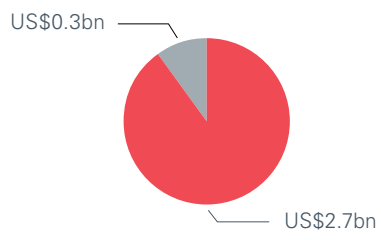


CLIMATE-RELATED RISK AND RESILIENCE IN OUR OPERATIONS

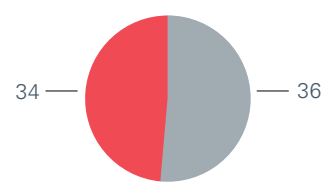
FM Global’s property portfolio comprises our US owned and globally leased locations. We self-insure our properties, using the same approach, models and tools to assess our exposures that we use to support our clients. Locations are visited by FM Global consultant engineers to conduct risk assessments, and we implement the resulting solutions and initiatives to ensure the resilience and sustainability of our operations.

Exposure to climate risk

Total Insured Value



Number of Locations

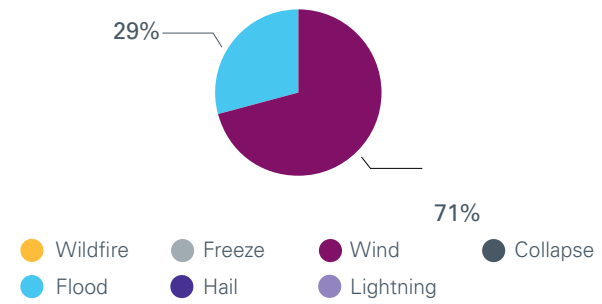


Exposed
Not Exposed

CLIMATE-RELATED RISK-EXPOSED LOCATIONS

Our current property exposures span our US owned and globally leased locations. We use our CRR to better understand inherent and actionable physical climate-related risk across these locations. Considering FM Global’s global property portfolio, wind is the most significant peril, followed by flood—together these two perils present almost all of our current climate-related physical risk.

Total climate risk by peril



For our owned locations, FM Global’s policy is to address all climate-related risk recommendations made by our consultant engineers. There are a small number of exceptions to this policy for locations that are undergoing renovations or being disposed of. For leased locations, we work with landlords to encourage the implementation of solutions to adapt to and mitigate climate-related risks.

“The climate-related risk assessment process for FM Global is the same as for our clients—we use our own advanced analytics to calculate our current exposure to climate perils as well as the potential for future impacts. This multi-pronged strategy is used to address exposures at both our owned and leased locations.”



JEFFREY DELMORE
RISK MANAGER



Some of FM Global's most strategic locations are in the New England region of the US, including the FM Global Research Campus and our corporate offices. Significant efforts have been made to ensure that our operations remain resilient to tropical storm exposure—efforts that were validated by the CRR, which identified the Research Campus and corporate offices as being amongst the locations with the highest inherent climate risk. These locations are critical to our business and focal points for client interactions. By implementing all of the mitigating recommendations made by our consultant engineers, we are confident that these locations will remain resilient.

ANTICIPATING CLIMATE CHANGE

We use our CCIRs to help determine whether the adaptation and mitigation solutions in place today will withstand future impacts of climate change.

Almost all of FM Global's property portfolio is exposed to either change in extreme precipitation, change in wind speed, or both, in the short term (by 2030) and long term (by 2050). However, as identified by the CCIRs, our New England locations are not amongst those facing the most significant future changes.

For buildings at new locations, FM Global utilizes our engineering resources to ensure that inherent risk is minimized where possible—such as avoiding known flood zones. For expansion of existing facilities, the CCIR predictions are incorporated. We are constructing a new building at our Norwood, MA, US campus, where surface water and high wind speeds are the greatest inherent risks. Using the extreme precipitation data and wind speed projections from the CCIRs, we were able to determine what variables to use in the design of the new building. Precipitation was the greatest change—consequently we have designed not only for today's 100-year storm but to ensure the site drainage will remain fit for purpose in 2050.

Acute Risk by Climate Peril

Extreme Precipitation (US\$899.27M)



Wind (US\$2.61B)



Chronic Risk by Climate Peril

Temperature (US\$3.04B)



Drought (US\$21.2M)



Sea Level Rise (US\$8.97M)

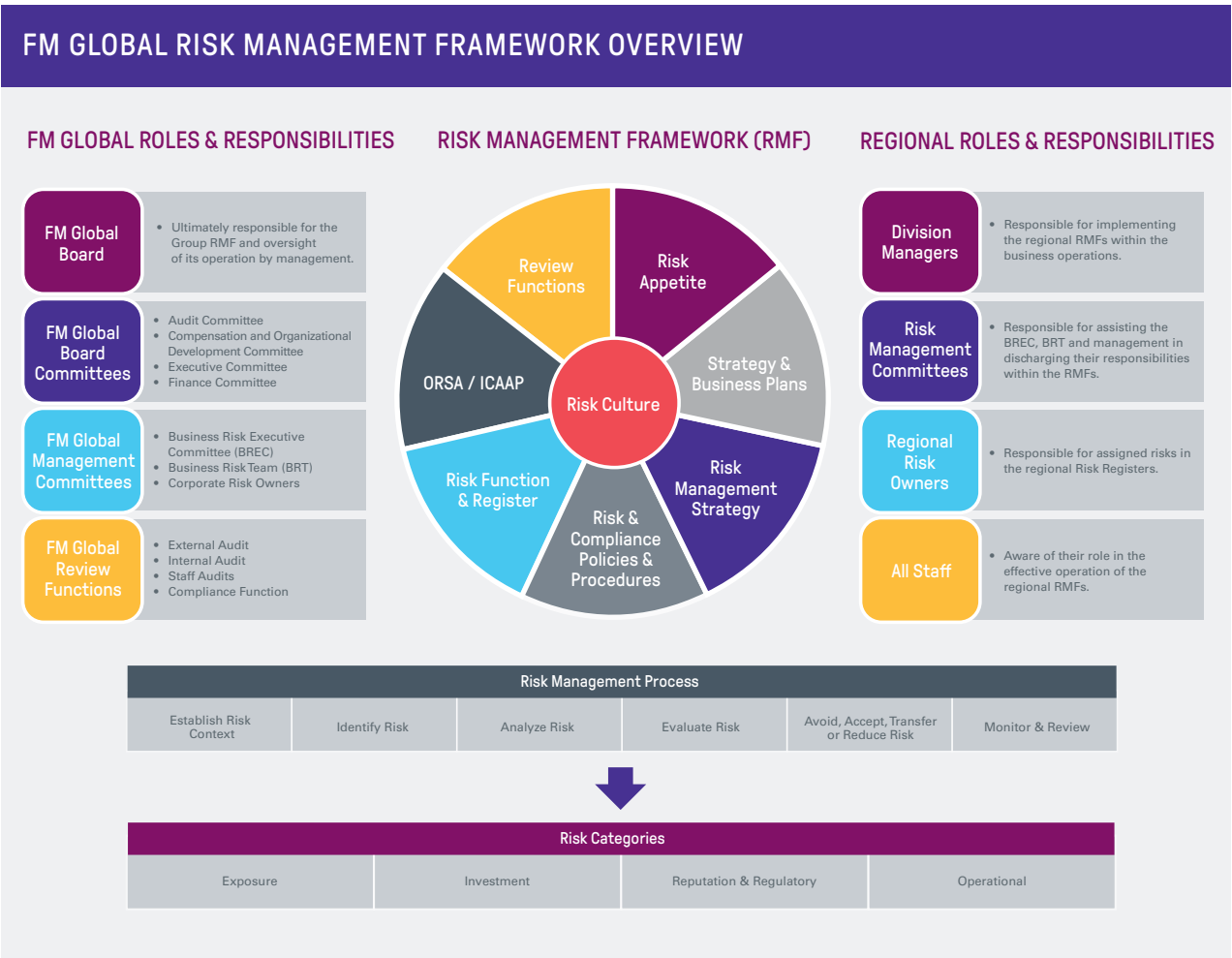


INTEGRATING CLIMATE-RELATED RISK

The management of risk is consistent across FM Global. The inventory of risks developed at group level by the BREC is shared with local RMCs and adopted by all operations teams who can supplement the inventory with local information, as necessary. The BREC manages the key risk listing, identifies new and emerging risks, monitors compliance and oversees development of solutions at the enterprise level.

Climate-related risks are identified, assessed and addressed within this framework as part of FM Global's management of sustainability risks. Recognizing that sustainability is a multi-faceted risk comprising many underlying factors that are inherent in the existing risk inventory, a hybrid approach has been adopted. A risk statement leverages the broad perspectives and experience of the sustainability subcommittee and sustainability team to provide a comprehensive view of sustainability risk factors. This risk statement informs the risk function through the BREC, enabling risk owners to incorporate relevant factors and manage them in accordance with existing risk management procedures.

FM Global's 'three lines of defense' risk management model ensures appropriate levels of oversight of and engagement with this process.





METRICS AND TARGETS

OUR 2023 GHG EMISSIONS

FM Global's 2023 GHG emissions inventory has been developed to capture the direct and indirect emissions across our operations, energy procurement and value chain, in alignment with the guidance and methodologies of the Greenhouse Gas Protocol (GHGP). The inventory provides us with an understanding of our enterprise-wide carbon footprint which will support FM Global in identifying opportunities that can be leveraged to further reduce our environmental impact.

In partnership with Agendi Inc. (Agendi), we are substantially enhancing our methodologies and controls relating to the collection and aggregation of activity data, to develop a more complete and robust inventory. Two outcomes from this work are notable:

- Our operational footprint is derived from facilities occupied by FM Global—in accordance with our operational control boundary, facilities managed by Hobbs Brook Real Estate and leased to tenants are now included in our scope 3 footprint.
- The number of scope 3 categories included in our inventory has expanded considerably. Together with the activity changes outlined in the following sections, this has resulted in a considerable increase in our reported GHG emission values in 2023, compared to our reported 2022 values.

We are seeing post-pandemic working practices normalize enabling us to baseline our emissions data, which will inform our goals and targets for future emissions reductions.

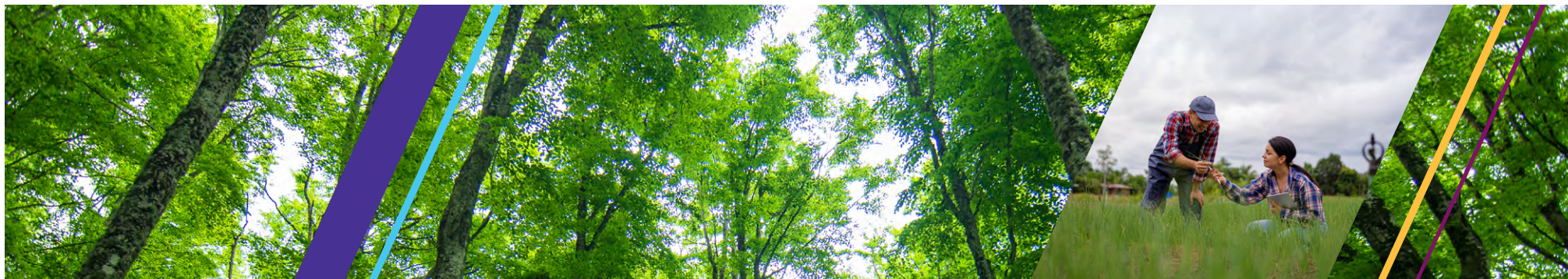
“

Good decisions are rooted in good data. By acquiring and utilizing good data, we can set meaningful goals to embed sustainability into our business practices at every level, reducing our impact and driving positive change towards a more sustainable future.

”



PAMELA GRIFFING
CHIEFTAX OFFICER



SCOPE 1

Scope 1 emissions are direct GHG emissions that occur from sources that we control or own. These sources include onsite stationary fuel combustion, our vehicle fleet, and fugitive emissions. As in-person working patterns began to normalize during 2023, office-based work and client site visits increased, driving higher usage of fuels and vehicles, as well as other resources needed to support operations. However, due to an enhanced understanding of the emissions associated with our tenanted buildings and the allocation of these emissions to scope 3, our operational energy consumption and scope 1 emissions have decreased from the level reported in 2022.

FM Global continues to adopt initiatives and programs to reduce our scope 1 emissions. These include the deployment of electric vehicle charging stations and increased availability of low-emissions vehicle options in our fleet. We are continuing to explore opportunities related to electrification and emerging technologies to further drive down these emissions.

SCOPE 2

Scope 2 emissions are indirect GHG emissions associated with our purchase of electricity, steam, heating and cooling. As is the case for scope 1 emissions, in 2023 higher rates of office occupancy drove an increase in associated energy consumption, but due to the allocation of emissions associated with our tenanted buildings to scope 3, our 2023 operational energy consumption and scope 2 emissions decreased from the level reported in 2022.

Looking ahead, we are evaluating opportunities to further decrease scope 2 emissions, including planned investments in onsite renewable energy generation at some locations, purchasing renewable energy through green tariffs or RECs, and promoting energy efficiency. These efforts demonstrate our proactive approach to sustainability and commitment to reducing our environmental footprint.

Scope 2 emissions have been calculated using both location- and market-based methods. The location-based method reflects the average emissions intensity of the grid on which energy consumption occurs, while the market-based method reflects both emissions from electricity that we have purposefully chosen and from the residual mix after accounting for purchases of renewable energy, in accordance with GHGP guidance. This comprehensive assessment includes efforts to transition select sites to renewable electricity sources, resulting in a reduction in emissions. However, to accurately reflect the emissions profile of sites without renewable energy, a residual mix emissions factor was utilized, leading to slightly higher emissions in some locations. While this may appear to offset the positive impact of renewable energy adoption elsewhere, it underscores FM Global's desire to thoroughly baseline our emissions data.

SCOPE 3

We have conducted a scope 3 materiality assessment to identify and understand the categories that substantially contribute to FM Global's value chain environmental impact. In conjunction with this,

we have assessed the carbon intensity of our top suppliers. Together, these analyses will help us to develop and evaluate initiatives to collaborate with partners to drive down our scope 3 emissions.

The materiality assessment identified nine of the potential 15 scope 3 categories as potentially material to FM Global. In 2023, we are tracking and reporting on eight of these, as per below. Category 15 – Investments is currently excluded from our scope 3 emissions.

Upstream Categories

- 1 – Purchased goods and services
- 2 – Capital goods
- 3 – Fuel- and energy-related activities
- 4 – Upstream transport and distribution
- 5 – Waste generated in operations
- 6 – Business travel
- 7 – Employee commuting

Downstream Categories

- 13 – Downstream leased assets

Prior to 2023, our scope 3 reporting covered only category 6 – Business travel. This significant expansion of reporting coverage, together with a return to pre-pandemic levels of business travel to support our clients and re-engage in-person meetings, are the principal reasons for the substantial increase in our reported scope 3 emissions compared to those reported in 2022.



OUR REPORTING JOURNEY

Since initiating GHG emissions reporting in FM Global's 2021 TCFD report, our processes relating to the collection and aggregation of activity data have materially evolved, while the scope of our reporting has broadened considerably. As anticipated, our reported emissions have increased as our inventory capabilities have improved—and partnering with Agendi this year has accelerated our progress.

The reductions in scope 1 and 2 reported emissions are primarily due to the reallocation to scope 3 of emissions associated with our tenanted buildings. This has added to the rise in scope 3 emissions, but the largest contributors to this rise are the seven additional categories that have been included in 2023, and a refined approach to quantifying business travel-related emissions. This widening of scope is the principal reason for the more than threefold increase in our total emissions—changes to underlying activities represent only a fraction of this.

Based on our current inventory scope, we do not anticipate further material increases in our GHG emissions. Scope 3 Category 15 – Investments is not included in the current inventory scope.

While reducing our carbon footprint is of paramount importance, we have initiated steps to balance our annual GHG emissions by investing in carbon offsets and RECs while we continue to build our longer-term plan to reduce emissions.

GHG EMISSIONS (METRIC TONS OF CO ₂ E)	JANUARY 1 TO DECEMBER 31		
	2023	2022	2021
SCOPE 1	9,900	11,036	10,257
SCOPE 2 (LOCATION-BASED)	10,168	21,143	10,304
SCOPE 2 (MARKET-BASED)	10,211		
SCOPE 3	127,332	9,247	
TOTAL (SCOPE 2 LOCATION-BASED)	147,400	41,426	20,561
TOTAL (SCOPE 2 MARKET-BASED)	147,443		

Notes

FM Global's GHG emissions reporting is guided by the GHGP. Other protocols, standards and methodologies have been used to supplement calculations.

The 2023 GHG emissions inventory covers 63 FM Global facilities and 28 Hobbs Brook Real Estate facilities. 2022 emissions were based on data collected from 77 of 79 locations; 2021 emissions on data collected from 57 of 58 locations.

Assumptions about energy use and emissions have been made, based on regional average energy use per operational square feet. For 2023, assumptions were made at 8% of locations; for 2022 at 27% of locations; and for 2021 at 13% of locations.

2023 scope 3 reporting covers the following categories: 1 - Purchased goods and services, 2 - Capital goods, 3 - Fuel- and energy-related activities, 4 - Upstream transport and distribution, 5 - Waste generated in operations, 6 - Business travel, 7 - Employee commuting and 13 - Downstream leased assets. 2022 scope 3 emissions reporting was based only on estimates of business travel including air travel, rental cars and employee mileage reimbursement. Scope 3 emissions were not calculated for 2021.

2023 employee mileage data includes Argentina, Austria, Belgium, Brazil, Canada, Chile, Czech Republic, France, Germany, Hungary, Italy, Luxembourg, Mexico, Netherlands, Poland, Romania, Slovakia, Spain, Sweden, Switzerland, Türkiye, United Kingdom and United States. Fleet vehicle data for 2022 (reported in 2023) included these countries plus Australia, China, India, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore and Thailand.

