



FM Insurance Europe S.A.

EU Taxonomy Report

31 December 2024



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Disclosures under Article 8 of the EU Taxonomy Regulation for FM Insurance Europe S.A.

FM Insurance Europe S.A. (“FMIE” or the “Company”) was incorporated on 9 December 2016 and is organised under the “Commercial Companies” laws of the Grand Duchy of Luxembourg, as a public limited liability company (Société Anonyme). It is a wholly owned subsidiary of Factory Mutual Insurance Company (“FMIC” or the “parent company”), a company organised under the laws of the State of Rhode Island, United States of America. FM is the communicative name for FMIC and its subsidiaries.

The Company is authorised by the Ministry of Finance and supervised by the CAA to establish insurance activities headquartered in the Grand Duchy of Luxembourg and to effect and carry out contracts of insurance throughout the European Economic Area (“EEA”) via branches established in Belgium, France, Germany, Italy, The Netherlands, Spain, and Sweden and on a freedom of services basis in the remaining member states. The Company is also authorised by the Swiss Financial Market Supervisory Authority to effect and carry out contracts of insurance in Switzerland via its Swiss branch and authorised by the Prudential Regulation Authority and the Financial Conduct Authority to effect and carry out contracts of insurance in the United Kingdom, through its UK Branch.

These disclosures cover sustainability related information on the investments and underwriting activities of FMIE in accordance with Article 8 of European Regulation (EU) 2020/852 (the “EU Taxonomy Regulation”) and related metrics as of 31 December 2024.

As of 1 January 2024, EU Taxonomy Regulation and Commission Delegated Regulation (EU) 2021/2178 (“Disclosures Delegated Act”) require insurance and reinsurance undertakings to disclose underwriting and investment Taxonomy key performance indicators (KPIs) including:

- the proportion of the insurance or reinsurance undertaking’s investments that are directed at funding, or are associated with, Taxonomy-aligned activities in relation to total investments;
- the proportion of gross written premium, non-life insurance revenue or, as applicable, reinsurance revenue corresponding to Taxonomy-aligned insurance or reinsurance activities;
- certain qualitative disclosures.

Taxonomy alignment goes beyond Taxonomy eligibility and implies that a Taxonomy eligible activity i) substantially contributes to at least one environmental objective; ii) does not significantly harm any environmental objective; iii) is carried out in compliance with minimum safeguards; and iv) meets the technical screening set in the applicable regulations.

For reference, Taxonomy eligibility only indicates that the activities have the potential to contribute to the defined environmental objectives based on our interpretation of what is provided under the EU Taxonomy Regulation and following implementation acts (“EU Taxonomy Regulations”). This report should be read in conjunction with the financial information as published in the Financial Statements and Solvency and Financial Condition Report of the Company for the year ended 31 December 2024, and the latest available Task Force on Climate-related Financial Disclosures (“TCFD”) report issued by FM. It is important to understand that FMIE’s approach to compliance with EU Taxonomy Regulation has to be assessed by reference to the approach of its parent company FMIC.

a. Contextual information

FMIE's principal activities are the underwriting of property insurance risks and the provision of related engineering and loss prevention activities in support of such underwriting. Its business model is based on a belief that the majority of property loss and associated business interruption is preventable through scientific research-based loss prevention and risk management solutions.

The company operates in the Financial Institutions sector and generates 100% of revenue from non-life insurance. It does not derive revenues from activities or operations, including exploration, mining, extraction, cultivation, production, processing, storage, refining or distribution, in the fossil fuel, chemical production, weapon or tobacco industries, nor from Taxonomy-aligned economic activities related to fossil fuel.

FMIE's sustainability vision is *resilience is for everyone*, comprising four focus areas, plus governance. The vision and focus areas are adopted in FM's group-level sustainability approach and apply globally throughout the group. FMIE's business strategy relates to sustainability matters in the following areas:

- Ensuring that climate-related physical risk is identified, assessed, addressed and underwritten appropriately.
- Continuing to develop products and services that support clients in managing their climate-related physical risk exposures.
- Creating an inclusive, contemporary, and rewarding work environment, ensuring FMIE's core values and culture are aligned.
- Developing and empowering adaptable, resilient, and engaged employees and leaders.

Products and activities that relate to FM's sustainability goals are those that help its clients to identify, assess and manage their climate-related physical risk exposures. In particular, FM's suite of Climate Resilience Products support its clients with a range of adaptation and resilience solutions, including the FM Resilience Credit, Climate Risk and Climate Change Impact Reports, the FM Resilience Index and Natural Hazard Toolkit.

b. Investments

FMIE continually evaluates 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.

FMIE takes a prudent approach to assessing and incorporating climate risk considerations within our investment portfolio to ensure alignment with our long-term investment strategy. Sustainability risks that are judged to have the potential to be financially material are taken into account alongside the broader set of investment risks in the course of fundamental analysis and investment decision-making. These risks are considered within the context of return potential, liquidity needs, valuation, and other fundamentals to ensure that the portfolio is invested in a strategic manner consistent with its long-term objectives.

TAXONOMY-ELIGIBLE ASSETS

In line with the EU Taxonomy Regulation, our assessment is that the covered assets (i.e. investments subject to review) include investments in debt instruments, equity instruments and cash at bank and in hand, but exclude exposure to central governments, central banks or supranational issuers.

The EU Taxonomy Regulation limits the scope of possible Taxonomy-eligible assets to financial and non-financial undertakings subject to Article 19a or 29a of Directive 2013/34/EU, as amended. Additionally, cash at bank and in hand are treated as non-eligible.

FMIE primarily invests in issuers/counterparties from non-EU countries, which are not subject to Article 19a or 29a of Directive 2013/34/EU, as amended. This includes holdings in Exchange Trade Funds (ETFs) which results in a negligible and extremely fragmented exposure to EU equities. In the absence of the relevant ETFs providing information on such exposures, FMIE treats these exposures as non-eligible.

The table below summarises the relevant metrics we have used to calculate the Taxonomy-eligible assets. Based on the assessment of the Company's covered assets, representing 73% of the total investments and cash at bank and in hand as of 31 December 2024, we calculate that the proportion of exposures in scope for Taxonomy-eligibility assessment represented 0% of the covered assets.

	In % of total assets
Total investments and cash at bank and in hand	100%
Proportion of exposures to central governments, central banks or supranational issuers	(27%)
Covered assets	73%

	In % of covered assets
Proportion of exposures to cash at bank and in hand, treated as non-eligible by the EU Taxonomy	14%
Proportion of exposures to financial and non-financial issuers/counterparties from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU	86%
Proportion of exposures to non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:	
<i>Proportion of the funding economic activities that are Taxonomy-eligible</i>	0%
<i>Proportion of the funding economic activities that are not Taxonomy-eligible</i>	0%
Covered assets	100%

For assurance purposes, the Taxonomy eligibility assessment for investments was made based on the NACE code associated with the activity of the investees. FMIE performed the assessment using public information disclosed by investees as well as database information to which FMIE has access.

Based on the information currently available and also considering that the proportion of exposures in scope for Taxonomy-eligibility assessment represented 0% of FMIE's covered assets, the proportion of exposures that qualify as Taxonomy-aligned also represented 0% of FMIE's assets as of 31 December 2024. This is substantially in line with the data disclosed for Fiscal Year 2023. The information required as per Annex X of the Taxonomy Regulation is included in Appendix 1.

c. Underwriting

FMIE is a location-based underwriter—our specially trained engineers visit client facilities and evaluate them based on construction, occupancy, protection and exposure. Exposures that could cause a property loss are evaluated and recommendations to address those exposures are prepared for each visited location.

The information gathered from site visits enables us to develop a detailed understanding of the property damage risks—including climate-related physical risks—at each location.

Potential growth of FM's exposure to climate 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.

TAXONOMY-ELIGIBLE UNDERWRITING ECONOMIC ACTIVITIES

Although limitations currently exist with respect to the extraction of the part of the premium allocated to the coverage of climate-related perils, the totality of the gross written premium for the year ended 31 December 2024 pertained to all-risk policies issued in the context of Taxonomy-eligible lines of business which include coverage of one or more of the climate-related perils identified by the EU Taxonomy Regulations.

The EU Commission guidance on Art. 8 EU Taxonomy Regulation published on 21 December 2023 clarified that where insurance undertakings are unable to obtain the data on written premiums related to climate-related perils for a given insurance contract, they should report those premiums as non-eligible and enter a zero value when calculating the numerator of the KPI.

Based on such guidance and due to the existing limitations in the extraction of the part of the premium allocated to the coverage of climate-related perils, the proportion of underwriting activities in scope for Taxonomy-eligibility assessment represented 0% of FMIE's underwriting activities. As a result of this, the proportion of underwriting activities that qualify as Taxonomy-aligned also represented 0% of FMIE's underwriting activities as of 31 December 2024. This is substantially in line with the data disclosed for Fiscal Year 2023. The information required as per Annex X of the Taxonomy Regulation is included in Appendix 2.

Due to constraints of the currently disclosed underwriting eligibility indicator, the Company does not regard it as an appropriate metric for the sustainability of the Company's underwriting activities.

d. Disclosures pertaining to nuclear and fossil fuel activities

The EU Taxonomy Regulations establish specific disclosure requirements with respect to natural gas and nuclear energy activities conducted by undertakings in scope for Taxonomy reporting.

With specific respect to its **investments**, FMIE primarily invests in issuers/counterparties from non-EU countries which are not subject to Article 19a or 29a of Directive 2013/34/EU and therefore are not required to produce the disclosures established under the Taxonomy regulations. Therefore, the lack of granular information available limits FMIE's ability to produce detailed disclosures on its investment exposures to nuclear and fossil fuel activities, as defined under EU Taxonomy Regulations.

With specific respect to its **underwriting activities**, FMIE places significant restrictions around the categories of fossil fuel business that it underwrites—it does not insure the extraction and production of oil and natural gas, whilst standalone coal mining and handling have been prohibited for several years. FMIE has no underwriting exposures to nuclear energy related activities.

The information required as per Annex XII for the disclosure of nuclear and fossil gas activities is included in Appendix 3. With reference to the above, disclosures are limited to FMIE's underwriting activities. Templates 2 to 4 have not been included in this report since no eligible or aligned activity has been reported by FMIE for the Financial Year 2024.

Appendix 1 – The proportion of the insurance or reinsurance undertaking’s investments that are directed at funding, or are associated with, Taxonomy-aligned in relation to total investments

<p>The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below:</p> <p>Turnover-based: 0%</p> <p>Capital expenditures-based: 0%</p>	<p>The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below:</p> <p>Turnover-based: EUR 0</p> <p>Capital expenditures-based: EUR 0</p>
<p>The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities.</p> <p>Coverage ratio: 100%</p>	<p>The monetary value of assets covered by the KPI. Excluding investments in sovereign entities.</p> <p>Coverage: EUR 1,726,924,000</p>
<p>Additional, complementary disclosures: breakdown of denominator of the KPI</p>	
<p>The percentage of derivatives relative to total assets covered by the KPI.</p> <p>0%</p>	<p>The value in monetary amounts of derivatives.</p> <p>EUR 0</p>
<p>The proportion of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings: 0%</p> <p>For financial undertakings: 0%</p>	<p>Value of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: EUR 0</p> <p>For financial undertakings: EUR 0</p>
<p>The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings: 28%</p> <p>For financial undertakings: 58%</p>	<p>Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: EUR 484,213,000</p> <p>For financial undertakings: EUR 1,003,332,000</p>

<p>The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings: 0%</p> <p>For financial undertakings: 0%</p>	<p>Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: EUR 0</p> <p>For financial undertakings: EUR 0</p>
<p>The proportion of exposures to other counterparties and assets over total assets covered by the KPI:</p> <p>14%</p>	<p>Value of exposures to other counterparties and assets:</p> <p>EUR 239,319,000</p>
<p>The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities: 0%</p>	<p>Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities: EUR 0</p>
<p>The value of all the investments that are funding economic activities that are not Taxonomy-eligible relative to the value of total assets covered by the KPI:</p> <p>100%</p>	<p>Value of all the investments that are funding economic activities that are not Taxonomy-eligible:</p> <p>EUR 1,726,924,000</p>
<p>The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI:</p> <p>0%</p>	<p>Value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned:</p> <p>EUR 0</p>
<p>Additional, complementary disclosures: breakdown of numerator of the KPI</p>	
<p>The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For financial undertakings:</p> <p>Turnover-based: 0%</p> <p>Capital expenditures-based: 0%</p>	<p>Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For financial undertakings:</p> <p>Turnover-based: EUR 0</p> <p>Capital expenditures-based: EUR 0</p>

<p>The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:</p> <p>Turnover-based: 0%</p> <p>Capital expenditures-based: 0%</p>	<p>Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned:</p> <p>Turnover-based: EUR 0</p> <p>Capital expenditures-based: EUR 0</p>
<p>The proportion of Taxonomy-aligned exposures to other counterparties and assets over total assets covered by the KPI:</p> <p>Turnover-based: 0%</p> <p>Capital expenditures-based: 0%</p>	<p>Value of Taxonomy-aligned exposures to other counterparties and assets over total assets covered by the KPI:</p> <p>Turnover-based: EUR 0</p> <p>Capital expenditures-based: EUR 0</p>

Breakdown of the numerator of the KPI per environmental objective

Taxonomy-aligned activities – provided 'do-not-significant-harm'(DNSH) and social safeguards positive assessment:

(1) Climate change mitigation	<p>Turnover: 0%</p> <p>CapEx: 0%</p>	<p>Transitional activities: 0 % (Turnover; CapEx)</p> <p>Enabling activities: 0 % (Turnover; CapEx)</p>
(2) Climate change adaptation	<p>Turnover: 0%</p> <p>CapEx: 0%</p>	<p>Enabling activities: 0 % (Turnover; CapEx)</p>
(3) The sustainable use and protection of water and marine resources	<p>Turnover: 0%</p> <p>CapEx: 0%</p>	<p>Enabling activities: 0% (Turnover; CapEx)</p>
(4) The transition to a circular economy	<p>Turnover: 0%</p> <p>CapEx: 0%</p>	<p>Enabling activities: 0 % (Turnover; CapEx)</p>
(5) Pollution prevention and control	<p>Turnover: 0%</p> <p>CapEx: 0%</p>	<p>Enabling activities: 0 % (Turnover; CapEx)</p>
(6) The protection and restoration of biodiversity and ecosystems	<p>Turnover: 0%</p> <p>CapEx: 0 %</p>	<p>Enabling activities: 0 % (Turnover; CapEx)</p>

Appendix 2 - The underwriting KPI for non-life insurance and reinsurance undertakings

Economic activities (1)	Substantial contribution to climate change adaptation			DNSH (Do No Significant Harm)					Minimum safeguards (10)
	Absolute premiums, year t (2)	Proportion of premiums, year t (3)	Proportion of premiums, year t-1 (4)	Climate change mitigation (5)	Water and marine resources (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	
	EUR	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N
A.1. Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)	-	-	-	-	-	-	-	-	-
A.1.1. of which reinsured	-	-	-	-	-	-	-	-	-
A.1.2. of which stemming from reinsurance activity	-	-	-	-	-	-	-	-	-
A.1.2.1. Of which reinsured (retrocession)	-	-	-	-	-	-	-	-	-
A.2. Non-life insurance and reinsurance underwriting Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)	-	-	-	-	-	-	-	-	-
B. Non-life insurance and reinsurance underwriting Taxonomy-non-eligible activities	1,253,648,000	100%	100%						
Total (A.1 + A.2 + B)	1,253,648,000	100%	100%						

Appendix 3 - Standard templates for the disclosure referred to in Article 8(6) and (7)

Template 1 Nuclear and fossil gas underwriting related activities

Row	Nuclear energy related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	YES
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	YES

Template 5A Taxonomy non-eligible economic activities / Underwriting

Row	Economic activities	Amount EUR	Percentage %
1.	Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
2.	Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
3.	Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0
4.	Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	5,573,000	0%
5.	Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	3,466,000	0%
6.	Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	1,114,000	0%
7.	Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	1,243,495,000	99%
8.	Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	1,253,648,000	100%



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