



2025 REPORT

Climate-Related Disclosures

Factory Mutual Insurance Company Canada Branch
Affiliated FM Insurance Company Canada Branch

About this report

This Climate-Related Disclosures Report has been prepared to summarize the approach of the Canadian branches of Factory Mutual Insurance Company and Affiliated FM Insurance Company to identify, assess and manage climate-related risks in accordance with the Office of the Superintendent of Financial Institutions' Guideline B-15: Climate Risk Management. The report describes governance, strategy, risk management and metrics related to climate-related risks and opportunities, based on information available as of December 31, 2025. This report is intended to support transparency regarding climate risk management and does not constitute a guarantee of future performance or outcomes.

Table of contents

Governance	2
Strategy	4
Risk management	6
Metrics and targets	8

Governance

Factory Mutual Insurance Company (FMIC) and its subsidiary Affiliated FM Insurance Company (collectively referred to hereafter as FM) are companies domiciled in Rhode Island, USA that operate in Canada as branches (collectively referred to hereafter as FM Canada). This Climate-Related Disclosures Report covers both branches.

At the center of FM's governance are the board of directors (board), eight advisory boards and five risk management executive councils. Together with executive management, these bodies play a critical role in FM's strategy, direction and governance.

Board oversight

FM's governance model places particular emphasis on safeguarding long-term resilience in accordance with its purpose—protect today for a better tomorrow. The board retains ultimate responsibility for overseeing climate-related matters, including the risks that extreme weather and long-term climate trends pose to FM's underwriting exposures, operations and strategic direction.

The board is supported by the business risk executive committee (BREC), the corporate planning committee (CPC) and the regional risk management committees. The board, the BREC and regional risk management committees consider climate-related risks and opportunities as part of FM's risk management framework, enabling board-level oversight to remain aligned with FM's strategy, risk tolerance and long-term climate posture.

Executive management leadership

Climate-related matters are operationally led by FM's executive management, including leaders in sustainability, research, science and technology, engineering, underwriting, investments and operations.

FM's chief sustainability officer plays a central coordinating role, guiding the integration of climate-related considerations across functions and ensuring alignment between scientific insight, regulatory requirements and FM's operating model.

Throughout 2025, executive leadership remained deeply engaged in:

- Investing in client resilience through the ongoing resilience credit program.
- Advancing FM's renewable energy engineering and insurance capabilities.
- Overseeing the evolution of FM's climate resilience products.
- Providing global resilience benchmarking through the FM Resilience Index.
- Integrating engineering loss prevention with climate science and AI-based analytics.
- Ensuring FM's scientific research continues to inform business strategy.
- Strengthening data quality and governance for future sustainability disclosures.

Climate-related expertise across FM

FM's sustainability steering group comprises experts from across the business, who guide implementation of FM's long-term sustainability strategy. Extensive in-house scientific, engineering and regulatory expertise is available to support the chief sustainability officer and steering group. Teams from research, engineering, natural hazards, structures, renewable energy, risk management and sustainability play a vital role in ensuring climate-related risk is assessed with technical depth and anchored in empirical evidence and industry-leading engineering principles. This multidisciplinary capability strengthens FM's governance foundation.

Governance

FM Canada

The Canada Risk Management Committee (RMC or committee), chaired by the Chief Agent, is responsible for overseeing and managing FM Canada's risks, including climate-related risks.

The committee is composed of role-based members representing core functions, including operations, underwriting, engineering, claims, finance, legal and compliance. Cumulatively, members have sufficient knowledge, experience, qualifications and technical expertise to enable the RMC to operate with appropriate understanding of, and due regard to, the economic, business, regulatory, financial and risk environment.

In addition to management of climate-related risks, as part of their functional management roles members of the RMC are responsible for identifying and managing climate-related opportunities relevant to FM Canada's business model. Such opportunities may be considered as part of strategic discussions and business planning where relevant, with escalation to the RMC where matters may have implications for risk profile, capital or long-term resilience.

The RMC meets at least four times per calendar year. Meetings are minuted and minutes are made available to the BREC and other relevant parties as determined by the committee. Individuals or groups with relevant experience or expertise routinely attend meetings or meet with committee members. The Chief Agent remains informed through ongoing management involvement and regular reporting, as well as escalation of significant risk events as they arise.

Strategy

For 190 years, FM has been a pioneer in the innovation and engineering of resilience with the aim of protecting today for a better tomorrow. As a mutual insurance group, FM's capital, scientific research capability and engineering expertise are dedicated to property risk management and the resilience of its policyholder-owners.

Upstream partners in FM's value chain include technology service providers and reinsurers; downstream partners are its clients—ranging from large global, multinational and national corporations to middle market commercial and industrial businesses—and insurance brokers.

Climate-related risks and opportunities are concentrated where they matter most to this model: in the resilience of insured locations and operations to acute and chronic physical perils; in the continued evolution of underwriting, engineering and loss prevention practices as hazards change; and in the resilience of FM's own operational footprint and the broader FM investment portfolio to climate-related drivers over time.

Climate-related risks

FM Canada's clients are exposed to property damage and business disruption resulting from climate-related physical risks. Supporting clients in the identification, assessment and management of these exposures is key to FM Canada's strategy, based on the belief that if they are better prepared to face climate risks, they are likely to suffer fewer losses and to better manage those that do occur. Climate-related considerations are incorporated into existing underwriting and portfolio management practices, including the use of defined risk limits and reinsurance arrangements to manage exposures. These practices are complemented by capital management controls, including regular monitoring of capital adequacy and actions to maintain appropriate buffers should loss experience deteriorate.

Looking forward, climate-related physical risks have the potential to influence underwriting exposure and loss experience. A core strategic response is to research the constantly evolving science of current and future climate, to both inform FM's business and enable development of practical loss-prevention and adaptation and risk management solutions that will continue to protect FM Canada's clients.

FM Canada's operational locations are also exposed to climate-related physical risks. The same engineering-led approach, models and tools that are used to support clients are applied to assess and address these operational exposures.

Transition risks associated with the shift toward a lower-carbon economy—including evolving technologies, current and emerging regulation, litigation, market shifts and changing stakeholder expectations—may impact FM Canada's business in the medium to long term. Potential impacts include valuation changes to clients' insurable interests, increased losses arising from immature or rapidly scaling technologies, changing energy costs and adherence to carbon and other environmental requirements.

Climate-related factors are also embedded in the broader set of investment risks associated with financial assets, where physical and transition risks can influence valuations and credit quality over time.

For strategic planning purposes, short term is defined as the next 12 months, medium term as three years ahead and long term as ten years ahead. Presently, no climate-related risk that could result in a material impact to FM Canada's financial position has been identified.

Strategy

Climate-related opportunities

Climate-related adaptation opportunities include the ongoing development and provision of knowledge, products, services, solutions and information that help clients and communities strengthen resilience. FM's climate resilience solutions—including the Climate Resilience Tracker, the Resilience Index and the Resilience Credit—are designed to turn uncertainty into action by linking engineering insight, advanced climate science, reporting data and financial resources so clients can protect operations today and prepare strategically for tomorrow.

FM Canada leverages these group-level capabilities and solutions within its underwriting and engineering activities, enabling clients in the Canadian market to strengthen resilience to climate-related physical risks while supporting FM Canada's long-term portfolio sustainability.

Globally, FM continues to invest in its research and knowledge network, building facilities and capabilities that strengthen hazard science, testing and analytics. Current components of this network are the FM Research Campus in West Glocester, Rhode Island, USA and the FM Science and Technology Centers in Norwood, Massachusetts, USA and in Singapore. In development are a new research and client center at the Norwood campus, the FM Science and Technology Centre, Europe, in Luxembourg and a centre of excellence in Bengaluru, India. Together, these facilities serve as collaborative environments where research is translated into practical applications and supports the continued evolution of tools, guidance and engineering standards that can be leveraged by FM Canada.

Climate-related mitigation opportunities include decarbonizing FM Canada's own operations, appropriate management of the book of business and supporting the transition to cleaner and renewable energy—most notably through the launch of FM Renewable Energy. This leverages FM's research, engineering and product expertise to influence resilient design and reliability in renewable technologies and to develop insurance solutions that help reduce the risks associated with those technologies over time.

These climate-related opportunities represent progressive evolution of FM's strategy and their effects are not expected to materially change FM Canada's financial position, financial performance and cash flows. Consequently, their current and anticipated climate-related financial effects have not been modelled.

More information about FM's climate-related strategy can be found in the FM Group Climate-Related Disclosures Report.

Risk management

FM's approach to risk management is applied consistently across the group, with oversight of the key risk listing, identification of new and emerging risks, monitoring of compliance and development of risk responses managed at the group level by the BREC. Climate-related risks are identified, assessed and managed within FM's risk management framework, as part of the broader group of sustainability-related risks. Recognizing sustainability as a multifaceted risk domain with many underlying factors already reflected in the group risk listing, a hybrid approach is used. A sustainability risk statement draws on the expertise of FM's sustainability group to inform the risk management function through the BREC, enabling climate considerations to be incorporated into existing assessments and managed in line with established procedures.

FM's risk management framework operates within a three lines of defence model, which provides appropriate levels of oversight and engagement across the business, risk management and assurance functions.

FM Canada

The inventory of risks developed at group level is shared with and adopted by the regional risk management committees. Within this governance structure, the Canada RMC oversees the application of FM's group risk management processes at the FM Canada level, including identifying, assessing and monitoring sources of risk; overseeing and maintaining the risk management framework and key risk artefacts; and ensuring appropriate and effective systems of internal control are in place to identify, assess, mitigate and monitor risks relevant to the Canadian operating context.

Risks are identified and assessed on an ongoing basis through monitoring of business activities and established governance and reporting processes, overseen by the RMC. Risk identification is informed by underwriting, engineering, investment, operational and compliance activities, as well as by developments in the economic, business and regulatory environment. Identified risks are assessed based on their potential impact, likelihood and degree of controllability.

Those material to FM Canada are documented in the Canada key risk listing, including narrative setting out the nature of the risk, the RMC's assessment of its potential impact and the mitigation strategies and controls in place. Key risks are assigned risk owners, accountable to the RMC for maintaining current risk assessments, monitoring relevant indicators and updating key risk narratives as appropriate. The RMC routinely reviews key risks, considers changes in risk status and evaluates the effectiveness of risk mitigation measures and internal controls, consistent with group-level risk governance arrangements.

Climate-related factors are integrated into FM Canada's risk management framework as potential drivers of both existing and emerging risks. These factors are considered alongside other material risk drivers to support a consistent and holistic approach to risk identification, assessment and management.

The RMC oversees the review of the corporate sustainability risk statement and assesses its applicability to FM Canada's key risks. This supports effective accountability, integration, management and mitigation of climate-related considerations at the local level within the FM Canada risk management framework.

Risk management

Where climate-related factors are identified as influencing key risks or giving rise to emerging risk considerations, they are addressed through the same governance, ownership, monitoring and reporting processes applied to other material risks, under the FM Canada risk management framework and through the oversight and coordination of the RMC.

Routine and ad hoc reporting to the RMC and the Chief Agent provides visibility into risk trends and operational performance, enabling changes in FM Canada's risk profile or emerging risk considerations to be identified. Material changes are escalated to the Chief Agent and, where appropriate, to the BREC, based on management judgment and the significance of the issue. Internal and external audit activities provide independent assurance over adherence to policies, procedures and the effectiveness of the control environment.

Risk prioritization is informed, in part, by FM Canada's Own Risk and Solvency Assessment (ORSA) process. The ORSA evaluates material risks, including those influenced by climate-related factors, in the context of capital adequacy, solvency and financial resilience. The RMC is involved in the review and approval of the ORSA, supporting management's understanding of the relative significance of risks to FM Canada's overall financial position.

Based on current assessments, climate-related risk has not been identified as a material standalone key risk for FM Canada.

Metrics and targets

FM Canada's 2025 GHG emissions

FM's greenhouse gas (GHG) inventory captures direct and indirect emissions across its operations, energy procurement and value chain. Prepared in accordance with the Greenhouse Gas Protocol (GHGP), the inventory provides a consolidated, group-wide view of FM's carbon footprint and supports informed decision-making on climate-related risks and opportunities.

During 2025, a diversified portfolio of carbon offset technologies and renewable energy instruments were purchased and retired to balance FM's 2024 GHG emissions. It is intended to apply a similar approach to balancing 2025 emissions, consistent with the governance framework established in 2024.

FM's 2025 GHG emissions can be found in the 2025 FM Climate-Related Disclosures report. FM Canada's scope 1 and scope 2 GHG emissions have been extracted from the FM inventory.

Scope 1

Scope 1 emissions are direct GHG emissions from sources that FM owns or controls, including onsite stationary fuel combustion, FM Canada's vehicle fleet and fugitive emissions.

Scope 2

Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam and chilled water. Emissions have been calculated using both the location-based and market-based methods, in line with GHGP guidance.

Targets and future direction

FM has not yet established externally validated GHG emissions-reduction targets. The current focus remains on strengthening data quality, governance and analytical capability across all emission scopes, particularly within the value chain.

Insights from the 2025 inventory will continue to inform the evolution of FM's environmental management approach and the future consideration of emissions management strategies, consistent with FM's long-term resilience objectives and business model.

FM Canada GHG emissions (metric tons of CO ₂ e)	January 1 to December 31
	2025
Scope 1	224
Scope 2 (location-based)	98
Scope 2 (market-based)	98
Total Scope 1 + Scope 2 (location-based)	322
Total Scope 1 + Scope 2 (market-based)	322

Notes

FM's GHG emissions reporting is guided by the GHGP. Additional standards and methodologies are applied where appropriate to supplement calculations. Estimates are used where complete activity data are unavailable, based on best-available regional, sector-specific or supplier-specific information.