

Climate risk for multinational companies extends beyond physical assets | Marsh

By Nick Faull,

Extreme weather events are no longer isolated occurrences — they are a global reality impacting every corner of the world. From devastating floods and tropical storms to chronic stresses like heat and water scarcity, the scale and frequency of climate-related losses are rising.

Crucially, climate risk extends beyond physical assets to encompass a complex web of system-level dependencies — suppliers within global supply chains, critical infrastructure, customers, governments, and regulators. For multinational firms operating across diverse geographies, it is imperative to consider all these factors as part of a long-term, strategic approach to climate adaptation, according to Nick Faull, Head of Climate & Sustainability Risk at Marsh.

Are organizations rising to the adaptation challenge?

Marsh recently [surveyed](#) organizations worldwide about their views on climate adaptation. Some 78% actively assessed their future climate risks, although less than half conducted detailed evaluations. This gap suggests it was not always felt necessary to perform an exhaustive analysis to make meaningful progress. But at the same time, the finding indicates that organizations have the opportunity to better quantify the value of resilience measures and integrate them into strategic decision-making.

Regarding climate risks faced by organizations, respondents cited flooding and tropical storms as the top perils. But chronic risks such as water scarcity and heat stress — threats that have traditionally received less attention — emerged as important priorities.

Some 40% of respondents felt their organizations lacked adequate adaptation readiness, with business continuity and engineering controls identified as the areas needing the most support. And while physical assets, on-site operations, and people remained the traditional focus, there was a growing recognition of the need to consider the broader system-level risks — such as critical infrastructure dependencies and supplier vulnerabilities — to improve overall resilience to climate risk.

A two-level approach to climate risk management

To manage these broadening climate risks and build resilience, multinationals can adopt a two-level approach. At the core is the asset level — where most multinationals traditionally focus — addressing physical assets, the operational workforce, and emergency response measures.

However, taking a broader system-level perspective beyond the core asset focus is increasingly vital to mitigate climate risks. This perspective encompasses mitigating risks associated with the complex interdependencies with suppliers in the supply chain, critical infrastructure, customers, and governments. By recognizing and integrating these system-level factors alongside asset-level protections, multinationals can develop a comprehensive risk management strategy that genuinely enhances resilience in today's interconnected world.

Furthermore, there is potential for organizations to deepen the integration of adaptation into their risk management processes. At present, only 28% of chief risk officers or heads of risk consider adaptation investment and implementation part of their responsibilities. This suggests that adaptation may still largely be regarded as a sustainability issue, with over half of the responsibility perceived to lie with sustainability officers, rather than being fully embedded within risk management functions.

A climate signal is evident in insurance pricing

While adaptation and risk management are fundamental to addressing climate risk, insurance remains a crucial and complementary part of the overall solution for any multinational organization. However, the relationship between insurance and climate change is complex.

Increasingly, organizations are concerned about how weather-related events affect their ability to obtain affordable insurance. Our survey at COP30 showed that 60% of respondents already view insurance affordability and availability as pressing concerns — a figure that jumps to 74% when looking ahead to 2030.

Insurance functions effectively while extreme weather remains a risk. As such events become near certainties, [insurance may become prohibitively expensive or unavailable](#).

Guy Carpenter's analysis projects an approximate 1% annual increase in insured global average losses due to climate-driven physical risks, though this varies significantly by market. The climate signal — changes in insurance pricing linked to weather trends — is most pronounced in residential property markets today, while in commercial markets it is more subtle, necessitating deeper analysis to fully assess its impact on organizational risk management.

Steps multinationals can take

This evolving landscape underscores the need for a holistic, long-term approach to climate resilience. While traditional risk management and insurance remain vital, it is increasingly important for multinationals to broaden their risk mitigation efforts to include supply chains, critical infrastructure, and regulatory environments. Additionally, there is a significant opportunity to more fully embed climate adaptation within core risk management — moving beyond its current framing as primarily a sustainability concern. This integration is especially important as market dynamics increasingly reflect the impact of climate change, even when masked by broader pricing cycles, underscoring the need for adaptation.

At Marsh, we support multinational firms navigating this complex environment by leveraging climate risk insights, engineering expertise, and innovative insurance solutions to help build a resilient future.