

## Climate risks still underestimated by markets, despite \$1.3 trillion exposure for listed companies according to SMI report

- *Listed companies exposed to an estimated \$1.3 trillion in losses in the next year alone*
- *Report finds markets are mispricing weather risks despite investors factoring into decision-making*
- *Study outlines key recommendations for asset owners and managers to ensure more resilient portfolios*
- *The research reflects recent SMI roundtables featuring over 20 executives at organisations with cumulative assets of over US\$20tn*

**23 March 2026, London, UK:** Extreme weather driven by climate change could have significant financial implications for investors, with risks potentially underestimated across financial markets, according to a new report from the Sustainable Markets Initiative (SMI).

Developed by Impax Asset Management's Sustainability Centre and Marsh Risk on behalf of the SMI's Asset Manager Asset Owner Hub, the report reveals that although investors are increasingly integrating weather risks into their investment decisions today markets may still be systematically mispricing these risks.

The report summarises the findings of two roundtable discussions organised by the SMI's Asset Manager and Asset Owner Hub, involving senior representatives from more than 20 asset owners, asset managers and insurance market participants with cumulative assets under management or advisement of over US\$20tn. These roundtables examined how investors can more effectively understand and manage the financial impacts of extreme weather.<sup>1</sup>

The report provides five key recommendations for asset owners and their managers on the practical steps they can take to ensure more resilient portfolios.

### **Extreme weather risks are affecting portfolios today**

While climate change has historically been framed as a long-term investment risk, growing evidence shows that physical climate risks are already eroding company value, disrupting supply chains and impairing asset performance today across sectors. Recent analysis estimates that listed companies could face \$1.3 trillion in losses in the next year alone, highlighting the potential scale of financial exposure across global markets.<sup>2</sup>

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<sup>1</sup> In Autumn 2025, the SMI's Asset Manager Asset Owner Hub, led by Impax Asset Management and with input from Marsh, convened two roundtables to examine how investors can more effectively understand and manage the financial impacts of extreme weather. The sessions brought together 25 senior executives representing asset owners, asset managers and insurance industry representatives.

<sup>2</sup> MSCI Institute. (2025, Third Quarter). Transition Finance Tracker. [MSCI-Transition-Finance-Tracker-Q3 2025-311025\\_1.pdf](#)

While risks to physical assets may be assessed at a high level, for many investors the broader downside potential may not be fully understood. For example, business interruption losses from Hurricanes Sandy and Harvey were 800 - 900% higher than property damage.<sup>3</sup>

Despite growing awareness of these risks, the report highlights that assessing these risks remains challenging given modelling limitations and incomplete asset-level exposure data. This means investors may need to draw on multiple climate scenarios and analytical approaches to assess potential vulnerabilities.

**Ian Simm, Founder & CEO of Impax Asset Management, said:** “Extreme weather is increasingly becoming a material financial issue for investors. As physical climate risks intensify, understanding how these risks translate into portfolio impacts will be essential for long-term investment decision making. This report highlights the growing recognition among asset owners that climate-driven weather events could have meaningful implications for asset prices in the years ahead.”

**Callum Ellis, Head of Climate Resilience at Marsh, commented:** “Extreme weather events are already generating significant economic losses, and the scale and complexity of these risks is increasing. Continued advances in risk analytics, modelling and data will be essential to help investors, insurers and businesses better understand their exposure and make more informed decisions about managing physical climate risk.”

**Jennifer Jordan Saifi, CEO at the Sustainable Markets Initiative, said:** “Addressing the financial implications of extreme weather patterns requires collaboration and action across the investment ecosystem. Through the SMI Asset Manager Asset Owner Hub, investors and industry partners are working together to deepen understanding of physical climate risks and support the development of more resilient financial markets.”

The report provides five key recommendations for asset owners and their managers:

1. **Act now to enhance investment processes and consider extreme weather risk** – waiting for perfect tools or foresight will only delay effective decision-making
2. **Access or develop appropriate tools and useful datasets**, acknowledging that traditional modelling and financial loss estimates can fail to show the materiality of risks.
3. **Make decisions that prioritise resilience, diversification and flexibility** in strategic asset allocation and investment mandates, adapting climate scenarios and acknowledging unavoidable uncertainty.
4. **Leverage engagement to assess vulnerability**, recognising that preparedness and the ability to respond to events will be the key differentiator as extreme weather becomes increasingly frequent and widespread.
5. **Work to tackle both portfolio and systemic risks, to maximise long-term value for clients and beneficiaries.** Collaboration will be key to successfully addressing gaps in information and analytical tools, and in advocating for market structures that recognise the benefits of investment in adaptation.

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<sup>3</sup> [The cost-effectiveness of economic resilience - ScienceDirect](#)



To access the full report please [visit](#)

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### **Notes to editors**

#### **About the Sustainable Markets Initiative**

The Sustainable Markets Initiative (SMI) is the world's go-to private sector organization for sustainable transition; characterized by our unique brand of 'private sector diplomacy'.

With the vision of our founder, His Majesty King Charles III, and our unique convening power, the SMI facilitates action between world leaders and CEOs to position sustainability at the heart of global value creation.

Together, we seek to mobilize the trillions of dollars required to achieve a sustainable future. Investment at this scale requires global systems-level change with a default sustainable orientation across markets, industries and supply chains. Here, our mandates, the Terra Carta and Astra Carta, provide practical private sector trajectories.

The SMI believes that with bold ambition and courageous leadership, we can seize a new era of global prosperity that will last for generations to come. We call this 'The Growth Story of Our Time'. Read more: [www.sustainable-markets.org](http://www.sustainable-markets.org)

[1] SMI Asset Manager Asset Owner Hub, led by Impax Asset Management with input from Marsh, Autumn 2025.