

A red hexagonal logo with a double border. Inside, the text "SFMI Toolbox Talk Series" is written in white, stacked vertically.

SFMI
Toolbox Talk
Series

Climate Risk in Facilities Management

Why climate risk matters in FM, and how to embed climate risk assessment and mitigation into everyday operations, procurement, and reporting practices.

What is climate risk?

Climate risks to a business are the potential for negative financial impacts from climate change. These risks are generally categorised into two main categories: physical risks and transition risks.

Physical risks are the risks from climate-related hazards, both chronic and acute. Acute risks, such as storms or floods, are short-term events, while chronic risks are longer-term shifts, such as increased average temperatures and rising sea levels. Physical risks can cause financial losses from damaged infrastructure, disrupted supply chains, or increases in insurance premiums.

Transition risks occur from the shift to a lower-carbon economy, such as through new legislation and regulations, technology change, market shifts, or evolving customer or investor expectations. These risks can result in financial losses from impacts on revenue, assets, and availability of capital.

Not responding to climate risks undermines resilience and competitiveness. Proactive identification, mitigation, and adaptation protect service continuity and value.



What does climate risk include?

In the FM and built environment, climate risk spans:

- **Assets and sites:** exposure to flooding, overheating, wind and storm damage, water stress, subsidence.
- **People and operations:** worker safety in extreme weather, business continuity, mental health during incidents.
- **Supply chain and logistics:** transport disruption, scarcity/price volatility of critical materials, contractor capacity constraints during widespread events.
- **Compliance and reputation:** evolving disclosure requirements, client expectations, fines, reputational risk to company.
- **Financial and insurance:** deductible increases, premium uplifts, and value-at risk on contracts.

Why is it important for FM?

The FM industry operates at the intersection of buildings, services and people. The sector manages critical infrastructure and enables safe and comfortable environments. FM teams are uniquely positioned to anticipate climate hazards and adapt assets to maintain continuity. Clients increasingly expect their FM partners to demonstrate credible climate risk management across estate strategies, contracts, and reporting.

Some of the key concerns around potential impacts of climate risks for FMs are:

- Increased maintenance or operational costs
- Reputation risk to the organisation
- Disruption to utilities
- Protection of asset value and operational uptime
- Cost of investment in low-carbon technologies
- Adapting to climate-related regulatory changes

McKinsey estimates that if climate-related risks are not addressed, the returns on a diversified equity portfolio could drop by up to 40% toward the end of the decade¹. This underscores the material risk to asset value if climate factors are ignored.

1. McKinsey & Company, Climate Risk and the Opportunity for Real Estate (2022).

Relevant frameworks & regulations

- **TCFD: four-pillar structure** (Governance, Strategy, Risk Management, Metrics & Targets) used widely by companies in the UK.
- **ISSB (IFRS S1/S2, UK-endorsed)**: consolidates TCFD with clearer asks on process, scenario analysis, and material metrics. UK disclosures are transitioning to this baseline.
- **CSRD / ESRS (EU)**: double materiality and value-chain coverage are key components. Companies expected to evidence physical/transition risks and adaptation.
- **ISO 31000**: enterprise risk management principles to integrate climate into risk registers and decision-making.
- **ISO 14090 and ISO 14091**: adaptation planning and climate risk/vulnerability assessment methods for sites and services.
- **California's Senate Bill 261 (SB 261)** mandates that U.S. companies with over \$500 million in annual revenue disclose their climate-related financial risks and mitigation strategies every two years, starting in 2026.

Challenges for FM

FM teams operate across diverse sites with different hazard profiles, legacy assets, and split responsibilities between landlords, tenants, and suppliers. Short contract cycles and capex/opex constraints often clash with the longer time horizons needed for adaptation, while inconsistent data and uneven climate literacy make prioritisation harder.

Some of the main challenges for FMs in addressing climate risks:

- Limited site-specific data and tools to quantify hazards and likelihood.
- Short contract cycles vs. long-term adaptation needs.
- Fragmented responsibilities between landlords, tenants, and service providers.
- Capacity and training gaps on climate risk across teams and suppliers.

What to do next

Regulations and supply chain and client requirements are increasingly pushing FMs to understand and quantify their climate risks. Here are some of the next steps:

- ✓ **1. Establish climate governance**
Focus on issues relevant to your organisation and the communities you operate within.
- ✓ **2. Establish a baseline**
Gather core FM data, such as energy, water, waste carbon, and current resilience controls. Identify vulnerabilities in assets and services and create site and portfolio baselines.
- ✓ **3. Develop site-level risk registers**
Record local hazards (flooding, overheating, storms) and vulnerabilities. Link FM registers to landlord/owner ERM processes. Consider applying scenario analysis.
- ✓ **4. Assess climate impacts**
Quantify likely impacts on service delivery, safety, compliance, cost and reputation. Prioritise the most exposed sites, services, and supply routes.
- ✓ **5. Identify adaptation and mitigation actions and develop cost plans**
Define asset adaptations (e.g. shading, drainage, flood defences, equipment relocation) and operational measures (continuity planning). Identify mitigation opportunities and develop site and portfolio-level action plans.



6. Integrate climate into ERM, strategy and operations

Map climate risks to ERM categories and scoring and translate enterprise risks into FM delivery requirements. Embed climate objectives into procurement, subcontractor management and operational planning. Explore opportunities for new services and innovations.



7. Build capacity and climate literacy

Provide training for FM teams and leadership, and raise awareness of climate risks and response protocols within the business. Support decisionmakers with clear, evidence-based options.



8. Develop monitoring and review processes

Set KPIs for resilience and performance and review risk registers and action plans regularly. Use lessons learned to refine strategy and plans. The image below shows the main steps required to establish comprehensive climate risk governance.

The image below shows the main steps required to establish comprehensive climate risk governance.



Useful resources



[ACCLARO ADVISORY CLIMATE RISK OVERVIEW](#)



[SASB CLIMATE RISK TECHNICAL BULLETIN](#)



[UKGBC: A FRAMEWORK FOR MEASURING & REPORTING OF CLIMATE-RELATED PHYSICAL RISKS TO BUILT ASSETS](#)



[CLIMATE RISK IN THE BUILT ENVIRONMENT](#)



[IWFM SUSTAINABILITY SURVEY REPORT 2025](#)



[UK CLIMATE RISK WEBSITE](#)



[MET OFFICE CLIMATE DATA PORTAL](#)

Any questions?



Please get in touch.



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