Climate Adaptation in Southeast Asia

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Background

USD 31B+ reported climate losses in SEA in 2025.
Risk management gap exists for companies and a significant advisory opportunity for Aon.

120 companies
- **Countries:** Indonesia, Malaysia, Philippines, Thailand
- **Sectors:** Manufacturing, Energy, Construction

ASEAN: Critical To Global Supply Chains

Manufacturing & Supply Chain Hub:
Rising physical risk in infrastructure assets

Exposure–Action Gap:
Gap between resilience spending and financial damage

Opportunity For Aon:
Identifying risky assets, financial damage, and adaptation trends

Methodology

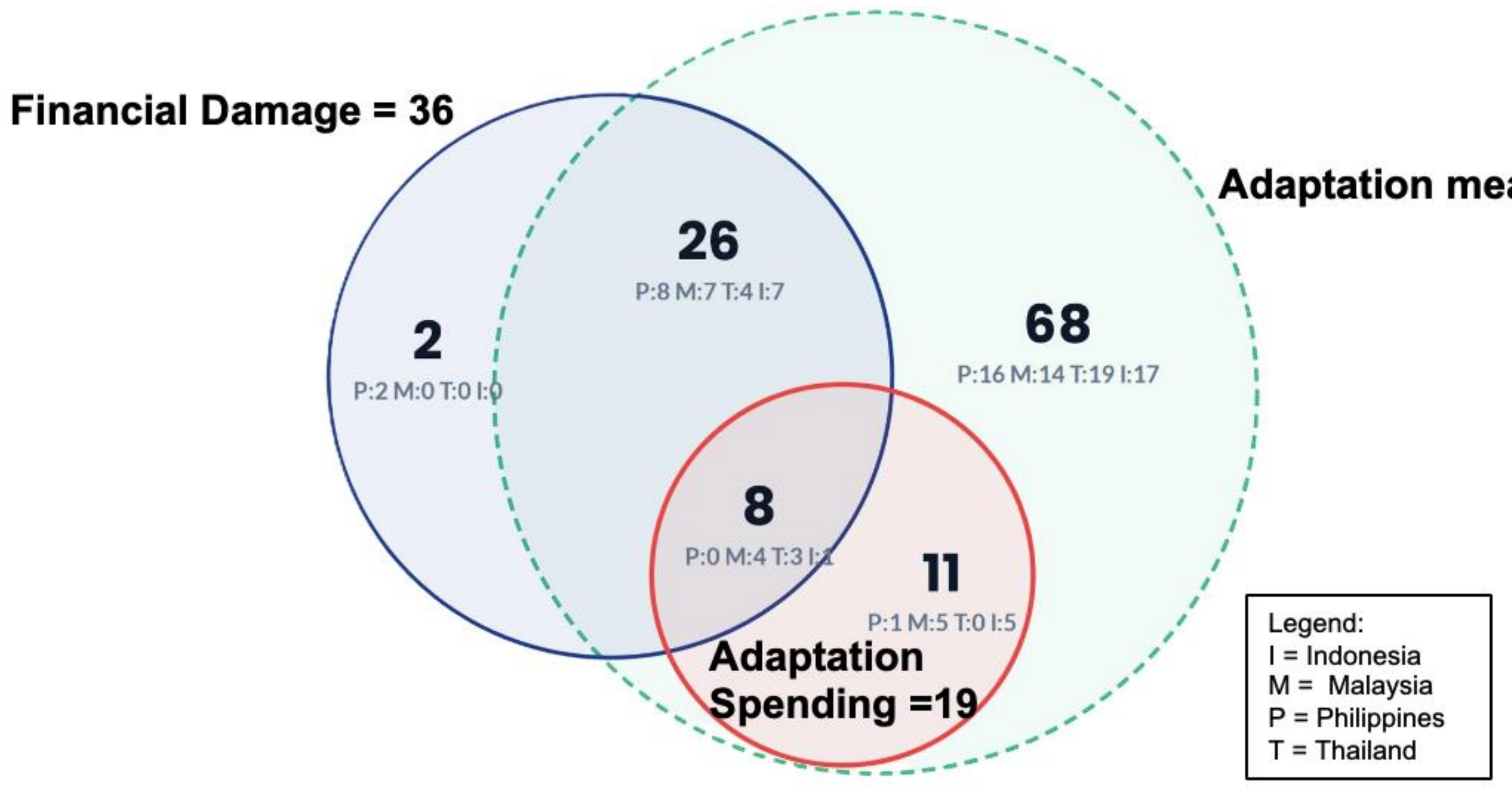
1. Identify known asset locations
2. Review sustainability and annual reports disclosures
3. Determine risk levels of various perils
4. Identify no. of medium/high-risk assets per company
5. Identify key peril per sector by highest average risk class
6. Analyze gaps across risks, damage, measures, and spending against company's disclosures
7. Synthesize findings and develop recommendations

Finding 1: Most Companies Report Measures, Few Quantify Impact Or Spending

113 companies disclose adaptation measures

36 companies disclose financial damage

19 companies disclose adaptation spending



Finding 3: Adaptation Measures Mainly Focus On Water Management Measures

Country	Key Peril	Water Mgmt	Flood Infra	Nature-Based	Heat stress-related	Extreme wind/storm-related
I	Inland flood	**23**	15	13	3	4
M	Flash Flood	**16**	15	4	3	1
P	Tropical cyclone	**14**	8	5	2	6
T	Heat stress	**19**	13	3	9	4

Finding 2: Misalignment Between Adaptation Measures And Risks

- Adaptation measures do not align with key risks
- Hazard screening based on asset location may not flag risk exposure
- However, companies may identify risks as material

Finding 4: Limited Adoption Of Effective Scenario Analysis

- Limited scenario analysis, focusing only on worst-case scenario
- Rarely quantitative
- Reactive approach
- Adaptation strategies do not change over the long-term.

Recommendations For Industry

- Help risk-aware and transparent companies to act on resilience planning
- Close the gap between disclosed adaptation measures and undisclosed risk with risk quantification
- Guide companies from static adaptation plans to quantified, scenario-based strategies in preparation for mandatory IFRS S2 Mandates from 2026-2028