

Climate Variability and Extreme Weather

5 Strategies for Managing Risk and Opportunity

Inclement weather has always affected operations in the travel, leisure, and hospitality sectors. But the increased prevalence of extreme conditions — heat, drought, wildfire, flooding, severe storms, and variable snowfall — now increasingly threatens these companies' long-term financial condition and overall strategy. Companies are finding that extreme weather has become an acute issue now — not just a risk far away on the horizon. Bloomberg Intelligence estimates that extreme weather impacts cost \$1.4 trillion in 2025 alone, equivalent to roughly 1.2% of global GDP. In this article, we outline five strategies for travel, leisure, and hospitality companies managing the risks and opportunities associated with increasing extreme weather and climate variability.

1 Elevate Weather Risk from Operations to the C-Suite and Boardroom

As the costs of extreme weather events grow, boards should consider whether the risks warrant more structured, regular attention, including the company's dependence on supporting infrastructure — like air travel, roads, water access, and other infrastructure that hospitality relies on. Companies should also review material contracts that may be particularly exposed to extreme weather — such as leases, concessions, water and power arrangements, and insurance policies, among others — and assess environmental permitting and regulatory dependencies.

2 Make Performance Metrics Fit the Reality

Variable weather can complicate the measurement of financial and management performance. A resort operator may run a season well and still miss its numbers because of poor weather. At the same time, how skillfully management anticipates and responds to weather is itself a measure of performance. In the face of this variability, companies should examine whether incentive structures appropriately balance annual financial results with longer-term value creation and operational resilience, and expect the unexpected in their compensation plans — agreeing in advance how extraordinary weather events will be treated, rather than adjusting after the fact.

3 Know What Your Assets Are Worth Before Someone Else Decides for You

M&A has returned as a significant focus of activist campaigns, with 61% of global activist campaigns in Q4 2025 including an M&A emphasis. Boards should analyze underperforming weather-sensitive assets, focusing on whether the asset is structurally underperforming or capable of generating an appropriate return with additional investment or repositioning. Conducting this analysis proactively, before activists raise the question, is an important component of activism preparedness.

4 Don't Just Weather the Storm, Invest Through It

Investments in weather resilience have tended to focus on protecting existing assets and operations. But with extreme weather expected to drive more than \$20 trillion in global spending over the next decade, companies should also consider whether their resilience investments can add operational flexibility or support new revenue streams. Legal and governance considerations here include developing a framework for weather-resilient capital, evaluating permitting, regulatory, and contractual requirements early, and pursuing opportunities for strategic investment and partnership structures.

5 Conditions Are Changing; Your Disclosures Should Too

The regulatory landscape around disclosure is highly fragmented across state, national, and international levels. Companies must assess whether their disclosures — including risk factors, MD&A, financial statements, descriptions of business, and other items — appropriately capture weather-related risks and opportunities. This work involves reviewing disclosure through an appropriate materiality framework, testing internal assumptions against external disclosures, and ensuring that disclosure controls are sufficient to capture emerging weather risks.

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