

Four out of five SMEs fear impact of climate change on their business

- Heavy rain (22%) and droughts (20%) are seen as the most significant climate change risks for small and medium-sized enterprises.
- Material damage (36%) and business interruptions (26%) are expected to have the most severe impacts on these businesses and are the most difficult risks to protect against.

Zurich, November 3, 2016 – Climate change is a major concern for small and medium-sized enterprises (SMEs), according to Zurich Insurance Group’s (Zurich) fourth annual global SME survey. Almost four-fifths (78%) of SMEs surveyed expected risks associated with climate change to have a significant effect on their business.

The survey, which polled 2,600 C-suite executives and managers at SMEs in 13 countries in Europe, the Americas and Asia Pacific, revealed that downpours and heavy rain (22%) and droughts and severe heat (20%) were the natural events believed to have the most potential to hurt business.

More than one-third (36%) of SMEs considered material damage as likely to be the most critical risk to business due to climate change. The next-greatest risk related to climate change was thought to be the threat of business interruptions (26%).

Additional risks that could arise due to climate change included supply chain interruptions, potentially higher costs for energy and water, and the impact of climate extremes on employees’ health, according to 14% of survey respondents.

While a few multinationals are believed to be looking into potential business opportunities related to mitigating climate change, virtually none of the SMEs surveyed

saw climate change offering business opportunities – they did not see avenues to profit from climate change.

The global survey revealed significant regional differences in terms of how climate change risk was perceived, and the potential impact it might have.

European SMEs fear flood risk

SMEs in Europe were the least likely to view climate change as posing a risk to their business. A quarter of SMEs in Europe, the highest percentage among regions surveyed, anticipated no negative impact on their business due to climate change.

Among the 75% of European SMEs that did see climate change as posing a risk, most believed the biggest impact on their business was likely to be caused by flooding (22%). Where floods were concerned, material damage was considered to be the greatest risk (35%).

U.S. businesses concerned about impact of climate on workers' health

SMEs' managers in the U.S. were most keenly aware of the potential impact climate change could have on the businesses they run. Only 6% expected no impact. Over three-quarters of respondents were concerned about the impacts of extremes in precipitation, including the effects of heavy rain and floods, as well as droughts. Only 13% believed that hurricanes and tornadoes posed a high risk.

The survey also found that U.S. SMEs were most concerned about the potential impact of climate change on their workforce. More than one-quarter (26%) of U.S. SMEs perceived the health status of their workforce as their second-biggest concern related to a changing climate after material damage that climate change might cause (47% ranked it as the top risk).

SMEs in Latin America concerned about damage from heavy rain

When it comes to climate change, Latin American SMEs, like their U.S. counterparts, were most concerned about extreme weather. Downpours and heavy rain were the leading cause of worry for over a third (36%) of SMEs in Latin America; 43% expected material damage would be the most significant result of such risks.

Responses from SMEs surveyed in Latin America found that more than one out of five SMEs in that region believed natural catastrophes had the potential to affect their business operations, affecting supply and distribution chains, and causing business interruptions.

Asia Pacific SMEs most worried about business interruptions

Unlike SMEs in other regions, those in Asia Pacific were most worried about the impact climate change could have on business continuity; the fear of business interruptions, rather than material damage, was their greatest worry.

Over a third (34%) of SMEs in Asia Pacific also reported droughts and heat as likely to have the biggest potential impact on their businesses. That was in contrast to the concerns among SMEs in other regions, where respondents were more worried about events related to increased precipitation.

Cecilia Reyes, Group Chief Risk Officer at Zurich, commented: “The results of this year’s SME survey demonstrate that an overwhelming number of businesses are concerned about the threats and potential impacts that climate change presents, such as business interruption and material damage, and the increased threat of floods, drought and other extreme weather. Businesses should take action now to limit these risks, but also identify the opportunities climate change could bring.

The global survey once again revealed significant regional differences, highlighting the need to global solutions providers to understand the needs of their customers in local



markets. SMEs are crucial to economic growth – both regionally and globally – and at Zurich we are continuing to invest in identifying risks and delivering solutions to meet the expectations of our customers, irrespective of the size of their business.”

Further information

Zurich’s fourth annual SME survey was carried out by research company GfK. The leaders of 2,600 small and medium sized enterprises (up to 250 full-time employees) around the world were asked questions on climate change related risks facing their businesses. A representative sample of 200 CEO/owners, general managers, CFO/treasurers and COO/head of operations from each of the following 13 countries were included: Australia, Austria, Brazil, Germany, Hong Kong, Ireland, Italy, Mexico, Portugal, Spain, Switzerland, Turkey and the U.S.

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