

FLASH REPORT

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El Niño

The impact of climate change on business and operations.

The increase in extreme weather events has evolved from being an exclusively environmental issue to becoming a major source of operational and financial risk in recent decades. For corporations, critical infrastructure, and local governments, the immediate challenge goes beyond weather forecasting and extends to the need to ensure that practical, up-to-date protocols are in place before a crisis strikes.

The context

Recent figures turn probability into a fait accompli. A study conducted by the Climate Impact Lab at the Universities of Chicago and Berkeley in the United States warns that extreme heat waves, which are being exacerbated by El Niño, could cause approximately 451,000 deaths worldwide between late 2026 and early 2027, with Brazil ranking as the fifth-most affected country, with more than 13,000 projected deaths.

At the same time, an analysis of data from the Sustainable Cities Institute and the IBGE reveals a systemic vulnerability: more than 90% of Brazilian municipalities are unprepared to manage climate-related disasters. This vulnerable scenario has an indirect impact on the private sector and essential services, paralyzing highways, interrupting energy supplies, and disrupting global supply chains that depend on Brazil.

The financial and operational impact of this structural vulnerability is far greater than it appears. When severe rains or prolonged droughts affect critical infrastructure or large-scale production of inputs (such as the Brazilian agribusiness sector), the country's logistical and supply chain bottlenecks turn into complete shutdowns.

While bureaucratic red tape and inadequate infrastructure already drain corporate capital during normal times, in the event of a climate-related disaster, emergency, or crisis, cash flow is severely stifled, exposing capital to hidden liabilities, contract breaches, and unpredictable operational shutdowns.

What changes in practice?

In practice, the market and society no longer tolerate improvisation in the face of chaos. The impact of these disruptions goes beyond physical damage to property and deals a heavy blow to investments, cash flow, the integrity of the workforce, and the reputation of a brand or institution.

When a disaster, for example, strikes an unprepared city, operations that depend on that region face disruptions, contract breaches due to force majeure, and losses amounting to millions due to lost profits. This is not to mention the potential damage and irreparable losses to people in situations such as floods, landslides, extreme heat, dehydration, and wildfires.

In this scenario, mitigation has shifted from being reactive to becoming a top-down executive response, requiring prior mapping of vulnerabilities and absolute clarity on who does what at the moment of crisis.

For companies and executives headquartered outside the Latin American region, this paradigm shift must also be a priority. Historically, foreign parent companies isolated their regional risks, assuming that operational failures at subsidiaries in Brazil would be contained within the local balance sheet.

The reality of reputational and ecosystem contagion proves exactly the opposite: when a natural disaster paralyzes a logistics hub, a port, or an infrastructure concession operated by European or Asian capital in Brazil, the shock is transmitted in real time to the parent company. The risk is no longer purely physical and local; it has become structural and global.

In short, the collapse of any Latin American facility due to El Niño disrupts global supply chains and captures investors' attention, destroying brand value at trading desks on the other side of the globe.

Key issues for organizations

In this unpredictable environment, leaders must honestly assess their operational reality by considering the following questions:

- Does your business continuity plan rely entirely on local public infrastructure—such as electricity, roads, and public safety—to survive a disaster lasting 72 hours?

- If a critical logistics hub or administrative headquarters were to shut down, does your operation have a clear response protocol, or will it depend on the field team's improvisation in the heat of the crisis?
- Has your risk matrix accounted for the impact of the collapse of suppliers affected by extreme weather events in the most vulnerable regions?
- Is your organization robust enough to prevent a regional climate-related shutdown from turning into a global reputational crisis for your foreign headquarters?

Recommended immediate actions

For executives who manage companies, public agencies, or highly complex infrastructure, we recommend three immediate structural actions:

1. **Develop a Risk Matrix Audit:** Conduct a realistic assessment of the specific threats to your region or infrastructure, calculating the direct impacts on the continuity of your service.
2. **Redesign response protocols:** Map all internal and redundancy resources, define response times, and create a precise step-by-step plan to be executed in the event of an extreme incident.
3. **Conduct training and simulations:** technically prepare response team members through stress simulations that perfectly align the pillars of qualified personnel, robust processes, and integrated technology.

Institutional and corporate continuity cannot depend on emotional reactions or off-the-shelf solutions at the time of a disaster. Survival in highly volatile environments requires technical and preventive leadership.

Seeking out professional and strategic partners capable of designing and implementing definitive Contingency Plans is the decisive step toward protecting lives, assets, and reputation, ensuring stability under any adverse scenario.

Conclusion

The escalation of climate-related disasters proves, once again, that the collapse of a private or institutional operation can be mitigated through governance and foresight. In a stable environment, corporate strategy serves as a roadmap. However, at the epicenter of a crisis, it must act as an immediate mechanism for survival.

Waiting for a crisis to take hold before devising an action plan is the most costly and risky decision a leader can make. True resilience requires a comprehensive view of the scenarios, probabilities, impacts, and risks involved.

Contact H7 Advisors to map out your vulnerabilities and ensure that your growth continues to be built on solid foundations, guaranteeing business continuity under any circumstances.

ABOUT H7 ADVISORS

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We provide strategic advice, analytical insights, and a systemic perspective to ensure effectiveness and resilience in complex and adverse environments.



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