

Toolkit

Climate risk and employment

Updated: 17 September 2025

This toolkit helps practitioners identify and structure climate risks. It is not a compliance checklist but a framework to guide professional judgment, with a deliberate focus on physical and transition risks to highlight their growing relevance in everyday legal practice.

Understanding climate risk in the employment sector

Climate change is increasingly shaping the world of work. **Physical risks** - such as extreme heat, floods and air pollution - are affecting working conditions and health and safety obligations. Meanwhile, **transition risks** - including regulatory change, decarbonisation strategies and reputational pressures - are driving structural change across organisations.

These risks are no longer speculative. They are **identifiable, quantifiable and reasonably foreseeable**. Case studies:

A logistics company faces repeated flood disruption to its warehouse network, raising obligations to ensure employee safety and continuity of pay.

A professional services firm announces an accelerated decarbonisation plan, triggering role changes, redundancies and potential claims for failure to consult or unfair dismissal.

Impacts and legal consequences

Climate risk is beginning to surface in employment law through a range of legal and operational challenges. One of the most immediate concerns is the duty to

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ensure the health and safety of workers. As extreme weather events become more frequent, employers are under greater pressure to assess and respond to risks such as heat stress, poor air quality and disrupted travel, particularly where employees work outdoors or in environments without adequate climate control. Failure to act could expose organisations to liability.

At the same time, climate-related changes to work patterns, job roles or locations may have uneven impacts across the workforce. Any decision about relocations or redundancies must be carried out in a fair, transparent and non-discriminatory way in consultation with the employees concerned. Employers will need to tread carefully to avoid reinforcing existing inequities through their climate response.

Reputational risk is also a growing factor. Organisations that fail to take adequate steps to protect employees from climate impacts, or who implement transition plans that are seen as unfair or poorly managed, may face criticism from staff, customers and the wider public. Increasingly, employees expect ethical leadership from their employers, with employers that show genuine commitment to sustainability and climate-aligned practices enhancing their reputation, and attracting and retaining their staff. Employees who are actively engaged in shaping their employer's ESG and climate initiatives may also experience a stronger sense of purpose and belonging in the workplace resulting in greater satisfaction and productivity.

Finally, legal exposure may arise in the context of organisational change. As employers adapt their operations to align with climate goals, they may trigger consultation duties or redundancy protections.. These risks are manageable but must be anticipated. Employment lawyers have an important role to play in ensuring that the legal risks of organisational change are not only lawful, but managed effectively, and fair and resilient over time.

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Practical tools for risk management

1. Pre-contract stage

- a. **Climate risk assessment:** Review physical risks to worksites, including temperature and flood exposure, especially for remote, outdoor or high-risk roles. Revise risk assessments to consider workers with health conditions or disabilities who may have a heightened vulnerability to such risks.
- b. **Futureproof job design:** Draft job descriptions with adaptability in mind, allowing roles to evolve with the organisation's climate strategy.
- c. **Due diligence:** Include climate-related employment practices in M&A and outsourcing reviews, particularly where workforce transfer is involved.

2. Contracting stage:

- a. **Health and safety commitments:** Include obligations to review and manage environmental risks to workplace safety and comfort.
- b. **Flexible working frameworks:** Build in provisions for flexible hours, home working or relocation in response to extreme weather or environmental disruption.
- c. **Change management provisions:** Set out expectations for consultation, engagement and reskilling where roles are affected by climate transition.

3. Ongoing risk management

- a. **Staff training and awareness:** Build climate literacy into onboarding and manager training, including mental health implications.

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- b. Employee voice and representation:** Create formal routes for staff input into sustainability policies, transition planning and workplace changes.
- c. Wellbeing and inclusion strategies:** Recognise and address how climate-related workplace changes may disproportionately affect vulnerable or underrepresented groups.
- d. Ethical culture and accountability:** Encourage open dialogue around climate risk, whistleblowing protection and responsible conduct.

ESG based performance conditions for employee incentive awards

As a first step, why not consider [Scarlett's Performance Conditions](#) - conditions that incentivise performance by linking executive directors' and other key employees' share-based remuneration awards to achieving climate targets.

Use this toolkit flexibly: select the tools and drafting approaches most relevant to your transaction, adapt them to your client's context, and let us know how you're using it.

For now, we're only asking for your name and email through [this feedback form](#) so we can follow up with you later about your experience.

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