

# Board Action on Climate Change

BY RAVI MENON



**Why should a company care about climate? Why invest in reducing carbon emissions if your competitors are not doing it, your shareholders are not demanding it, and political support for climate action is weakening in many countries?**

When faced with pressure to invest in the green transition, these are the questions that companies inevitably ask themselves. Therefore, it is useful to start with an examination of the three key drivers of climate action: politics, economics and nature.

The politics of climate change have been generally negative. Federal policies in the US have taken a sharp turn against renewable energy, clean technologies and green financing, and this is

having spillover effects on other countries' climate commitments. Global trade frictions, heightened geopolitical risks and cost-of-living concerns have added to the list of reasons for going slow on climate action.

But the country to watch is China. It is pressing ahead with its transition, undaunted by the external environment, and is emerging as a leader in clean technology. Numbers speak louder than words. In 2024,

the green economy accounted for one-quarter of China's GDP growth. It is building as much renewable energy capacity as the rest of the world put together. And it accounted for 65 per cent of global sales of electric vehicles. China is an example of how an economy can integrate positive climate action and growth.

The economics of climate change is mixed. Renewable energy is now cheaper than fossil fuel energy in many parts of the world. Global investment in clean energy last year was nearly double the amount for fossil fuels. Lithium battery prices have fallen by 90 per cent since 2010, spurring demand for electric vehicles. However, green technologies for hard-to-abate sectors like low-carbon hydrogen, sustainable fuels, and carbon capture and storage still require significant cost reductions before they can be widely adopted.

But eventually, more than politics or economics, nature will call the shots. Global temperatures are continuing to rise. In all likelihood, we will not be able to keep temperatures below the 1.5 degrees threshold set by the Paris Agreement. Extreme weather events – wildfires, floods and heatwaves – are becoming more frequent and more severe. The worst is yet to come as ocean currents weaken, polar ice caps melt, and glaciers recede.

Political inertia will end when the cost of climate change becomes unacceptable. Economic decisions will have to price in the need to adapt to climate change and to decarbonise to mitigate further climate change. We are therefore heading towards a world that is both climate-impaired and carbon-constrained.

What does this mean for businesses? Let us look at the two key capabilities that companies must build: transition planning and sustainability reporting.

### Transition planning

Transition planning is about preparing businesses for a climate-impaired and carbon-constrained world. Companies, like countries, have to fight on two

fronts: (i) adaptation – to build up resilience against climate change; and (ii) mitigation – to reduce their carbon footprint and restructure their businesses for the green economy.

Companies must make transition planning a business priority and start preparing now. Companies that act early will be able to mitigate climate risks, capture opportunities, attract capital that prioritises sustainability, and shape strategies on their own terms. Those who wait will scramble to adjust amid abrupt regulatory shifts, supply chain disruptions, changes in consumer demand, and dwindling investor confidence.

To be effective, transition planning must be treated as a strategic tool. Boards and management must own it, and set up appropriate governance and incentive structures to translate climate objectives into business decisions. It is also important for transition planning to be integrated into business operations across the entire company, rather than be left to the chief sustainability officer.

At its core, corporate transition planning seeks to answer three sets of questions:

- a) What is your carbon footprint? Where is it, how do you reduce it, and by when?
- b) What are your risks and opportunities as the world becomes climate-impaired?
- c) What are your risks and opportunities as the world becomes carbon-constrained?

Boards typically ask their management whether they have considered various types of risks. But what about climate risks? If I were your consultant, these are the questions I might whisper in your ears:

One, have we identified our exposures and vulnerabilities? Have we mapped the company's assets and supply chains against location-specific climate projections? What are the vulnerabilities facing our assets, supply chains, and workforce? For example, how many of our factories will be in flood-prone zones in 2030?

Two, have we estimated the financial impact arising from physical climate risks? What are the direct costs, such as asset damage or business interruption, and indirect costs, such as legal liabilities or reputational harm? For example, what is the estimated cost of damages and service recovery from flooding?

Three, have we developed strategies to deal with the risks? For example, should we strengthen the flood defences of our vulnerable factories, or expand insurance coverage, or start relocating our factories?

Likewise, has your management assessed the business risks and opportunities in a decarbonising world? These are some of the areas you could look into.

First, carbon prices. What are the carbon tax scenarios in the countries that your company is exposed to, and how might they affect your operating costs, your supply chain partners, and your competitors? These questions are not academic: The EU has implemented a carbon price (or CBAM) on imports of iron and steel, aluminium, cement, fertilisers, hydrogen and electricity. The UK will do so, on a slightly different basket of imports, from January 2027. Australia and Canada are considering a CBAM too. Have you considered what it means for your business if global carbon prices rise to US\$100 (\$128) by 2035?

Second, advances in technology. How much of your company's carbon-intensive assets are at risk of becoming stranded if alternative low-carbon technologies see sharp cost reductions? For example, if you are in the automotive industry, what are the implications if the range of electric vehicles were to increase by four times? Tianjin University in China has tested a prototype battery pack that can do this.

Third, shifts in consumer preferences. What are the revenue implications if consumers move away from carbon-intensive products and services? We already see this in the surge in global demand for electric vehicles at the expense of the internal combustion engine.

In short, climate-related risks and opportunities are as relevant as other business risks and opportunities. Transition planning is a process to identify, analyse and act on these risks and opportunities.

## Sustainability reporting

What gets measured gets done, and what gets disclosed gets done even better.

Mandatory sustainability reporting has gathered momentum in recent years. It allows companies to benchmark against their peers and enhances supply chain accountability. It helps banks and investors make more informed financing decisions, and customers make better procurement decisions.

The International Sustainability Standards Board (ISSB) has issued a global framework for sustainability reporting. Several jurisdictions have implemented or announced plans to implement mandatory reporting based on ISSB standards, including Australia, Hong Kong and Malaysia.

In 2024, Singapore introduced mandatory climate reporting based on ISSB standards. The original requirement was for all listed companies to do so by FY2025 and large non-listed companies to do the same by FY2027. In August 2025, Singapore extended the timelines for implementation.

However, this is not a sign that Singapore is softening its commitment to sustainability reporting or climate ambition. Many companies are still in the process of building up the capabilities required to comply with the high reporting standards of ISSB. The regulators are giving them more time to do so. There is no change in the direction of travel, only the pace.

The revised requirements take a more differentiated approach based on the scope of reporting and size of company. In doing so, we aim to achieve sustainability reporting in a progressive manner, broadening the scope of reporting and extending it to more companies over time. Let me give a bit more colour on what has not changed, what has, and why.

First, the timeline for all categories of reporting remains unchanged for the Straits Times Index (STI) constituent companies, which make up 75 per cent of total market capitalisation. They operate in global export markets or supply chains and need to account for their carbon intensity and transition plans as soon as possible. Their climate-related risks have larger financial implications.

Second, the timeline for reporting Scope 1 and 2 emissions remains the same for all listed companies – FY2025. These companies are generally ready to do so, with eight out of 10 having disclosed their Scope 1 and 2 emissions in FY2024. Maintaining the timeline means that companies will have to account for these emissions and be motivated to reduce them.

Third, the key difference in reporting timelines applies to other ISSB disclosures, such as how companies manage their climate-related risks and the metrics they use to measure progress. These are not as easy to do. We are giving non-STI constituent companies and large non-listed companies time to build up their capabilities, by extending the timeline by three to five years. But by FY2030, all listed and large non-listed companies will have to make these other ISSB disclosures.

Fourth, the key difference in reporting requirements applies to Scope 3 emissions. While STI constituent companies will have to report this by FY2026, there is no fixed timeline for non-STI-constituent companies. In FY2024, only 29 per cent of listed companies disclosed Scope 3 emissions. Measuring Scope 3 emissions is very difficult. Most companies do not have a comprehensive view of all their product components that are manufactured beyond Singapore's borders.

One possible solution is to rely on third-party emission factor databases. But many of these databases are from the US and Europe and may not apply well to Singapore. The Singapore Business Federation is working on a Singapore Emission Factors Registry, but it will take time to build the database to cover Scope 3 emissions.

Although not mandatory, sustainability reporting is not irrelevant for small and medium-sized enterprises (SMEs). SMEs would need to account for their carbon footprint and climate-related risks as the larger firms that they supply to step up their Scope 3 emissions reporting. Measuring and reporting emissions will nudge SMEs to identify ways to be more resource-efficient.

There are many tools available to help SMEs report their Scope 1 and 2 emissions. For example, through Gprnt, a first-of-its-kind sustainability reporting platform, SMEs can retrieve their utilities data from PUB and Energy Market Authority, and convert these into Scope 1 and 2 values within minutes and without charge.

### Why boards must care

The board of directors of a company sets strategic directions, ensures financial stewardship, and oversees risk management. It takes the long-term view to maximise shareholder value. Preparing for the climate challenge requires exactly these instincts. Boards and management should not view climate action as a constraint on growth but as a source of future resilience and competitive advantage.

So far, I have shared why climate action is important from the perspective of value – shareholder value. But there is a difference between value and values.

Value is what we seek to create; values define who we are.

Boards set the purpose of the company, the vision of what it wants to become, the values it stands for. I trust caring for the community and the environment in which you operate is part of that purpose. Being a force for good for people and planet is part of that vision. Doing the right thing to safeguard future generations is part of those values. ●

Ravi Menon is Singapore's first Ambassador for Climate Action and Senior Adviser to the National Climate Change Secretariat at the Prime Minister's Office. This article is adapted from a speech he delivered at the SID Directors Conference on 12 September 2025.