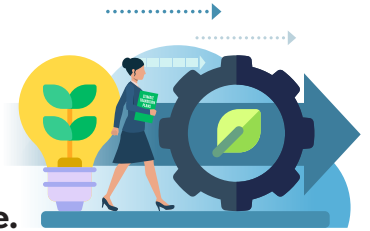


# Moving from Aspiration to Action

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**Climate transition plans are no longer optional tools to guide business strategy. They are essential for boards to ensure credible pathways are in place to strengthen resilience, engage stakeholders and unlock long-term value.**



Climate volatility, regulatory uncertainty, and shifting market expectations are reshaping the operating environment. Extreme weather events and supply chain disruptions are no longer distant risks; they are material threats to business continuity. At the same time, stakeholders expect companies to demonstrate a credible decarbonisation pathway. Together, these forces demand proactive governance, with boards ensuring climate risks and opportunities are embedded into strategy and decision-making.

Yet, progress remains uneven. Global research by EY shows that while 64 per cent of companies have a transition plan, many have made little progress, and some are even reversing prior commitments. Nearly two-thirds of companies with net-zero targets lack actionable transition plans to achieve them. Without a clear roadmap, organisations face growing risks, including stranded assets, reputational damage, and declining competitiveness.

Against this backdrop, transition planning is gaining recognition as a core element of corporate governance. Investors view credible plans as signals of strategic foresight and sound risk management, particularly as climate impacts translate into real financial consequences, from supply chain disruptions to asset destruction.

## Why transition planning matters

Boards play a central role in shaping credible transition plans: setting direction, aligning resources, and monitoring progress so management delivers with

discipline and clarity. More than a compliance exercise, transition planning reflects fiduciary responsibility. It helps businesses align their climate ambitions with transition risks, emerging opportunities and structural shifts in regulation, technology and consumer behaviour. This protects value, sustains competitiveness and enables growth and resilience.

Strong governance turns ambition into outcomes by embedding climate considerations into forward-looking strategies, risk frameworks, capital planning, and incentive structures – areas firmly within board oversight. As scrutiny of greenwashing intensifies, failure to act risks reputational harm and erosion of investor confidence.

Financial institutions are also relying more heavily on transition plans to guide lending and investment decisions. Research by the Network for Greening the Financial System finds that more than 90 per cent of institutions already use, or intend to use, transition plans in risk management and stress testing. Companies with robust plans can reduce credibility risks, strengthen operational resilience and enhance competitiveness, which can then lead to new revenue opportunities, improved access to capital and potentially lower financing costs.

Transition planning can help strengthen operational resilience and enable organisations to:

- Anticipate disruptions. Identify climate-related risks, such as heat stress and water scarcity,

## What Makes a Credible Transition Plan

According to IFRS S2 Standard, a transition plan is “an aspect of an entity’s overall strategy that lays out the entity’s targets, actions, or resources for its transition towards a lower-carbon economy”.

When reviewing management’s plans, boards should look for:

1. **Clear targets and milestones:** Science-aligned goals with short-, medium- and long-term checkpoints.
2. **Governance and accountability:** Defined board oversight, with management ownership integrated into existing committees.
3. **Financial alignment:** Capital allocation and investment strategies linked to climate objectives.
4. **Resilience measures:** Actions to reduce exposure to physical risks alongside emissions reduction – for example, diversifying supply chains, investing in flood protection or stress-testing operations against extreme weather.
5. **Stakeholder engagement:** Collaboration across the organisation and value chain to ensure buy-in and effective execution.
6. **Transparent disclosure:** Decision-useful information aligned with ISSB standards to build trust and comparability.

To remain relevant, transition plans must be dynamic. They must be regularly updated and stress-tested against evolving scenarios, including the gradual incorporation of nature in the transition plans.

and integrate them into supply chain and asset planning, reducing downtime.

- Align capital to adaptation. Direct investment towards resilient infrastructure and technology upgrades, avoiding costly retrofits later.
- Improve continuity protocols. Use scenario analysis and stress testing to inform contingency measures, ensuring operations can withstand shocks.
- Enhance resource efficiency. Implement energy and water efficiency measures to reduce vulnerability to resource volatility and regulatory constraints.

Boards should use relevant frameworks as a guide to link climate ambition directly to business performance, turning sustainability into a lever for growth. By improving strategic clarity and managerial capability, management can prepare for evolving requirements while positioning their organisations

to attract capital in a market that increasingly values clarity, credibility and strong governance.

### Turning commitment into action

Boards that lead with credible transition plans align strategy, risk and capital to meet evolving regulatory expectations. This builds organisational resilience against climate shocks and stakeholder scrutiny, enabling the enterprise to move from disclosure to disciplined execution. See box, “What Makes a Credible Transition Plan”.

Embedding these considerations into board agendas and committee structures ensures that transition planning becomes a core component of enterprise strategy, not a siloed sustainability exercise. Acting now positions organisations to capture growth opportunities and maintain investor confidence in a rapidly evolving market. ●