Department of Climate Change, Energy, the Environment and Water

Climate-related Transition Planning Framework for NSW Organisations

22 December 2025

Acknowledgement of Country

Department of Climate Change, Energy, the Environment and Water acknowledges the traditional custodians of the land and pays respect to Elders past, present and future.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the People and Community symbol.

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Copyright and disclaimer

Contents

Advisory note

This document is intended to provide general information on climate-related transition planning (transition planning) for NSW organisations.

This document does not create any mandatory requirements. It offers suggested practices and ideas that organisations can use, adapt, or disregard based on their own needs, circumstances, and any laws or policies they must follow.

Nothing in this document should be seen as creating legal obligations or replacing existing laws, regulations or contracts. Each organisation is responsible for making its own decisions and ensuring it complies with all relevant policies, laws, standards, and internal governance.

This document may be updated from time to time to reflect changes in policy, practice, or context. Users are encouraged to confirm they are referring to the most recent version.

It should be read in conjunction with relevant legislation, policies, and procedures. While every effort has been made to ensure accuracy, the content does not replace professional advice or official requirements.

Who should use this document

This document is intended for use by any NSW Government organisation seeking information on climate-related transition planning. NSW organisations have varying reporting obligations under different NSW climate policies and are responsible for understanding and complying with their applicable requirements.

1 Purpose and context

1.1 About climate-related transition planning

Climate-related transition planning (transition planning) is an iterative, forward-looking process that strengthens the resilience of an organisation's overall strategy and prepares for climate-related risks, opportunities, and impacts based on analysis of plausible future climate scenarios. It:

- **focuses on overall organisational strategy**, specifically the climate change-related aspects.
- addresses both:
  - **physical risks**, such as adaptation actions to manage extreme weather and sea level rise
  - **transition risks**, such as reducing and removing GHG emissions through net zero planning.
- **empowers organisations to analyse options** for their own net zero planning and adaptation, **set climate-related goals**, and **develop pathways** to reach them.
- **should be integrated into overall strategies and financial planning**, aligning targets and actions with measurable milestones.

A transition plan is the output of a transition planning process. Consistent, evidence-based transition planning helps organisations to navigate change and reduce exposure to climate-related risks.

Transition plan is the term for describing climate change-related aspects of an organisation's overall strategy. As part of an overall strategy, a transition plan sets out the organisation's targets, actions, and resources for its transition towards a lower-carbon economy. [1]

As NSW Treasury describes, a transition plan typically includes information on an organisation's:

- actions to reduce its greenhouse gas (GHG) emissions
- responses to climate-related transition and physical risks
- efforts to create and benefit from opportunities arising from the expected shift to a lower-carbon economy. [2]

Many NSW organisations have already produced a GHG emissions inventory, performed a climate change risk and opportunity assessment, and begun carbon reduction and adaptation initiatives. A

[1] Australia Accounting Standards Board; Australian Sustainability Reporting Standard 'AASB S2: Climate-related Disclosures' (2024), available at https://standards.aasb.gov.au/aasb-s2-sep-2024.

[2] NSW Treasury (2025). Reporting framework for climate-related financial disclosures: TPG24-33, available at https://www.nsw.gov.au/sites/default/files/noindex/2025-06/tpg24-33-reporting-framework-for-climate-related-financial-disclosures.pdf.

credible transition plan can bring these inputs together to develop a holistic response to address climate change.

> Organisations can choose to be selective about which areas are discussed in detail in their transition plan and make reference to areas that may be addressed in separate documents.

The definition of transition planning in this document is consistent with national and international best practice standards. This approach extends beyond a narrower focus on mitigation to also encompass adaptation measures and the pursuit of co-benefits.

Organisations have the flexibility to determine the type of transition plan most appropriate to their needs and obligations. For example, an organisation may choose to develop a mitigation-focused transition plan if incorporating adaptation planning is not practical at this time.

1.2 About this Climate-related Transition Planning Framework for NSW Organisations

Organisations can use different approaches when undertaking a transition planning process or developing a transition plan, depending on their context, strategy and materiality.

The NSW Department of Climate Change, Energy, the Environment and Water has developed this Climate-related transition planning Framework for NSW Organisations (Framework) to establish common principles and materiality screening criteria that ensure consistency across government, and to provide additional information for organisations that nee support in building their capacity.

This Framework could be a starting point for organisations that are developing or maturing strategies to decarbonise and become more resilient to material, and potentially material, climate-related transition risks, physical risks, and opportunities.

The Framework:

- outlines the stages of the transition planning process
- explains common principles and components of a credible transition plan
- provides materiality screening assessment criteria
- offers a foundational approach for starting transition planning
- can be used to align an organisation's strategy, operations, internal processes, and reporting with climate objectives
- supports preparation of a voluntary transition planning roadmap, which includes key actions, responsibilities and timeframes to guide organisations in developing and maturing their transition planning.

Each organisation should develop a transition plan tailored to its context, strategy and materiality.

NSW organisations' emissions and climate-related risks and opportunities will have differing levels of materiality. For example, a large organisation with a substantial portfolio of assets, would likely have a different, more detailed transition plan than a policy-focused organisation with fewer tangible assets.

Figure 1 illustrates the relationship between risk management and transition plans, that address both physical and transition risks.

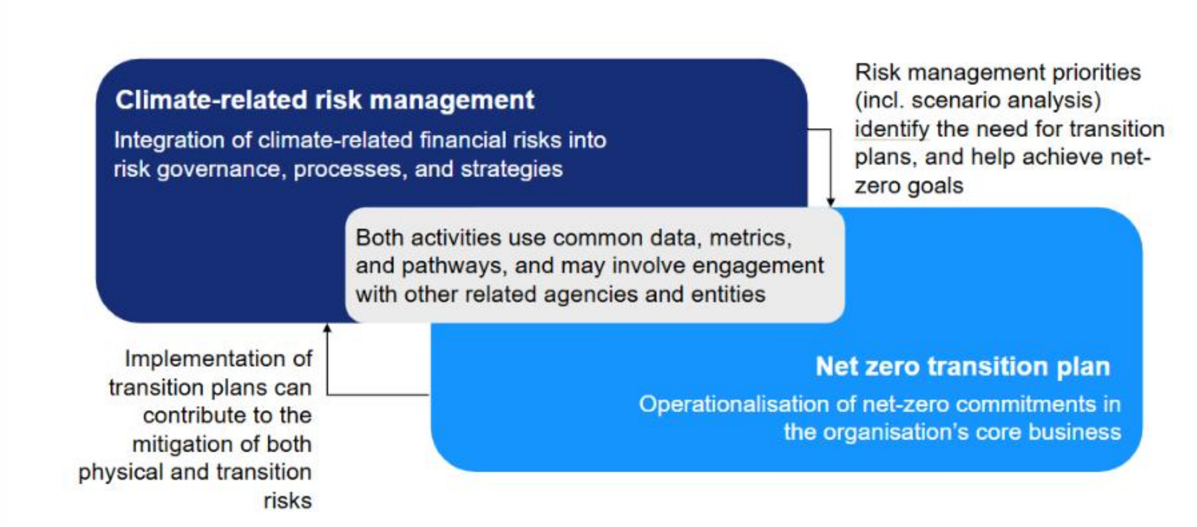

Figure 1: The relationship between risk management and transition plans [3]

Transition plans should be developed in response to identified climate-related risks and opportunities. This ensures executive leadership can prioritise actions and transition activities based on the organisation's risk profile and risk prioritisation.

Executive leadership should have access to clear, relevant information to make informed decisions and allocate resources effectively to address the most significant risks.

1.3 Context: transition planning in a warming world

The global climate has changed, affecting conditions across New South Wales:

- In NSW, 8 of the 10 warmest years since 1910 have occurred since 2013. [4]

[3] Adapted from Glasgow Financial Alliance for Net Zero (September 2022) Expectations from Real-Economy Transition Plans, accessed 5 December 2025, p 16.

[4] NSW Government (2025) *New South Wales Climate Change Snapshot* NSW Government, accessed 5 December 2025, p 9.

- Prolonged hot days – with maximum daily temperatures at or above 35ºC – will become more frequent, most impacting vulnerable people. [5]
- Across NSW, the average number of severe fire weather days per year will increase throughout this century. [6]
- Climate change will influence rainfall patterns and total rainfall in NSW. These changes may have widespread impacts on water security, agricultural productivity and native species. [7]

NSW will also be increasingly exposed to increased variability in weather conditions, including extreme weather events, in the future. [8] These changes will continue to affect the people, environment and economy of NSW.

Without accelerated emissions reductions, NSW may not reach the state Parliament's established emissions targets for 2030, 2035 and 2050. Success requires ongoing cooperation from governments at all levels, the private sector, and communities. For context:

- **Australia, along with most countries, has committed to limit global temperature rise in line with the Paris Agreement**: an international climate change treaty negotiated in 2015. [9]
- **The goal is to keep the increase in global average temperature well below 2ºC above pre-industrial levels, while aiming to limit the increase to 1.5ºC.** Achieving this would significantly reduce risks and impacts to Australia.
- **Greenhouse gas (GHG) emissions, such as carbon dioxide, drive global temperature increase, but their effects are delayed.** Our climate has already changed and will continue to change, even if global temperatures stabilise. Even if temperatures stabilise, the climate will keep changing. Meeting the Paris Agreement targets will help reduce some impacts, but not all. [10]

Transition planning is how the NSW Government responds to this warming world by:

- reducing its own emissions and climate impacts
- managing climate-related risks and opportunities
- using its influence to improve outcomes for NSW.

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[5] ibid, p 12.

[6] ibid, p 28.

[7] Ibid, p 12.

[8] Net Zero Commission (2024) 2024 Annual Report (citing Australian Bureau of Meteorology 2024), accessed 5 December 2025, p 9.

[9] DCCEEW, International Climate Action, https://www.dcceew.gov.au/climate-change/international-climate-action (accessed November 2025).

[10] Australian Government, Australia's National Climate Risk Assessment (2025) available at https://climateservice.maps.arcgis.com/sharing/rest/content/items/9d4850b2d64d47e28407c04681b0eeca/data.

1.4 Policy alignment and integration

This Framework supports organisations to start a transition planning process that aligns with NSW climate policies and requirements, including the Net Zero Government Operations (NZGO) Policy, and, where applicable, the NSW Climate Change Adaptation Strategy and Action Plan 2025-29. It also supports the preparation of climate-related financial disclosures under TPG24-33: Reporting framework for climate-related financial disclosures. The next section outlines the intent and coverage of these policies.

1.4.1 Net Zero Government Operations Policy

The Net Zero Government Operations (NZGO) Policy sets requirements for common NSW Government operations that significantly impact greenhouse gas emissions. It encourages agencies to reduce their emissions and supports NSW's emissions reduction targets under the *Climate Change (Net Zero Future) Act 2023*.

NSW agencies covered by NZGO must prepare long-term transition plans to reduce their emissions and are subject to a range of mandatory decarbonisation actions. Each agency should develop a transition plan tailored to its context, strategy and materiality, and is responsible for understanding its obligations under NZGO and ensuring compliance.

1.4.2 Climate-related financial disclosure reporting

Per TPG25-10 Framework for Financial and Annual Reporting, NSW Government agencies, businesses and universities – collectively known as NSW entities – must commence climate-related financial disclosures as part of their annual reporting information. [11] NSW Treasury has published TPG24-33: Reporting Framework for First Year Climate-related Financial Disclosures which sets up the minimum content requirements for climate-related financial disclosures.

TPG24-33 was closely informed by the Australian Accounting Standards Board's (ASSBs) Australian Sustainability Reporting Standards (ASRS), tailored to NSW public sector circumstances and reporting entity capability and capacity. Under TPG24-33, a climate-related transition plan is a plan in responding to the expected transition to a lower- carbon economy. [12] It generally contains information on an entity's:

- actions to reduce its greenhouse gas emissions
- response to climate-related transition and physical risks
- efforts to create and benefit from opportunities related to the expected transition to a lower-carbon economy.

Transition plans can help to meet expectations under mandatory disclosure requirements. Some entities may not have a transition plan in place or are in the process of developing a transition plan.

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[11] NSW Treasury, TPG24-33: Reporting Framework for First Year Climate-related Financial Disclosures (June 2025).

[12] NSW Treasury, Reporting Framework for Climate-related Financial Disclosures: TPG24-33, page 22

It is sufficient to meet the disclosure requirement if an entity discloses information on its planned response to the transition to a lower-carbon economy. [13]

A transition plan provides NSW organisations with an opportunity to integrate their various climate policy obligations, which currently differ slightly in scope.

Whilst NZGO Policy defines a transition plan as focusing on emissions reduction, in contrast, TPG24-33 defines a transition plan as addressing both physical and transition-related risks in addition to emissions reduction.

This broader scope, as recommended in this Framework, aligns with international and national best practice and suggests that transition planning should:

- recognise both physical and transition risks and opportunities
- develop goals and actions tailored to an organisation's decarbonisation and adaptation needs
- understand the interaction between these elements.

Organisations should determine their own scope based on obligations under relevant climate policies, as well as their context, strategy and materiality.

1.4.3 NSW Climate Change Adaptation Strategy and Action Plan 2025-2029

The NSW Climate Change Adaptation Action Plan 2025-2029 is the first state-wide plan to strengthen climate change resilience across NSW. It takes a whole-of-government approach, with actions delivered by a variety of NSW Government organisations.

If an organisation is classified as a *Government Sector Finance (GSF) Act 2018* agency, risk accountability rests with the agency's Accountable Authority. The Accountable Authority is responsible for setting the strategic direction and determining actions to effectively manage and respond to risks.

Organisations may have existing consolidated reporting arrangements for their annual reports, and, in some cases, for climate-related financial disclosures. Each organisation is responsible for determining how these arrangements align with and apply to its transition plan obligations.

[13] TPG24-33 Reporting framework for first year climate-related financial disclosures, p. 22

1.5 Stages of transition planning

There are four stages that NSW Government organisations can follow to produce and implement a transition plan.

- Stages 0 and 1: establish the foundations for transition planning, including governance arrangements and high-level commitments from the organisation's leadership.
- Stage 2: define the scope of transition planning by identifying the actions needed to create the organisation's first transition plan (a voluntary 'transition planning roadmap').
- Stage 3: carry out the actions in the roadmap and prepare the transition plan.
- Stage 4: publish the transition plan and embed it into the organisation's broader decision-making processes – such as reporting, strategy and budgeting – through an implementation work program.

For further detail on each stage's suggested tasks, timeframe and DCCEEW support resources, see Appendix A.

This Framework provides suggested approaches organisations can take when transition planning. Organisations should continue pursuing decarbonisation opportunities in parallel with planning activities. Implementation and planning should progress concurrently to ensure timely action.

This Framework is the first of a suite of DCCEEW resources that will support organisations with transition planning. Figure 2 provides a timeline for the development of resource material and for actions organisations can take to develop a transition plan.

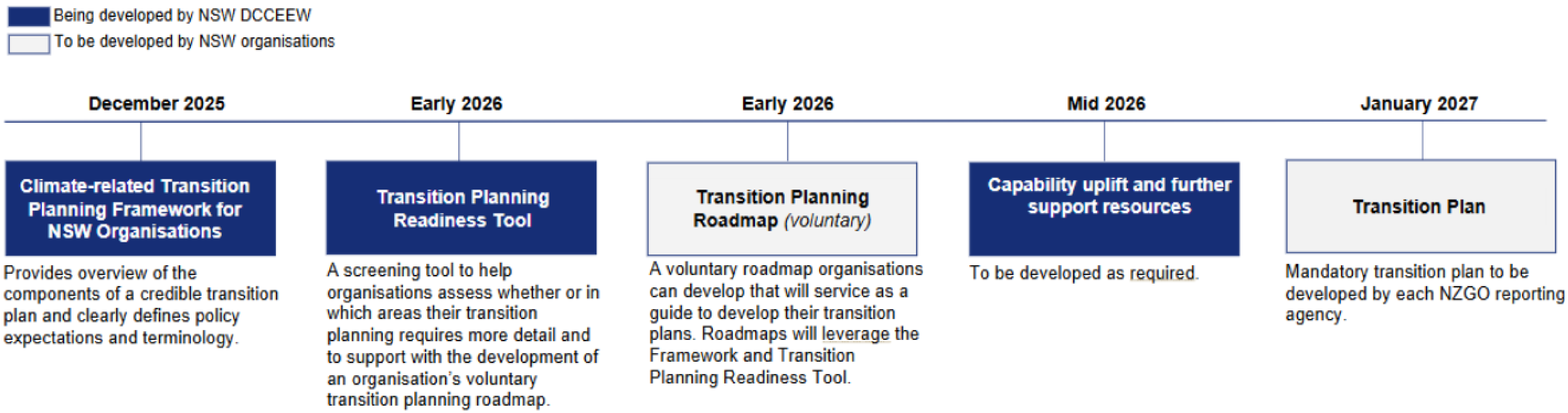

Figure 2: Timeline for support resource development by DCCEEW and transition planning actions for organisations

Refer to Appendix A for a detailed outline of each stage's suggested tasks, potential timeframes and relevant DCCEEW support.

2 Credible transition planning

2.1 Benefits of developing a credible transition plan

Credible transition planning demonstrates an organisation's genuine commitment to strategic positioning, reducing greenhouse gas (GHG) emissions and taking adaptation action.

Developing a credible transition plan:

- improves an organisation's ability to achieve its climate-related goals
- enables meaningful engagement across the organisation's business model, helping manage exposure to climate-related risks and implement actions that strengthen resilience
- shows commitment to transition planning's long-term value, resilience and alignment with the NSW Government's Net Zero by 2050 target
- builds public confidence and trust, maintains favourable market conditions, and reduces the risk of greenwashing, helping avoid legal, reputational and financial risks.

2.2 Principles of transition planning

These principles should underpin development of a transition plan: [14]

- **informed by applicable policy**
- **ambitious yet feasible**, with emissions reduction targets aligned with the *Climate Change (Net Zero Future) Act 2023* and NSW Government policy
- **comprehensive but proportionate** to an organisation's scale, emissions, and material climate-related risks and opportunities
- **internally consistent**, integrating decarbonisation, adaptation and other co-benefits into a broader strategy
- **verifiable and transparent**, giving confidence that the plan will be effectively implemented, and enabling informed decisions
- **dynamic and adaptable**, with regular updates to remain relevant.

Practicing these principles will help an organisation to develop a credible climate-related transition plan.

[14] Adapted in part from Climateworks Centre (July 2025) The Climateworks Centre guide to credibility for corporate climate transition plans, last accessed 5 December 2025, p.12-13.

2.3 Components of credible transition planning

To be credible, a transition plan should include all components. Inputs and related actions for each component should be used as appropriate to the organisation's skills and capabilities.

The **extent to which each component is addressed will vary based on the materiality** of an organisation's emissions and climate-related risks and opportunities. For example, a large organisation with a substantial portfolio of assets, would have a different, more detailed transition plan than a policy-focused organisation with fewer tangible assets. Materiality differs between organisations and is explained in the Materiality section of this Framework.

Components are **interdependent.** [15] The emissions reduction targets, for example, depend on the organisation's decarbonisation and adaptation options analysis. The implementation strategy cannot succeed without an effective governance structure and stakeholder engagement.

These inter-dependencies will be addressed in more detail in the Transition Planning Readiness Tool.

The following table describes the components of a credible transition plan and the associated principles of transition planning.

> The components outlined in this Framework align with national and international best practice standards and are provided as a guide only. Organisations can choose the extent to which each component is addressed in their transition plan, based on their specific needs and obligations.

[15] Adapted in part from ibid p.7

Table 1: Components of a credible transition plan and the associated principles of transition planning

Principles	Components	
Informed by applicable policy.	Strategic ambition	Takes a strategic view, rather than compliance-focused one, towards setting objectives and targets. Connects climate-related risks and opportunities to the organisation’s purpose and objectives.
Comprehensive but proportionate to an entity's scale, emissions, and material climate-related risks and opportunities.	Governance and stakeholder engagement	Clearly defines its governance structure, which is embedded into the organisation's overall governance, with a supportive culture and clear incentives for the board, executives and senior management. Details an engagement strategy that may impact the organisation's emissions reductions and climate-related policy.
	Decarbonisation and adaptation options analysis	Explains how the organisation positions itself to achieve long-term targets and align with its strategic ambition. Identifies: • specific, feasible and measurable emission reduction actions to meet its short- and medium-term targets. • specific, feasible and measurable actions to address material physical and transition climate-related risks – including emissions reductions and adaptation planning. • actions that prioritise emissions reductions within the organisation's value chain. • connected information and trade-offs between climate-related risks the organisation is exposed to, and the connection between those risks. • alternatives evaluated, such as carbon credits, ahead of setting the organisation’s emissions reduction targets and implementation strategy, describing trade-offs between climate-related risks and opportunities.

		• for climate-related risks or opportunities that could affect the organisation's revenue, high-level impacts on short-, medium- or long-term financial performance.
Balances sufficient ambition and feasibility for emissions reductions aligned with the Paris Agreement.	Emissions reduction targets	Includes net zero target(s) and supporting interim emissions reduction targets covering scope 1, scope 2 GHG emissions. Mature organisations may also choose to develop targets for scope 3 GHG emissions. [16] • In setting net zero target(s), consider trade-offs related to climate-related risks and adaptation.
Internally consistent, integrating decarbonisation, adaptation and other co-benefits into a broader strategy.	Implementation strategy	Sets out: • specific, feasible and measurable emissions reduction actions or pathways to meet its short- and medium-term targets and explains how the organisation positions itself to achieve long-term targets. • the organisation's ambition, readiness and resourcing for adaptation, which may require a somewhat different approach from emissions reduction. • how the organisation will integrate climate-related risk management and adaptation into the wider organisational strategy, including financial planning (described as a separate component), resourcing, and ownership. Integrates transition planning with sustainability reporting under NZGO Policy and NSW Treasury's framework for climate-related financial disclosures.

[16] Action 20 under the Net Zero Government Operations Policy requires agencies to identify their biggest scope 3 emission sources and actions to address them by June 2027.

	Financial planning	Describes how the organisation expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities. Takes into consideration: • investment and disposal plans (e.g. for capital expenditure or asset retirements) • planned sources of funding to implement its strategy (e.g. New Policy Proposals (NPPs), the Government Finance Facility (GFF), financing and spending plans like Capital Investment Plans (CIPs), and the inclusion of initiatives in Strategic Asset Management Plans (SAMPs) and Asset Management Plans (AMPs)).
Verifiable and transparent to provide confidence that the strategy will be effectively implemented and so readers can make informed decisions. Well-maintained, dynamic and adaptive.	Continuous review and disclosure	Documents the transition planning process, particularly the rationale for decisions made in options analysis, implementation strategy and financial planning. Outlines how transition planning will be verified and maintained over time. Retains comparability to prior iterations of the transition plan (e.g. through climate-related metrics).

Organisations can take steps immediately to prepare a voluntary transition planning roadmap to serve as a guide to developing a transition plan in late 2026.

Organisations may also already have inputs relevant to transition planning through required actions under the Net Zero Government Operations (NZGO) Policy and NSW Treasury's TPG24-33: Reporting framework for climate-related financial disclosures. Organisations may consolidate key findings from any earlier climate-related work the organisation has done, such as:

- Governance arrangements for climate-related financial disclosures or emissions reporting.
- Identification of key stakeholders and role players in the organisation.
- Defining the business model.
- Assessment of climate-related risks and opportunities.
- Creation of a GHG emissions inventory.
- Identification and implementation of emissions reduction and/or adaptation initiatives.

Refer to Appendix B for a table that lists example inputs and actions for each component of a credible transition plan. More information will be provided in the Transition Planning Readiness Tool.

3 Materiality

3.1 Keep transition plans proportionate

Organisations should address all seven components of a credible transition plan. **The level of detail for each component should be proportionate to the materiality of organisation's greenhouse gas (GHG) emissions and climate-related risks and opportunities. It should also reflect the scope of the organisation's operations, roles and responsibilities, level of control, and future outlook.**

An organisation's transition plan should be proportional, considering:

- the materiality of the organisation's emissions
- the materiality of climate-related risks and opportunities
- the organisation's prominence and whether it provides critical services or manages assets exposed to climate risks.

To help organisations avoid unnecessary costs or efforts, DCCEEW will provide further support resources and capability uplift on the transition planning process.

3.2 Indicators of lower materiality

Organisations with lower materiality might have:

- **lower annual scope 1 and 2 GHG emissions** below a determined threshold.
- **lower direct exposure to transition risks**, such as market, technology, transition liability, or reputational risks
- **lower direct exposure to physical climate hazards**, such as floods or extreme temperatures. Operations primarily consist of office work, and physical assets are primarily office buildings, fleet cars or internal equipment
- **fewer significant opportunities** associated with the transition to a low-carbon, climate-resilient economy.

3.3 Indicators of higher materiality

Organisations with higher materiality might have:

- **higher annual scope 1 and 2 GHG emissions** above a determined threshold
- **higher direct exposure to transition risks**, such as market, technology, transition liability, or reputational risks
- **higher direct exposure to physical hazards.** Operations might involve activities outside, multiple sites across the state or activities in areas already known to be at risk from extreme weather events

- **significant opportunities** associated with the transition to a low-carbon, climate-resilient economy.

3.4 Materiality for GHG emissions

Thresholds for scope 1 and 2 emissions will be provided in the Transition Planning Readiness Tool to help organisations determine whether their emissions are "low" or "high" materiality.

Scope 3 emissions are not currently required for transition planning. However, under the Net Zero Government Operations Policy, agencies must identify their biggest scope 3 emissions sources and actions to address them by 30 June 2027. Scope 3 emissions are an indicator of climate-related risk in the value chain (i.e. the inputs and outputs of an organisation's work) and should be considered where feasible.

3.5 Materiality for climate-related risks and opportunities

A climate-related risk or opportunity is material if:

- it could reasonably affect the organisation's financial outlook or ability to achieve its objectives (e.g. providing services within NSW)
- omitting it could influence the decisions of the users of an organisation's transition plan. [17]

3.6 Assessing materiality

Materiality judgments are organisation-specific and should consider the organisation's context. The Transition Planning Readiness Tool will help organisations screen which areas are likely material and may require more detail. Organisations can also draw on findings from climate risk assessments developed under the Climate Risk Ready NSW Guide or similar guidance.

> The information in this Framework, along with the materiality screening and thresholds that will be included in the Transition Planning Readiness Tool, are intended as a guide only.
>
> DCCEEW's support resources are designed to assist organisations in self-assessing materiality if they are uncertain about the type of transition plan most appropriate for their circumstances. Organisations are responsible for determining which type of transition plan best meets their needs and obligations.

[17] NSW Treasury (2025). Reporting framework for climate-related financial disclosures: TPG24-33, available at https://www.nsw.gov.au/sites/default/files/noindex/2025-06/tpg24-33-reporting-framework-for-climate-related-financial-disclosures.pdf.

4 Existing resources and guidance

- The NSW Net Zero Government Operations Policy aims to encourage general government sector agencies to lead by example in reducing their greenhouse gas emissions and contribute to the state's legislated emissions reduction targets. It sets requirements across common aspects of government operations that have a significant impact on emissions and includes broader sustainability measures that complement emissions reductions.
- The NSW Government's Greenhouse gas emissions accounting and reporting guidelines sets out a methodology for calculating and reporting greenhouse gas (GHG) emissions.
- The NSW Government's Net Zero Government Operations Monitoring & Reporting Framework guides NSW government agencies in tracking and reporting their progress toward net zero emissions and sustainability measures, as required under the Net Zero Government Operations Policy. The Framework includes several examples of actions that can be reported under an agency's transition plan.
- The Sustainable Government Portal is a suite of tools provided by DCCEEW that can help store, measure and monitor historical emissions and create net zero pathways, which can be utilised for transition planning.
- The Sustainable Government Net Zero Delivery stream provides resources and expertise to help scope key emission reduction opportunities (as per the NZGO Policy) to inform investment decisions and understand potential funding and financing pathways. For more information please contact: government@environment.nsw.gov.au.
- TPG24-33 Reporting framework for climate-related financial disclosures sets out the minimum content requirements for mandatory climate- related financial disclosures for NSW Government annual reporting entities and provides suggestions on how entities should approach their disclosures.
- The Climate Risk Ready NSW Guide is the NSW Government's standard for managing climate-related risks and opportunities. It gives clear, step-by-step guidance for NSW organisations, whether starting out or building on existing work.
- The AdaptNSW website shares practical resources to support the Climate Risk Ready NSW Guide. These resources include a toolkit, supplementary guides, and datasets like the NSW and Australian Regional Climate Modelling (NARCliM) projections. Together, these help organisations align with the *Climate Change (Net Zero Future) Act 2023*, particularly its objectives for climate risk management and adaptation.
- The Climate Risk Ready NSW Hub provides a collection of resources to support NSW Government organisations improve climate-related risks and opportunities management and prepare climate-related financial disclosures. To become a member of the Hub, email climate.risk@environment.nsw.gov.au.

5 Glossary[18]

Adaptation – actions undertaken to manage or reduce the adverse consequences of climate change, as well as to harness any benefits or opportunities.

Business model – a for-profit organisation's business model is the system of transforming inputs through its activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value for the organisation and hence generate cash flows over the short, medium and long term. A not-for-profit organisation's business model is the system of transforming inputs through its activities into outputs and outcomes that aims to further the organisation's objectives over the short, medium and long term.

Climate-related risk – climate-related risks refer to the potential negative effects of climate change on an organisation. These risks are categorised as climate-related physical risks and climate-related transition risks.

Climate-related opportunities – climate-related opportunities refer to the potential positive effects arising from climate change for an organisation. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an organisation.

Climate-related physical risks – risk resulting from climate change that can be event-driven (acute) or from longer-term shifts in climatic patterns (chronic). Acute physical risks arise from weather-related events such as storms, floods, droughts or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.

These risks could carry financial implications for an organisation, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The organisation's financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting the organisation's premises, operations, supply chains, transportation needs and employee health and safety.

Climate-related transition risks – risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an organisation, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The organisation's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.

Decarbonisation – the process of reducing greenhouse gas emissions to as close to zero as possible, with any remaining emissions balanced by removals (such as carbon offsets or

[18] Adapted primarily from NSW Treasury (June 2025) op. cit., p 22.

sequestration). Achieving net zero means that the total emissions produced are equal to those removed from the atmosphere.

Emissions reduction – a measurable reduction in the generation of greenhouse gas emissions on an absolute or intensity basis.

Governance body – a board, committee or equivalent body charged with governance or individual(s) responsible for oversight.

Greenhouse gases (GHG) – the seven greenhouse gases listed in the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), nitrogen trifluoride (NF_3), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).

Materiality (of climate risks to an organisation) – the threshold at which climate-related risks opportunities could influence the decisions of users of disclosures.

Net zero transition plan - as per the NSW Government Net Zero Government Operations (NZGO) Policy, tailored net zero transition plans identify how general government sector agencies with 100 or more staff plan to reduce their emissions in line with their emissions reduction targets.

Agency net zero transition plans under NZGO must include as a minimum:

- emissions reduction targets for scope 1 and 2 emissions
- cost-effective energy efficiency opportunities, including targets for reducing energy use (if appropriate)
- cost-effective solar photovoltaic (PV) opportunities, including targets for solar generation and energy storage (if appropriate)
- the targets and actions outlined in the policy, such as the electrification of buildings and fleet
- a greenhouse gas emissions monitoring plan.

Scope 1 greenhouse gas emissions – direct greenhouse gas emissions that occur from sources that are owned or controlled by an organisation.

Scope 2 greenhouse gas emissions – Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an organisation.

Scope 3 greenhouse gas emissions – Indirect greenhouse gas emissions (not included in scope 2 greenhouse gas emissions) that occur in the value chain of an organisation, including both upstream and downstream emissions.

Short/medium/long term – these time horizons will differ from organisation to organisation and should be defined in relation to its strategic planning processes and the materiality of climate-related risks to the organisation.

Scenario analysis - a process for identifying and assessing a potential range of outcomes from future events under conditions of uncertainty.

Transition – the transformation of the economy to a low-emission basis in the context of climate change and its impacts.

Transition Planning Roadmap – a voluntary document produced by NSW organisations that outlines the steps the organisation will take to develop a final transition plan by January 2027.

Transition plan – an aspect of an organisation's overall strategy that lays out the organisation's targets, actions or resources for its transition towards a lower-carbon economy. As NSW Treasury describes, a transition plan generally contains information on an organisation's:

- actions to reduce its greenhouse gas (GHG) emissions
- response to climate-related transition and physical risks
- efforts to create and benefit from opportunities related to the expected transition to a lower-carbon economy.

Transition planning – Transition planning is the ongoing strategic process for identifying and responding to climate-related risks and opportunities, including setting climate ambitions and targets, and developing implementation approaches with supporting governance and reporting arrangements. A transition plan is an output from transition planning.

Undue cost or effort - As defined under TPG24-33 an assessment of what constitutes undue cost and effort depends on the organisation's circumstances. The relevant factors include resource constraints where the cost of investing in and operating the systems and processes needed to enable transition planning is higher for some organisations, data availability where high-quality external data is less available for some parts of the plan, specialist availability where skills or expertise are less available to some organisations.

Value chain – The full range of interactions, resources and relationships related to a reporting organisation's business model and the external environment in which it operates.

A value chain encompasses the interactions, resources and relationships an organisation uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including:

- interactions, resources and relationships in the organisation's operations, such as human resources
- those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery
- the financing, geographical, geopolitical and regulatory environments in which the organisation operates.

6 Appendices

6.1 Appendix A: Stages of transition planning

The following table outlines each stage's suggested tasks, potential timeframes and relevant DCCEEW support.

These are recommendations and may vary depending on the organisation's structure, relevant work previously completed, materiality and the organisation's preferred approach to addressing transition planning and meeting policy requirements.

Stage	Key recommended tasks and responsibilities	Potential Timeframe	Relevant policy and DCCEEW support
Stage 0: Understand organisation's starting point	Establish governance and accountability for transition planning (i.e., identify governance body members and their roles and responsibilities). Map organisation's business model. Collate existing inputs (refer to Appendix B for examples).	January 2025 onwards	This Framework
Stage 1: Confirm level of ambition	Governance body to confirm organisation's high-level commitment to support NSW's GHG emissions reduction targets and adaptation goals. Governance body to determines the level of ambition to manage organisation's climate-related risks and opportunities, proportional to the materiality of those risks and opportunities.	2-3 months by April 2026	Net Zero Government Operations Policy Transition Planning Readiness Tool *(to be developed)*

Stage 2: Develop transition planning roadmap (voluntary)	Develop a roadmap, defining transition planning actions and timing. Assess the feasibility of resourcing and implementing actions and align with decision timelines.	2-3 months by April 2026	Transition Planning Readiness Tool *(to be developed)*
Stage 3: Prepare transition plan	Carry out the roadmap's actions. Draft, gain approval for, and finalise first transition plan.	8-9 months by December 2026	Capability uplift and further resources as appropriate *(to be developed)*
Stage 4: Implement	Publish the transition plan. Embed the transition plan into broader decision-making, strategy and budgeting. This can involve a transition work program with well-defined workstreams, signals to monitor (e.g. costs associated with emissions), and conditions that trigger decisions points.	From January 2027	Capability uplift and further resources as appropriate *(to be developed)*

6.2 Appendix B: Example transition planning inputs and actions

Component	Example inputs	Example actions
Strategic ambition	**Commitment from organisation's executive leadership** to support state decarbonisation and adaptation goals to the extent feasible. **Objectives and targets that support NSW's Net Zero by 2050 target.** May include stretch targets, targets besides emissions targets and carbon credits when appropriate.	**Confirm high-level commitment** to supporting NSW decarbonisation targets. **Build internal appetite at senior levels for an ambitious approach** to managing risks and opportunities, which will embed transition planning into its corporate strategy, capital planning, and risk frameworks.

Governance and stakeholder engagement	**Stocktake of organisation's existing governance** mechanisms to set the expectations and establish governance arrangements to oversee, implement and review the transition planning process. **Reporting and monitoring** regime or regular updates and tracking to the executive leadership committee or CEO or COO. **Stakeholder engagement plan** that builds an advocacy network for the organisation's transition planning. To develop a stakeholder engagement plan, consider which functions and divisions have information necessary for an accurate understanding of the organisation's climate-related risks, opportunities and response options.	**Clear internal governance arrangements** for development and oversight of the transition planning process via an internal executive working group or a sub-committee of the executive leadership team or Enterprise Risk and Audit Committee. **Assess whether an organisation has sufficient net zero and climate adaptation capability and capacity** to prepare and implement the transition plan. Consider recruitment, training and development or external support that may be helpful. **Collaborate with government partners**, suppliers and customers. **Identify transition planning champions**, from across the organisation, describing their roles and responsibilities.
Decarbonisation and adaptation options analysis	**Description of the organisation's business model, physical footprint and locations.** This helps with how climate risks may impact the organisation, and with defining the extent of the organisation's control and influence. **Preliminary understanding of preferred options**, and whether and how to keep multiple pathway options open, by identifying milestones, decision points and criteria for determining which pathway to take.	**Prepare a GHG emissions inventory** (a.k.a. carbon footprint or baseline). Many organisations have developed one for reporting under the NZGO Policy, or for the metric and targets section of climate-related disclosures. The inventory informs decisions on setting strategic climate targets and identifying emission reduction opportunities. **Perform a climate risk and opportunity assessment**, which many organisations have already. This assessment should identify climate-related risks to the organisation and each's materiality across the short-, medium- and long terms. Material risks and opportunities identified will be the focus of the organisation's transition planning. **Robust interrogation of options to address climate-related risks and capture opportunities**, including high-level costs, benefits, risks, trade-offs.

		Cross-check interactions between adaptation and decarbonisation options. Decarbonisation and adaptation options in line with the organisation's strategic plan and integrate any forward-looking changes in operations. Break up the analysis to allow for stakeholder engagement in each step, so that findings are tested and communicated appropriately.
Emissions reduction targets	**Options analysis's potential pathways** for achieving net zero targets and improving resilience in the short, medium and long term, along with indicative costs and benefits, constraints and trade-offs. **Commitment to achieve specific emissions reduction targets** (or ranges) for short-, medium- and long-term or alignment with NSW's targets under the NZGO Policy. Targets may be absolute or intensity-based and can be integrated with actions required by the NZGO Policy. **Stakeholder engagement** to gain support for emissions reduction targets.	**Set ambitious and feasible targets** (or ranges) for short-, medium- and long-term, including but not limited to emissions reduction targets. • Targets should be set to reflect achievable abatement within each timeframe. • More detail regarding the implementation strategy and financial planning may be required to secure approval of targets, particularly for short-term targets requiring initiatives to be implemented promptly. **Other forms of climate-related targets may also be valuable.**
Implementation strategy	**More than one implementation pathway**, prioritising actions and initiatives to achieve net zero targets and to manage climate risks and opportunities. Consider: • Is an option feasible now? • Should it be resized? • How would it be paid for? • Are implemented options delivering as expected?	**Actions that aim to embed transition planning into its corporate strategy, capital planning, and risk frameworks.** **Clarify what barriers to implementation exist** and options for how these can be addressed. **Initiatives for implementation**, scoped and timed for incorporation, e.g., into Strategic Asset Management Plans (SAMPs) and Asset Management Plans (AMPs). **Actions to manage** an entity's value chain by collaborating and influencing emissions reduction and resilience.

	• Is the organisation's risk mitigation as expected? **Stakeholder engagement** to define how and when selected initiatives will be implemented.	**Identify metrics to track implementation.** **Time implementation in line with an organisation's major milestones**: key assets' end-of-life, planned operational changes and changes in the organisation's exposure to climate-related risks. **Identify and investigate potential funding options**, acknowledging challenges.
Financial planning	**Funding options for short-term implementation.** **Any indicative funding and spending plans for the organisation's medium- and long-term.** This component may involve some iteration with the implementation strategy component to test and refine the implementation strategy and financial plans, particularly regarding short-term initiatives.	**To support budget requests**, involve the organisation's finance team to express short-term initiatives' financial costs and benefits into funding through New Policy Proposals (NPP), the Government Finance Facility (GFF), financing and spending plans. These could include Capital Investment Plans (CIPs), inclusion of initiatives in Strategic Asset Management Plans (SAMPs) and Asset Management Plans (AMPs). **Separate funding and financing mechanisms to support development of indicative financial plans for medium- and long-term initiatives.** These help leadership and stakeholders to understand the financial commitments of targets and pathways and the financial sustainability of its transition plan. Analysis need not be detailed, as these initiatives may change materially over time.
Continuous review and disclosure	**External disclosure timeframes.** **Internal timeframes for transition plan review**, disclosure and approval.	**Disclosure of transition plan's** • Inputs and assumptions • Dependencies and underlying analysis • Relevant policy requirements • Gaps and plans to address them. • Process for maintaining the transition plan.

		• Commitment to continual improvement. **Review and update at regular intervals** if there are significant changes to the organisation or external context. **When the transition plan is updated, material changes are described and supported** for transparency and comparability over time. Build and maintain coherent versions of the transition plan with a level of detail for each intended audience.