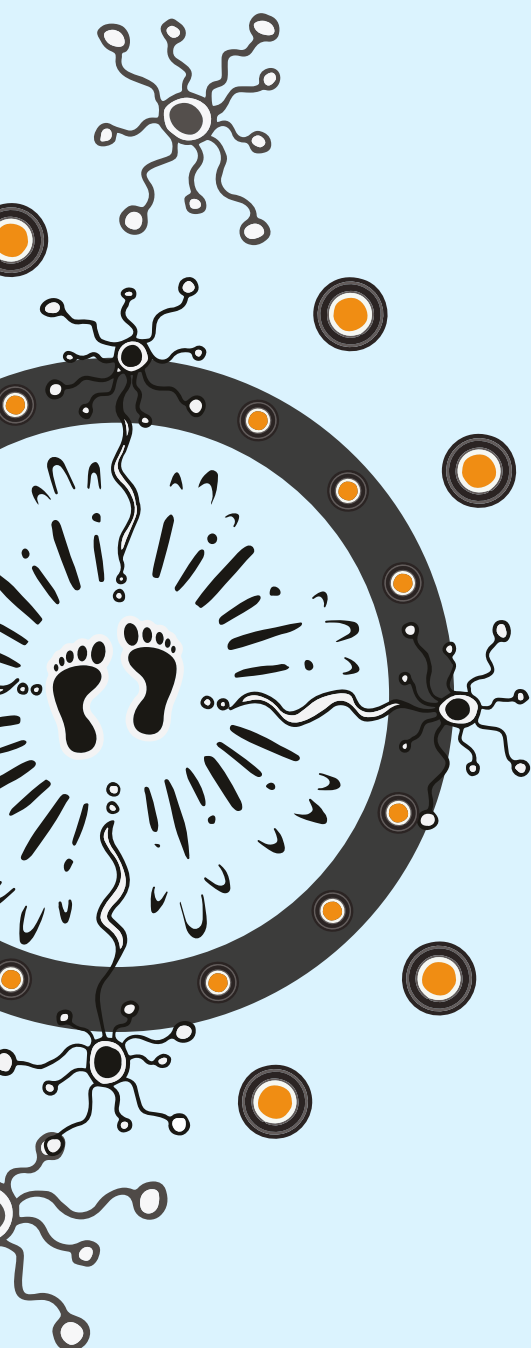

Climate Risk Ready NSW Guide

Practical guidance for the NSW Government
sector to assess and manage climate change
risks and opportunities



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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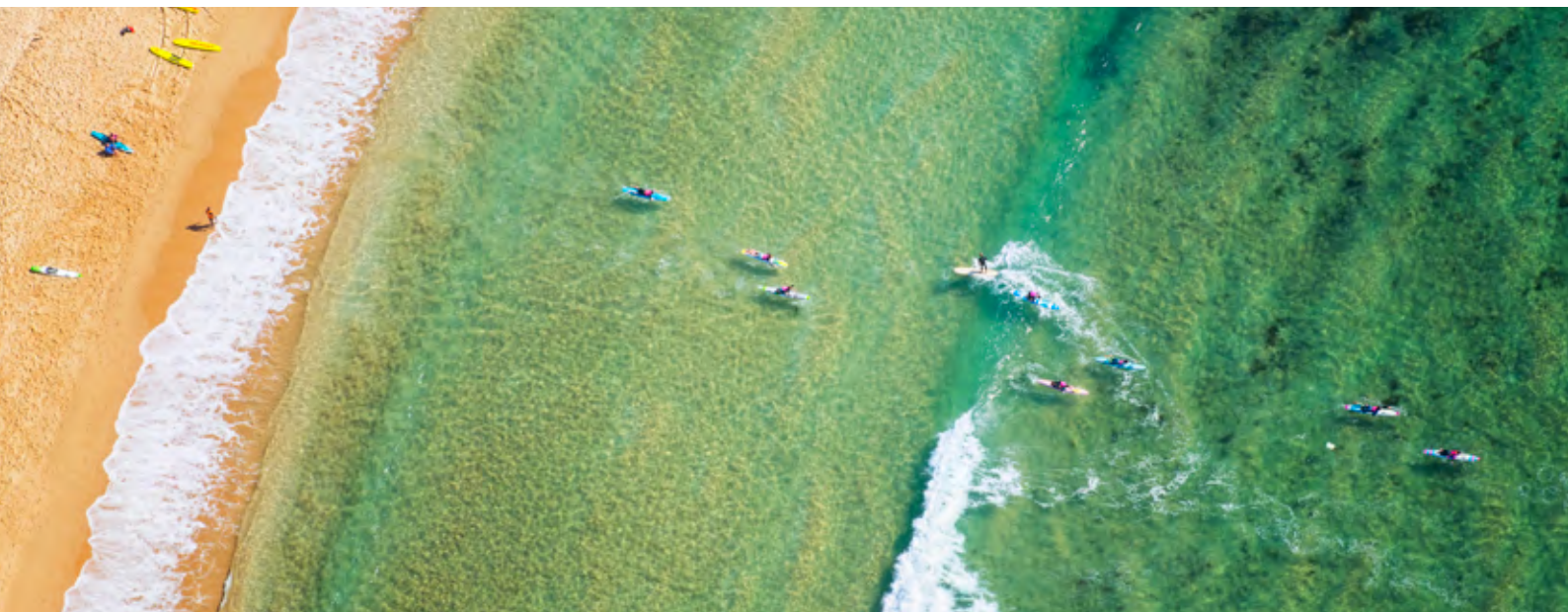
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Preface

The Climate Risk Ready NSW Guide is the NSW Government's standard for climate-related risk and opportunity management. It gives clear, step by step guidance to help organisations take a consistent and practical approach, whether you're just starting out or building on existing work.

This updated edition replaces the original Climate Risk Ready NSW Guide, published in 2021. It reflects advances in climate knowledge and international standards. It also includes lessons learned since the first edition and adds new guidance, including for managing transition risks and identifying opportunities.

To keep things simple, this guide often uses the shorter term CCROA to refer to a climate change risk and opportunity assessment.

The guide is supported by practical resources in an accompanying toolkit available on the AdaptNSW website. Together, these resources help organisations align with the Climate Change (Net Zero Future) Act 2023, particularly its objectives related to climate risk management and adaptation.

These resources help organisations align with the Climate Change

Net Zero Future

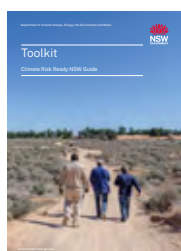
Act 2023



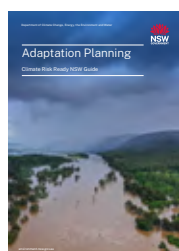
Using this guide with the supporting resources

The Climate Risk Ready NSW Guide is the overarching guidance document in a suite of information and tools for managing climate-related risks and opportunities. This guide leads you through a clear, 4-step process and points you to the resources you'll need for each step.

Supporting resources to be used alongside this guide are shown below. These resources are updated over time as new information becomes available. Check the sources regularly for new content.



The Climate Risk Ready NSW Toolkit including supplementary guidance and templates to help you implement and record each step.



Adaptation Planning Guide for detailed guidance on managing physical climate risks.



Climate Risk Ready NSW in Practice: Case Studies covering realworld examples of how NSW organisations are assessing and managing climate risks.



Selecting climate scenarios: key criteria and principles for detailed considerations on choosing climate scenarios for different purposes.



Climate Risk Maturity Health Check tool to help you gauge where your organisation is at on its climate risk management journey, and where it wants to be.



Climate Risk Assessment tool to help you assess and rank climate risks.



Physical risk card game to engage stakeholders in identifying physical climate risks and actions.



Transition risk card game to engage stakeholders in identifying transition risks, opportunities and actions.



Existing tools available from the NSW Treasury and AdaptNSW websites.



Climate projections from the NSW and Australian Regional Climate Modelling (NARCM) project.

Introduction



Climate change is already impacting your work

No matter your role or sector, climate change is affecting your organisation through the risks it poses and the opportunities it creates.

These risks and opportunities generate impacts ranging from immediate disruptions from floods and fires to longer-term changes to ecosystems, supply chains, technologies, regulations and community expectations. These shifts are changing how the NSW Government delivers services, manages assets and plans. They also raise expectations for transparency and accountability, and increase legal, financial and reputational risks.

Climate risk isn't just physical impacts. The global shift towards to a low-carbon economy is creating transition risks and opportunities (stemming from policy changes, market shifts and evolving stakeholder expectations) that can affect how government operates and invests. This transition also brings opportunities to modernise systems, improve efficiency and lead by example.

Australia's key financial regulators, including the Reserve Bank, Australian Prudential Regulation Authority and Australian Security Investments Commission, recognise climate change as a significant economic risk. Credit rating agencies factor climate risk (particularly physical risks) into their CCROAs.

Managing climate-related risks and opportunities is core business. It supports better decisions, stronger governance and more resilient public value. It also helps organisations meet NSW Treasury's climate-related financial disclosures requirements.

This guide will help you do that work, whether you're just getting started or building on existing efforts.

Who this guide is for

Managing climate-related risks and opportunities is critical for all NSW Government entities. This guide is designed to be used by individuals and teams tasked with identifying, assessing, responding to, or monitoring climate-related risks and opportunities on behalf of their organisation. This could include:

- staff involved in planning, governance, risk, sustainability, infrastructure or service delivery
- staff leading or supporting CCROAs
- teams preparing for climate-related financial disclosures
- business units such as audit, risk, legal, finance, supply chain, asset management, and environment.

Climate Risk Ready NSW: leading with confidence in a changing climate

Climate change is a driver for action. Viewing it as a catalyst for change gives us the confidence to act today for a more resilient tomorrow.

Leadership is a legacy act

Decisions made today will shape the resilience of NSW communities for decades. Managing climate-related risks and opportunities is about more than reducing harm, it's about building trust, fostering care and cohesion, and creating lasting public value through foresight.

Opportunity is embedded in risk

Organisations that act early don't just avoid costs, they unlock innovation, strengthen resilience and position themselves for funding, policy and investment opportunities.

Every NSW Government organisation has a role in responding to the impacts of climate change, both in protecting public value and building long-term community resilience.

Key:

To help you find what's most relevant to your work, we've used coloured callout boxes throughout to flag specific types of information. The four types are shown below. If you're working through a particular area – transition planning, compliance or stakeholder engagement – the icons will help you scan ahead and find what you need.



Minimum / best practice approach



Transition planning & policy requirements



Stakeholder engagement



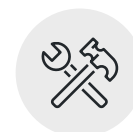
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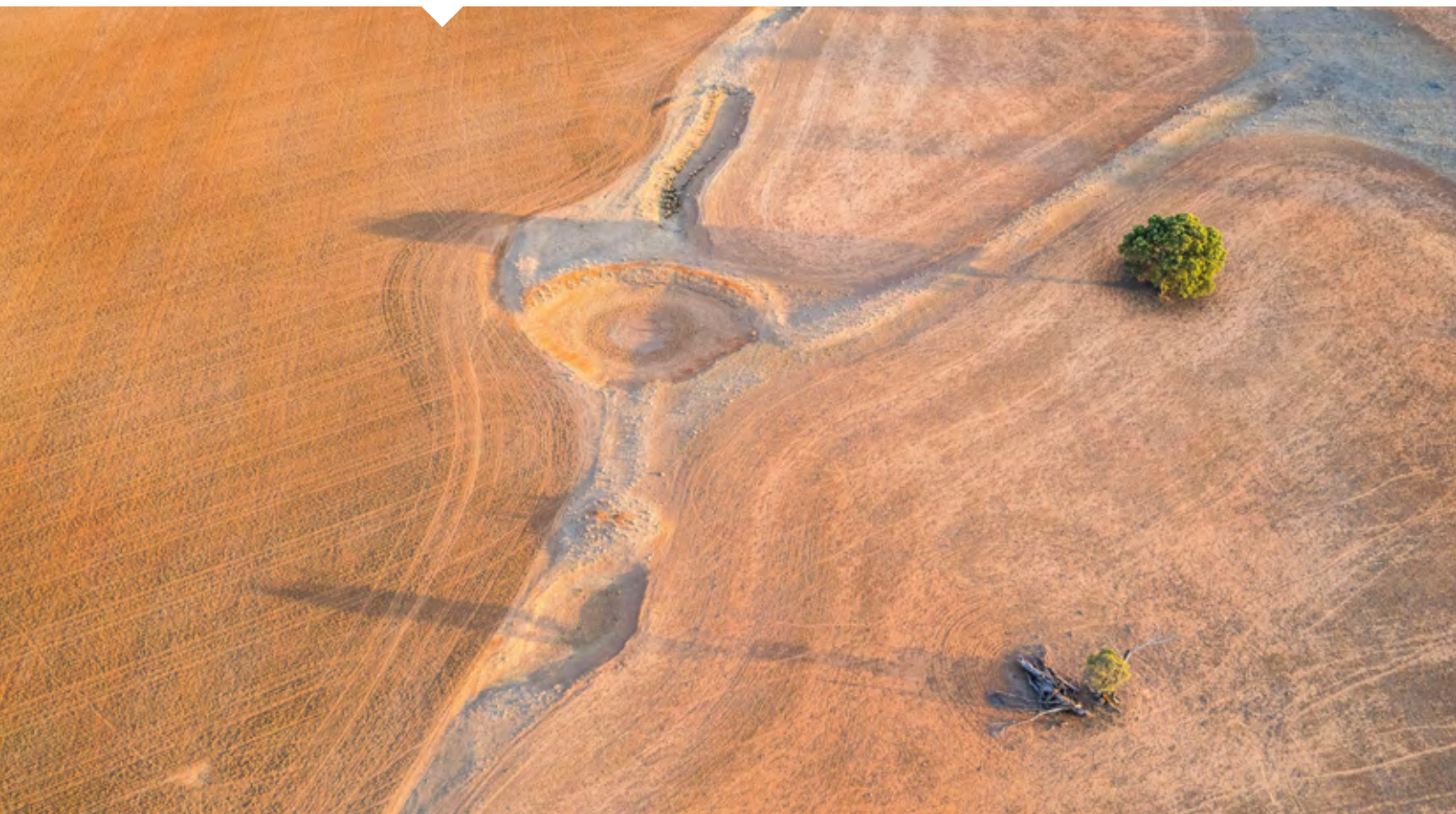
Closing



Recording & reporting



Toolkit



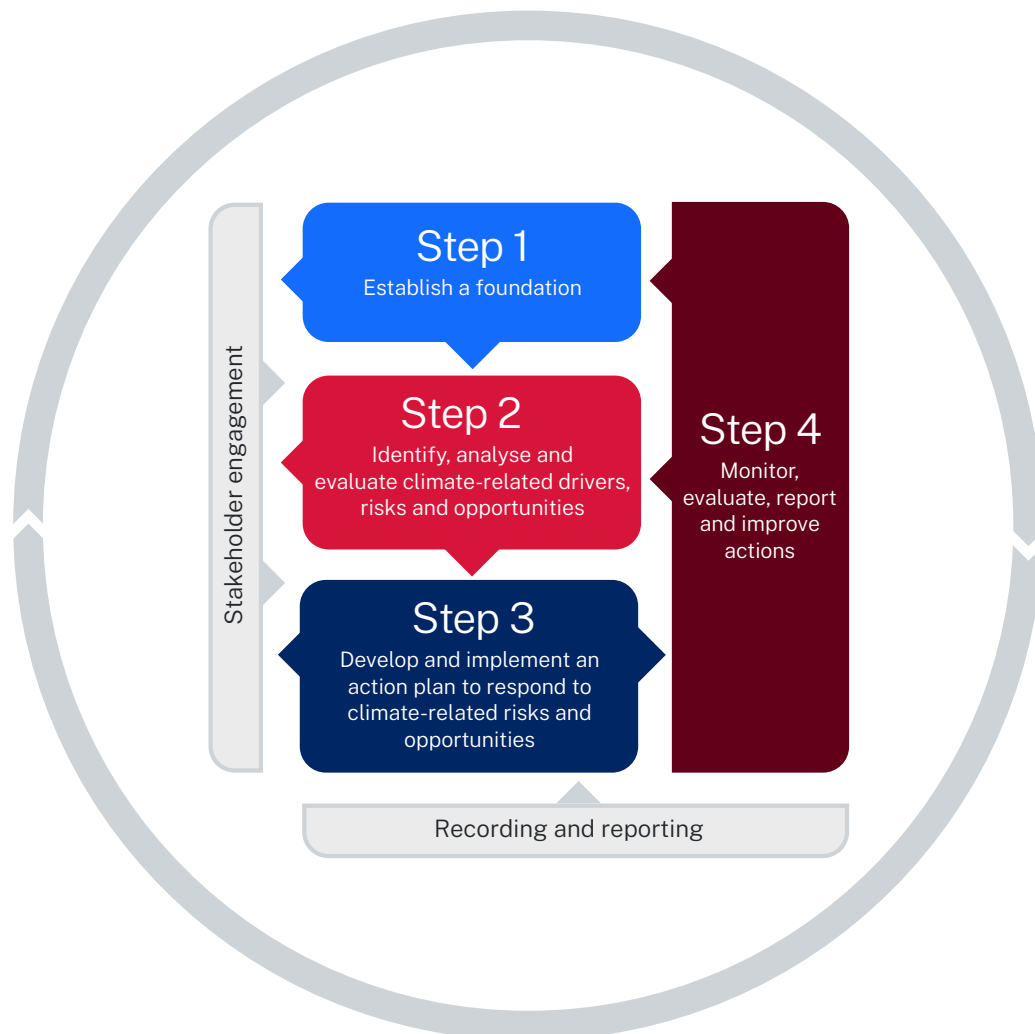
The Climate Risk Ready process

What this guide helps you do: 4 steps and 2 key practices

This guide follows a clear, 4-step process to help you assess and manage climate-related risks and opportunities (Figure 1). Each step builds on the last, guiding you from understanding your organisation's context to planning action and tracking progress.

During each step, you'll engage in 2 key practices – stakeholder engagement and recording and reporting. By integrating these practices throughout the 4-step process you'll strengthen outcomes and meet NSW Government reporting requirements.

Figure 1. The 4 steps of Climate Risk Ready provide a flexible process for all NSW Government entities to manage climate-related risks and opportunities



Step 1:

Establish a foundation

Define what matters to your organisation based on your organisation's goals, mandates, assets and services. Review what actions your organisation has already taken to manage climate-related risks and opportunities, and its ambition and risk tolerance. Identify key stakeholders and decision makers.

Step 2:

Identify, analyse and evaluate climate-related drivers, risks and opportunities

Understand the ways climate-related events can affect your organisation, positively and negatively. Use available data and scenarios to explore what could happen and help you focus on managing the most significant risks and opportunities.

Step 3:

Develop and implement an action plan to respond to climate-related risks and opportunities

Identify actions to reduce risks or enable opportunities associated with climate change and document them.

Step 4:

Monitor, evaluate, report and improve actions

Identify appropriate indicators and set baselines and targets to track your progress. Embed monitoring activities into your organisation's existing systems and adjust your approach as climate conditions and priorities evolve.



Key practices for every step



Stakeholder engagement

- Engage early and often.
- Involve leadership, diverse teams and experts to build insight and support.
- Encourage 2-way communication – share objectives, methods and decisions. Listen and adjust.



Recording and reporting

- Document your processes to help track progress, support decisions and meet reporting requirements.
- Create a central document hub to keep materials organised and easy to update.
- Capture the key decisions and rationale for every step and decision point as you go. Climate risk management evolves and good documentation makes it easier to build trust and transparency and adapt over time.

Using this guide at different experience levels

Organisations across NSW are at different stages of organisational climate risk maturity. Whether you're just starting out or building on previous work, this guide can help. You might be:

- completing a full CCROA for the first time
- expanding earlier work that focused only on physical risks to include transition risks and opportunities
- reviewing or updating an existing CCROA that already covers both physical and transition risks and opportunities.

The guide is flexible and scalable, so you can tailor your approach to your organisation's current level of maturity. Maturity simply means how well developed your systems, processes and capabilities are for identifying, assessing and managing climate-related risks and opportunities. Understanding your maturity level helps you take a practical approach that fits your organisation's size, complexity, risk exposure and available resources.



Transition planning & policy requirements

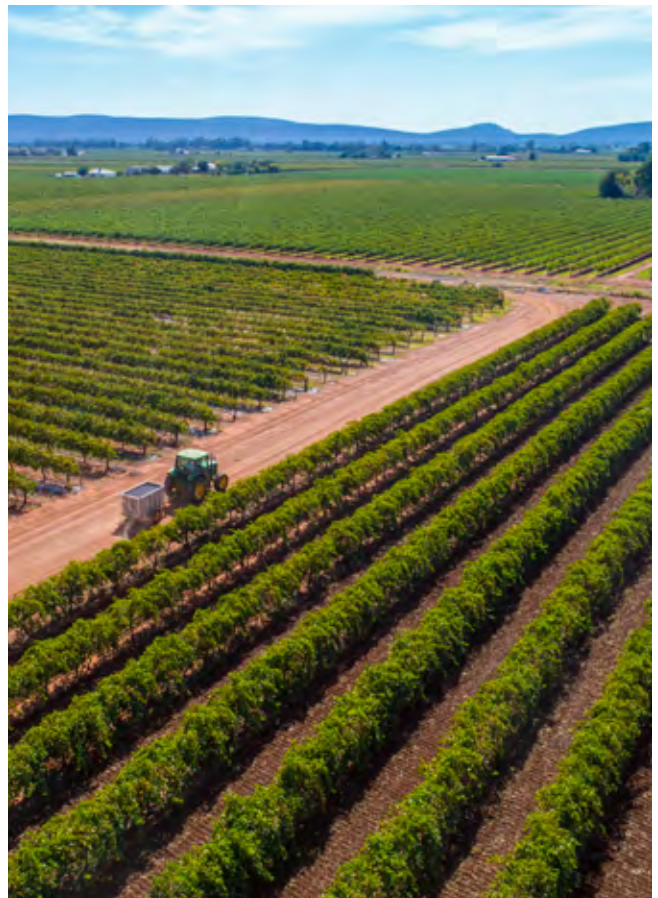
How this guide supports your organisation's transition to a changed, net-zero future

NSW agencies covered by the [Net Zero Government Operations Policy](#) (NZGO) are subject to a range of mandatory decarbonisation actions to help reach net-zero emissions by 2050. If your organisation is covered by the NZGO Policy, it must prepare a long-term climate-related transition plan. These transition plans address all aspects of climate-related planning, including both **adaptation** and **mitigation**.

A critical foundation for a transition plan is a CCROA – this is what Step 2 in Climate Risk Ready helps you do. When you know the key risks and opportunities facing your organisation, you can plan appropriate adaptation and mitigation responses.

Climate Risk Ready provides high-level guidance on how to choose appropriate responses, with detailed supplementary guidance on adaptation planning for physical climate risks and opportunities (see [Step 3](#)). This information will help you:

- identify individual actions that will have both adaptation and mitigation benefits (such as shifting to renewable energy sources to increase resilience, and reduce costs and emissions)
- plan, document and implement coordinated actions that respond to both physical and transition risks and opportunities, in a way that aligns with your organisation's broader transition plan.



Establish a foundation

1



Step 1 overview

The first step in managing climate-related risks and opportunities is to set a strong foundation.

This means making sure your organisation is ready by:

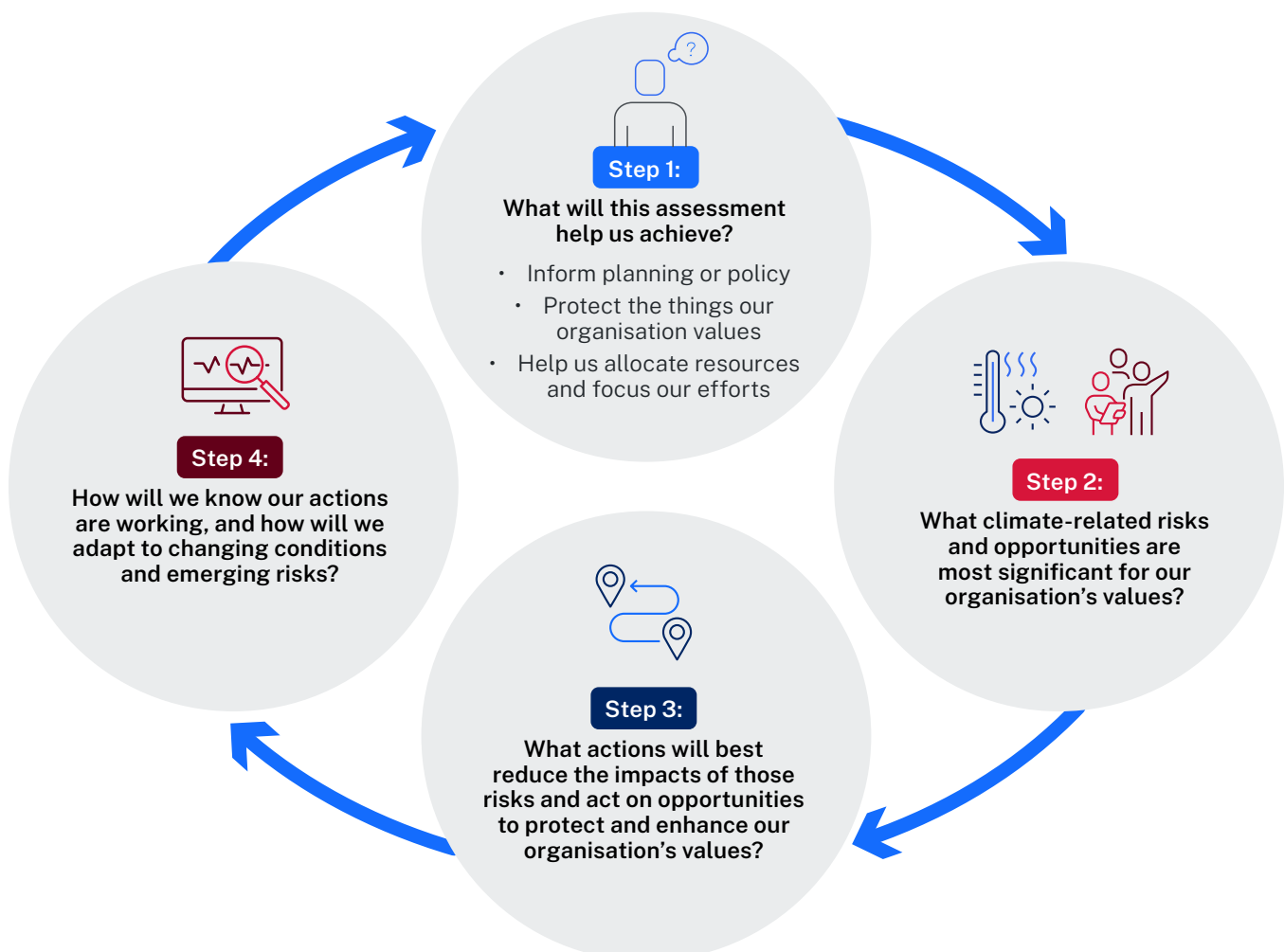
- having a clear purpose and scope
- knowing who needs to be informed and involved
- securing resources and approvals to support the entire process.

These activities make sure the process is authorised, resourced and aligned with organisational priorities.

This step helps you understand where you're starting, what's driving the need for a CCROA, and how to focus your efforts in a way that fits your organisation's size, complexity, risk exposure and available resources.

A well-planned Step 1 makes every other step easier and more effective. It sets up a process that is informed, endorsed and built to evolve so your organisation can continue to manage risks and opportunities as conditions change (Figure 2).

Figure 2. Understanding your context and things your organisation values the most will keep you on track as you work through the process





Transition planning & policy requirements

If your organisation reports under [TPG24-33 Reporting framework for climate-related financial disclosures](#) (NSW Treasury TPG24-33), this step will help you design a CCROA that supports disclosure requirements.



Toolkit

Note: You'll need Part 1 of the toolkit to complete this section. Visit [Appendix A: Key concepts glossary](#) if you're not familiar with the terms used in this step. Links to specific resources are included throughout this step and are summarised at the end of this chapter.

What you'll have at the end of Step 1

After completing these activities your organisation will have:

- ✓ a clear and documented rationale for managing climate-related risk and opportunities
- ✓ a CCROA team with defined roles
- ✓ an understanding of your organisation's climate risk maturity
- ✓ an agreed scope that identifies values at risk, covers both physical and transition risks and opportunities, and sets appropriate boundaries and timeframes
- ✓ a list of stakeholders to consult and keep informed throughout the process
- ✓ executive endorsement and approvals to proceed
- ✓ a fit-for-purpose risk register with documented considerations for climate-specific adjustments, such as likelihood and consequence ratings, time horizons, and risk appetite
- ✓ a documentation hub to record rationale, approvals, plans, findings and monitoring outcomes.

Activity 1.1 Establish the rationale for a CCROA

If you or your team has been tasked with completing a CCROA, or if you're building the case for one, the first step is to be clear on why it needs to be done. This activity will help you set an appropriate scope, involve the right people, and secure resources and endorsement.

Recommended tasks

1. Identify what you want to protect or achieve

The purpose of conducting a CCROA is to help your organisation protect and enhance the things it values most. Information and examples of values can be found in [CRR NSW toolkit \(see section 1a – identifying values at risk\)](#).

[Review the following sources to understand your organisation's values:](#)

- strategic plans and annual reports
- budgets
- plans and deliverables for projects and programs
- compliance requirements for policy and legislation
- registers of assets and infrastructure
- stakeholder research and insights.

Create a purpose statement, list or brief that articulates the values you've identified. These are the things that must be protected from climate-related risks or enhanced by acting on climate-related opportunities. Some examples of values you might identify are:

- physical assets and infrastructure
- critical services and functions
- community and environmental values connected to those services
- organisational reputation and strategic objectives.

Using these values as the basis of your rationale will help you communicate the importance of the CCROA to your organisation, and keep your planning and activities focused on the right things.

2. Identify factors that may support or impede the CCROA

There are many things that can support or impede a CCROA. These can trigger a CCROA to begin and give you momentum but can also pose challenges. Identifying them early will help you strengthen and communicate your rationale.

Factors can come from within your organisation, or from external sources:

- **Internal factors** – executive priorities, updates to risk registers, reporting requirements, strategic planning, or growing recognition of the benefits of factoring climate change into decision-making. Internal drivers can also stem from forward-planning processes such as capital and investment programs, or the timing of major infrastructure upgrades and new builds, which often create natural opportunities to embed or revisit CCROAs.
- **External factors** – regulatory changes, recent climate events, stakeholder expectation. A PESTLE (political, economic, socio-cultural, technological, legal, environmental) analysis can help you identify external factors – some prompts to help you do this are in [CRR NSW toolkit \(see section 1b – PESTLE prompt questions\)](#).



Transition planning & policy requirements

If your organisation reports under [NSW Treasury's TPG24-33](#), include this as a factor to consider for your CCROA and clarify how the outputs will support and align with disclosure compliance.



3. Understand and define your organisation's risk appetite

Develop a risk appetite statement that clearly addresses climate-related risks. This statement should outline your organisation's risk appetite, that is, the level of climate risk your leaders consider acceptable.

Use your organisation's risk escalation processes and set clear thresholds so you can act fast when a risk falls outside this tolerance and requires escalation. You may also choose to define risk tolerance within the risk appetite statement. This could explain where some residual climate risk is acceptable to realise greater benefits, and where tighter controls are required to minimise exposure.

In addition to your organisation's existing risk appetite and processes, consider the following prompting questions to help you discuss and define your risk appetite for climate change risks:

- How serious would the consequences be to our organisation when our services, assets, or communities are exposed to climate impacts?
- Are we prepared for the potential financial consequences of climate impacts on our assets or operations?
- What expectations do our users and communities have about how we manage climate risk?

4. Document the rationale

Record the factors that triggered the CCROA, and the values that the CCROA aims to protect and enhance. This creates a clear link between the CCROA and your organisation's strategic priorities and will support endorsement from leadership. A template for documenting how values at risk align with organisational risk management and strategic priorities is provided in [CRR NSW toolkit \(see section 1a – Identifying values at risk\)](#).

[Refer to your rationale regularly throughout the process to make sure your efforts stay focused.](#)

Activity 1.2 Establish a core team

When the purpose of your CCROA is clear, the next step is to identify who needs to be part of the team to carry out the work, and track and monitor progress. This team will be your organisation's CCROA team and will work through the rest of the Climate Risk Ready process together.

Recommended tasks

1. Establish a core team

Identify a few people to bring in early to help you complete the activities in Step 1 that are required for endorsement. If possible, include people with experience in sustainability, climate or risk. If you need to align with disclosure requirements, include a member from your finance team. Consider including staff from:

- audit, risk and legal
- supply chain management
- finance and accounting
- governance, strategy and policy
- environment and sustainability
- asset management
- executives
- specific climate-related risk roles such as climate change risk officers
- operations and infrastructure.

This group can help you complete the rest of the Step 1 activities, including:

- refining your existing rationale
- understanding your organisation's climate change risk maturity
- determining the scope of the CCROA
- mapping stakeholders and preparing briefing materials
- building early buy-in and momentum.

This early collaboration ensures diverse perspectives are considered from the outset and creates a shared understanding of your organisation's climate-risk context.

2. Identify roles needed for the full CCROA team

Based on the skills and capacity of your core team, identify the extra roles and responsibilities you'll need for the formal CCROA team. This includes roles to conduct the CCROA, facilitate stakeholder engagement and communication, and track and monitor progress.

Identify the required team roles and responsibilities, including whether you'll need to contract external personnel to fill gaps in capacity or capability. Nominate a project lead to manage the process and keep things moving.

The core role of the CCROA team is to conduct the CCROA, including chairing meetings, and collaborating with stakeholders and relevant teams. The team will also prepare action plans in response to the CCROA, and oversee the implementation on those plans. The exact roles and tasks will depend on your organisation's goals and scope. While the CCROA team leads the process, the implementation of actions is typically carried out by a broader set of action owners across the organisation, reflecting the diverse functions and responsibilities involved. Typical roles and responsibilities required to complete the Climate Risk Ready process are described in [Appendix D: Roles and responsibilities](#).

Activity 1.3 Understand your organisation's climate risk management maturity

Now that you understand the general context and rationale for climate risk management for your organisation, you can assess how prepared your organisation is to manage climate-related risks and opportunities. This is referred to as your organisation's climate risk management maturity. This activity will guide you through reviewing your organisation's existing risk management approach and determining your current and target climate risk management maturity.

Recommended tasks

1. Review your organisation's risk register, governance structures and roles

Start by understanding how your organisation currently manages and governs risk. This is the foundation for effective climate-related risk and opportunity management.

Review your organisation's risk register. Are the criteria suitable for climate-related risks? Are any climate-related risks already included? Document any adjustments or extra considerations that may be needing climate-specific adjustments, such as likelihood and consequence ratings, time horizons, and risk appetite. Work with your organisation's risk team to update the risk register accordingly.

Identify the committees, boards and working groups that oversee risk, strategy, sustainability and performance (for example, Audit & Risk Committee, Executive Board, climate change working groups). As part of this, consider how these bodies ensure they have the skills and competencies needed for climate-risk oversight, how and when they are informed about climate-related risks and opportunities, and how climate considerations are incorporated into strategic decision-making, including the assessment of trade-offs among proposed actions.

Clarify decision-making authorities and record who is accountable for risk oversight, who provides assurance, and whether a climate change risk officer or similar role exists.

This will help you understand how risk information is escalated, reported and acted on in your organisation. Document this information in the template provided in [CRR NSW toolkit \(see section 1c – Documentation template\)](#).

2. Determine your current maturity level

Download the [NSW Climate Risk Maturity Health Check Tool](#). Use the tool alongside the insights you have already captured to identify your organisation's strengths and gaps across:

- leadership and stakeholder engagement
- policies and governance
- strategy
- data, capability and awareness
- integration.

Record what your organisation is doing well and where it needs more skills, systems or support to manage climate-related risks and opportunities. Discuss the findings with the core team and senior leaders. This helps build a shared understanding of where your organisation is currently at, and the areas that need attention.

Ensure this documentation is accessible to your CCROA team and decision makers. Clear records support transparency, continuity, and future reviews or updates.



3. Set a target maturity level

Based on your current maturity level, identify a target level to achieve. This will guide you through the later stages of the CCROA, to help you choose actions that support your target. It will also help you align actions in related plans and other key documents such as transition plans, disclosures and long-term strategies.

Your target should reflect current barriers and enablers and may vary across different parts of your organisation (see Table 1 below).

NSW Government organisations should reach at least a **systematic** level of maturity as quickly as possible, if they aren't already there. From there, they should work towards an **embedded** approach, where climate risk is integrated into governance, planning and decision-making. This is the recommended minimum standard.

Table 1. The 5 levels of climate risk management maturity

Maturity level	Description
Fundamental	CCROAs have been undertaken in isolated parts of the organisation, but climate-related risks and opportunities are not considered in the organisation's risk frameworks.
Repeatable	CCROAs are undertaken in isolated parts of the organisation, and climate-related risks and opportunities are considered in the organisation's risk management frameworks and processes.
Systematic	CCROAs are undertaken and coordinated by a project lead in a central corporate function. Clear and disciplined climate-related risk and opportunity management processes are established and proactively managed. Actions to respond to risks and opportunities are tracked each year.
Embedded	Material climate-related risks and opportunities for the organisation have been identified through a CCROA. An organisation-wide strategy for managing climate-related risks and opportunities has been established. Monitoring, learning and reporting on climate-related risks and opportunities is consistent.
Advanced	CCROAs and actions to respond to risks and opportunities consider broader economic, financial, social and environmental resilience. Shared and interdependent risks and opportunities are actively managed. Monitoring, learning and reporting on climate-related risks and opportunities drives continuous improvement.



Activity 1.4 Determine the scope of your CCROA

With your current and target maturity level in mind, the next step is to scope the extent of your CCROA. Your scope should be practical and achievable, based on your available data, resources, capacity and timeframes. It should align with your rationale, values and influencing factors that you identified in Activity 1.1. A well-defined scope ensures your CCROA remains focused and delivers actionable insights.

Framing multi-level climate change risk and opportunity assessments

Climate-related risk and opportunity assessments (CCROAs) can be conducted at different levels within an organisation – enterprise, program, or project. This guide supports all levels of CCROA and encourages a tiered approach:

- **Enterprise-level CCROAs** provide strategic oversight and identify priority areas for deeper analysis
- **Program-level CCROAs** focus on risks and opportunities that affect service delivery, operations or functions
- **Project-level CCROAs** examine risks and opportunities that affect specific assets, initiatives or activities

These CCROAs should be coordinated. Enterprise-level CCROAs can cascade down to inform program and project-level work. Findings from program and project levels should consolidate upward to inform strategic decisions and disclosures.

When defining your scope, consider how your CCROA fits within this broader structure and whether shared risks or interdependencies exist across levels.

Recommended tasks

1. Define CCROA boundaries

Decide what the CCROA will and won't cover. Include physical boundaries (for example, sites, assets), operational boundaries (for example, services, programs), and timeframes (for both the CCROA and implementation of actions).

NSW Treasury's TPG24-33 requires organisations to assess climate-related risks and opportunities over 3 time horizons: short term, medium term and long term. How you define these will depend on:

- your organisation's planning and decision-making cycles
- strategic and planning horizons for things like assets and infrastructure
- the type of risk or opportunity being considered, such as physical risks and transition risks
- when the impacts of climate-related risks and opportunities are expected to occur
- when your organisation would need to make decisions or take action.

Clearly define and document your 3 time horizons. You'll use these later when assessing risks and opportunities and planning your responses.

Detailed guidance on choosing time horizons is in [CRR NSW toolkit \(see section 1d – Time horizons for climate risk and opportunity management\)](#).

2. Document early insights into where vulnerability may exist

Before diving in, it helps to understand what we mean by vulnerability in a climate risk context. Vulnerability refers to how susceptible a value is to harm from climate impacts. It is shaped by how sensitive a value is to climate impacts, and how well it recovers.

A full vulnerability assessment happens later in Stage 2. At this stage, you are simply gathering early, high-level insights.

Review the values you identified in Activity 1.1 – the things your organisation values that may be affected by climate-related risks or opportunities.

Using available data, tools and your core team's current knowledge, document early insights into where climate impacts could be most significant. Impacts may be significant because the value may be potentially vulnerable, or the value is critical or strategically important to your organisation, or both.

Examples of potential impacts on values are given in [CRR NSW toolkit \(see section 1a – Identifying values at risk\)](#).

3. Scale your approach to your organisation's needs

Tailor the depth and detail of the CCROA to your organisation's size, complexity, resources and risk exposure.

Use a scalable approach, for example, use:

- high-level screening for low-risk areas
- detailed analysis for critical or high-risk areas.

The approach can also scale over time as organisational climate maturity increases. For example, an organisation undertaking its first CCROA may start with a high-level, organisation-wide scan to identify priority risks and opportunities. Subsequent assessments can then focus on more detailed analysis of priority services, assets or functions as capability, data and confidence improve.

4. Align with rationale and influencing factors

Ensure the scope supports the original rationale for the CCROA and meets any regulatory or strategic needs.



Transition planning & policy requirements

If your organisation reports under [NSW Treasury's TPG24-33](#), confirm that your scope covers material climate-related risks and opportunities under the Strategy and Risk management sections of the framework. Climate-related information is material and needs to be reported if it could reasonably affect the entity's financial outlook or ability to achieve objectives, including service delivery.

5. Include physical and transition risks and opportunities

Ensure your scope covers both physical risks (climate hazards that could affect assets and operations) and transition risks and opportunities (policy, market, legal or reputational changes related to the shift to a low-carbon economy). Physical and transition risks and opportunities may affect different parts of your organisation, affect different values, and occur over different timeframes. When defining scope, consider how each type of risk or opportunity may impact assets, services, finances, reputation or communities, and the time horizons for when those impacts are likely to occur.

See [Appendix A: Key concepts glossary](#) for more details on these concepts.

6. Document the scope

Record what's in and out of scope, and why. This will help keep the team on track, manage stakeholder expectations, support transparency, and secure executive endorsement.



Activity 1.5 Identify and engage stakeholders

The stakeholders of your CCROA are the people who will use, review or be affected by the CCROA or the actions that follow. Engage them early and keep them informed throughout to build buy-in and make sure the CCROA is relevant and useful. You'll involve them in workshops throughout the process to capture a range of important perspectives.

A template for recording stakeholder roles and engagement methods is provided in [CRR NSW toolkit](#) (see section 1e – Template: Detailed stakeholder roles and engagement methods). You can use this to record your high-level findings from this activity, and to inform more detailed stakeholder engagement plans.

Recommended tasks

1. Identify stakeholders

Map internal stakeholders who should be involved or consulted (for example, colleagues from risk, finance, planning, operations, sustainability). Identify external stakeholders, if relevant (for example, regulators, partners, community representatives).

2. Document stakeholder roles and create an engagement plan

Consider the scale of engagement needed for your CCROA. For example, large or complex organisations may form a working group or steering committee to coordinate stakeholder engagement. Smaller organisations may only need a single lead with input from others.

Plan how to engage executive sponsors and champions to support visibility and resourcing.

Document your engagement plan to support transparency and continuity.



Stakeholder engagement

Stakeholder engagement begins here and continues through every step of the process.

Activity 1.6 Secure executive sponsorship and endorsement

Strong leadership and executive sponsorship are essential for embedding climate risk and opportunity management across your organisation. Securing executive endorsement ensures that climate risk management is visible, supported, and resourced from the outset, and that senior leaders remain engaged as the process evolves.

Endorsement is more than just approval to proceed. It creates an authorising environment where climate risk management is seen as core business, and accountability for oversight sits with your organisation's leaders. Information and tips for creating an authorising environment can be found in [CRR NSW toolkit \(see section 1f – Authorising environment explainer\)](#).

Recommended tasks

1. Brief your executive leadership

Provide a short briefing that explains:

- why the CCROA is being undertaken, focusing on your rationale and influencing factors, including legislation and policies, such as the Climate Change (Net Zero Future) Act 2023, NSW Treasury's TPG24-33 and TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector (NSW Treasury TPP20-08)
- what the process involves – outline the 4-step Climate Risk Ready approach
- opportunities to integrate the process with your organisation's current risk management and governance systems
- expected benefits of the CCROA, such as improved risk oversight, compliance with disclosure requirements, and stronger organisational resilience to climate risks.

Use language that connects with your leaders' and organisation's priorities, such as financial sustainability, service continuity, regulatory compliance and reputation. Use technical terms only where they are required, and provide clear context and explanations to support understanding and build internal capability.

2. Secure resources and approvals

Agree on the level of resources, timeframes and responsibilities required to complete the CCROA.

Capture formal endorsement in writing (for example, approved executive brief, project initiation document, or governance committee minutes). This endorsement signals that climate risk is a leadership priority and authorises staff to allocate time and effort to the work.





Activity 1.7 Formalise your team and ways of working

Recommended tasks

1. Confirm and formalise the team for delivery

With the scope, scale and expectations now agreed and endorsed, confirm that the existing team is formally established to deliver the endorsed approach, with the right mix of skills, authority and capacity.

Where needed, expand membership in a targeted way to address specific gaps, such as:

- finance or reporting expertise to support disclosures
- asset, infrastructure or service delivery expertise for priority risk areas
- data, modelling or systems support
- governance or risk management capability.

This is a sense check, not a reset. Avoid re-forming the team unless the endorsed approach has materially changed.

2. Agree on ways of working

Decide how the team will work together in practice. This may include:

- meeting frequency (for example regular check-ins, workshops and decision points)
- how progress, risks and issues will be tracked
- how decisions will be made, recorded and escalated
- how updates will be communicated to executives and stakeholders.

3. Confirm accountability and reporting arrangements

Confirm how accountability will operate day to day, including:

- the role of the project lead in coordinating activities and keeping work on track
- how responsibilities documented earlier will be applied in practice
- how progress and key decisions will be reported to executive sponsors or governance bodies.

Clear accountability supports effective governance and is particularly important for organisations reporting under NSW Treasury's TPG24-33.

4. Set up documentation and record-keeping systems

Set up a shared file and record-keeping system to support the Climate Risk Ready process. Structure the system to support:

- storing relevant existing documents and data sources
- collaborating on materials related to the CCROA, planning and briefing
- recording assumptions, decisions and rationale
- keeping clear records of approvals, inputs and data collected.

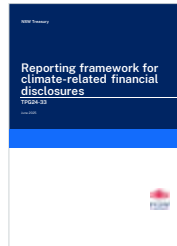
Good documentation supports transparency, continuity if team members change, and future review or disclosure requirements.

Summary of supporting resources for Step 1

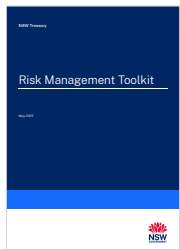
Published tools and policies



NSW Climate Risk Maturity Health Check Tool



TPG24-33 Reporting framework for climate-related financial disclosures
(NSW Treasury's TPG24-33)



NSW Treasury Risk Management Toolkit



TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector (NSW Treasury TPP20-08)



Toolkit Part 1

CRR NSW toolkit:

- Section 1a – Identifying values at risk
- Section 1b – PESTLE prompt questions
- Section 1c – Documentation template
- Section 1d – Time horizons for climate risk and opportunity management
- Section 1e – Template: Detailed stakeholder roles and engagement methods
- Section 1f – Authorising environment explainer



Closing

With these foundations in place, your organisation is ready to begin its CCROA.

Remember, assessment is the starting point and management is the goal.

In the next step, you'll identify climate-related risks and opportunities so you can embed strategic responses into organisational planning, decision-making and delivery.

Identify, analyse and evaluate climate-related drivers, risks and opportunities

2



Step 2 overview

In this step, you'll work with your CCROA team (established in Step 1) to build and document a clear understanding of how climate change affects your organisation (Figure 3). You'll identify and assess physical and transition risks and opportunities using your organisation's risk framework and use a materiality lens.



Materiality refers to climate-related risks or opportunities that could significantly impact your organisation's objectives (the things it values most). Materiality is considered in CCROAs to help focus management efforts and prioritise actions.



Transition planning & policy requirements

For organisations covered by the NZGO Policy, the outputs of Step 2 will directly support your organisation's high-level transition plan by identifying the key risks and opportunities that your organisation needs to respond to.

If your organisation reports under [NSW Treasury's TPG24-33](#), the outputs of this step will inform disclosures under the Strategy and Risk management sections of the framework.



Stakeholder engagement

Step 2 relies on meaningful stakeholder involvement to ensure climate-related risks and opportunities reflect your organisation's context, values, priorities and learnings from previous experiences. Throughout this step you'll engage the right people to:

- validate the risks and opportunities you identify
- uncover blind spots
- agree on and prioritise what matters most – the values that you're aiming to protect and enhance.

This diversity of input creates a credible foundation for action.

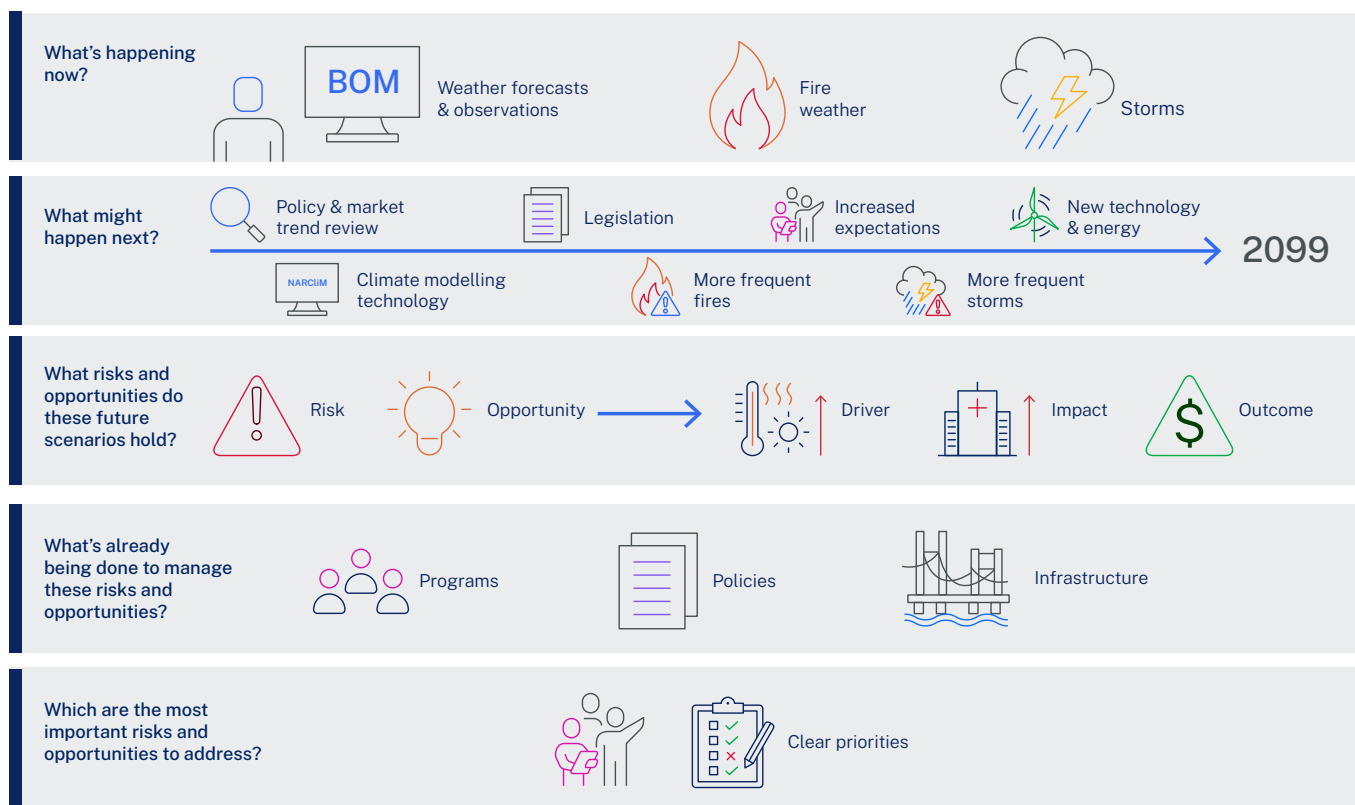
The insights you'll gain from this step form the foundation for creating action plans in Step 3, and for integrating climate-related risks and opportunities into organisational monitoring and review systems in Step 4.

What you'll have at the end of Step 2

After completing these activities your organisation will have:

- ✓ a thorough understanding of past and current climate-related events and trends that affect your organisation
- ✓ an understanding of climate projections and transition scenarios, and carefully selected future scenarios that suit your organisation's purpose
- ✓ clear risk and opportunity statements to help you document and communicate the possible impacts your organisation might experience under certain future scenarios
- ✓ an inventory of existing controls being used to manage climate-related risks and opportunities
- ✓ an assessment of likelihood and consequence for each identified risk and opportunity
- ✓ clear priorities around the most important risks and opportunities for your organisation to manage.

Figure 3. Step 2 guides you through the identification, analysis and assessment of climate-related risks and opportunities





Activity 2.1 Understand past and current climate-related events and trends

Before assessing future risks, start by examining how climate-related events and trends (both physical and transition) have already affected your organisation. This activity establishes a baseline that you can build on when identifying future risks and opportunities using structured methods.



Stakeholder engagement

This activity involves stakeholder engagement tasks. Diverse stakeholder perspectives will help build a comprehensive understanding of past and current climate-related events and trends, and how they have affected your organisation's key values.

Recommended tasks

Templates to help you complete these tasks are available in [CRR NSW toolkit \(see section 2a – Templates for documenting past and current climate-related impacts\)](#).

1. Document past and current climate hazards and trends

Record physical hazards that have affected your organisation, sector or community in the past, such as heatwaves, bushfires, floods, storms, droughts or coastal erosion.

Where relevant, also note any financial impacts associated with past physical events, particularly those that occurred within the most recent reporting period. This may include costs related to asset damage, service disruption, emergency response, insurance claims, revenue impacts or unplanned expenditure. Capturing this information can support future decision-making and climate-related financial disclosures.

Use sources like:

- internal records (for example, risk registers, incident logs, insurance or asset reports)
- [AdaptNSW regional climate change snapshots](#), [Bureau of Meteorology data](#), [CSIRO's State of the Climate](#)
- local council studies or adaptation reports, especially where services or infrastructure are shared
- staff with long-term or regional experience, to capture local impacts not fully captured in datasets.

Along with individual events, look for trends or patterns specific to your region (or the locations of your assets and services). Consider the natural variations in climate and how often particular hazards occur – these will vary across regions and help you understand how these patterns are likely to change in future.



2. Document past and current transition events and trends

Transition events occur during the shift towards a low-carbon economy. These events may be caused by changes in government policy, laws, technology, markets or public expectations (these causal factors are referred to as *transition drivers*, and are explained in detail in Activity 2.2).

Record transition events that have affected your organisation, sector or community in the past, such as how a change in climate policy led your organisation to shift to renewable energy sources or reduce emissions, or how increased stakeholder interest in sustainability affected how your organisation operates.

Depending where your organisation is at on the journey towards a low-carbon economy, you may be able to identify trends across these events.

The example transition drivers in tab 6 of the [Climate Risk Assessment Tool](#) will help you identify transition events that have already affected your organisation. You'll use this tool in more detail later.

3. Run a workshop with stakeholders to validate your understanding

Run a workshop with the relevant stakeholders you identified in Activity 1.5. Share the lists of climate-related events and trends (physical and transition) and build on them with stakeholders to identify any gaps and get a deeper understanding of how they affect your organisation.

Ask participants to describe the impacts that the events have had on your organisation. Facilitate the discussion to get people thinking about how these events affected your organisation's services, assets, finances and reputation, as well as community wellbeing, cultural heritage or environmental values. For example, coastal erosion may have damaged infrastructure, leading to increased maintenance and repair costs, and restricted community access to beaches. Consider how the vulnerability and exposure of each value contributed to the scale of impact (were assets in some areas more impacted than others? Was older infrastructure more damaged than newer infrastructure?).

Understanding how your organisation's values are currently affected by climate hazards will help anticipate how these impacts may evolve in the future as hazards, vulnerability and exposure change.

You can run this workshop as a separate event or use it to set the opening context for a future-thinking workshop to identify and define risks and opportunities (see Activity 2.3).

Activity 2.2 Identify the drivers of climate-related risks and opportunities

Now that you've got a deep understanding of past and current climate-related events and trends, you can identify what aspects of a changing climate may affect your organisation in future.

In this activity, you'll use future climate scenarios to identify physical and transition drivers. These drivers are the things that cause change – the things that result in climate-related risks and opportunities. Identifying drivers helps you anticipate what risks and opportunities may eventuate, so you can plan ahead.

There are 2 types of drivers to identify (see Figure 4 below):

- **Physical climate drivers**, such as warming temperatures and increased fire weather. These drivers cause physical climate risks and opportunities. Physical climate drivers are identified by analysing climate projections.

- **Transition drivers**, such as changes in climate policy, markets, technology, and stakeholder expectations. These drivers cause transition risks and opportunities. Transition drivers are identified by analysing transition scenarios (also known as decarbonisation scenarios).

Choosing multiple scenarios (for both climate projections and transition scenarios) will help you explore a range of plausible futures, so your organisation will be better prepared for whatever the future brings.

This process helps you develop a climate change narrative to support your CCROA and choice of responses. It also builds an understanding of how risks and opportunities may change over time.

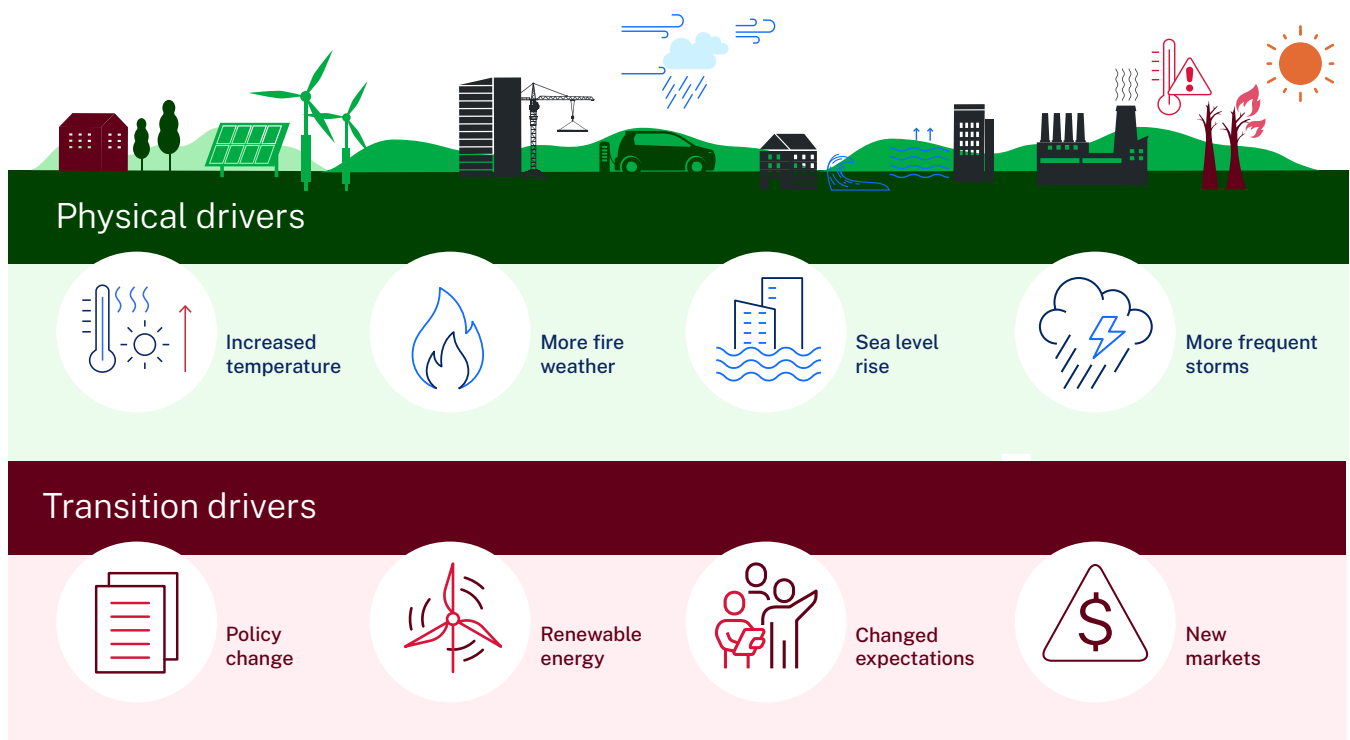


Figure 4. A visualisation of physical and transition drivers



Recommended tasks

1. Identify physical climate drivers using NARcliM2.0 climate projections

[NARcliM2.0](#) is the trusted source of climate projections for NSW. These describe how climate variables such as temperature and rainfall might change based on:

- different levels of greenhouse gas levels (emissions scenarios) based on socioeconomic factors like population growth, trade and economic policy, and technological advances
- how global temperatures respond to those emissions
- how the climate is likely to change across NSW, depending on which pathway we take.

NARcliM2.0 uses the IPCC's shared socioeconomic pathways (SSPs) as its emissions scenarios, and offers projected scenarios for 3 SSPs: low (SSP1-2.6), medium (SSP2-4.5) and high (SSP3-7.0). We recommend using the **high emissions scenario (SSP37.0)**, which represents higher temperatures and greater variability in the climate, which may result in more frequent and severe physical climate risks. Using this scenario supports a conservative, risk-averse approach and ensures organisations are prepared for worst-case but plausible conditions. If you have scope for further analysis, you can include extra emissions pathways to understand a wider range of plausible future conditions. Detailed guidance on choosing SSPs for different applications can be found in [Selecting climate scenarios: Key criteria and principles](#) and on [AdaptNSW](#).

NARcliM2.0 projections are available in different formats via the AdaptNSW website, from plain language factsheets to raw data to use in bespoke analysis. What you choose will depend on your organisation's maturity, risk appetite, and the scope of your CCROA.

Analyse your selected projections to identify the key physical climate drivers. The past and current climate hazards and trends you identified in Activity 2.1 will help you identify the drivers that are most relevant to your organisation. Look for drivers that have led to an impact in the past, and any new drivers that your organisation hasn't been exposed to before.

Physical climate drivers will vary across regions and could be:

- sea-level rise and east coast lows in coastal areas
- increased frequency and duration of heatwaves
- increased fire weather
- warmer temperatures
- changed rainfall patterns.

Create a list of all the drivers that could affect your organisation. Some examples of physical drivers and their associated physical risks and opportunities are in [CRR NSW toolkit \(see section 2b – Examples of climate-related risks and opportunities\)](#).



2. Identify transition drivers using transition (decarbonisation) scenarios

Decarbonisation scenarios explore shifts in policy, technology, markets and social behaviour, and help organisations to understand the potential impacts that climate action may have on their operations and obligations.

To identify transition drivers, use a decarbonisation scenario that is based on a low-emissions pathway. These scenarios represent rapid emissions reduction to limit global warming to 1.5°C by 2050, which holds a greater potential for transition risks and opportunities to occur. We recommend using a national or international scenario, such as:

- [Australian Government Sectoral Pathways to Net Zero](#) – use the emissions reduction plan relevant to your sector
- [International Energy Agency \(IEA\) Net Zero Emissions by 2050](#).

Analyse the scenarios you have selected and identify the key transition drivers that affect or may affect your organisation. Any past and current transition events and trends you identified in Activity 2.1 will help you identify relevant drivers – also look for emerging drivers that your organisation hasn't been exposed to before.

Transition drivers will vary according to your organisation's context and values and could include changes in:

- centralised or sector specific policy and regulation
- market forces and consumer behaviour
- technology and innovation
- reputation and stakeholder expectations.

Create a list of transition drivers that could affect your organisation. Some examples of transition drivers and their associated risks and opportunities are in [CRR NSW toolkit](#) (see section 2b – Examples of climate-related risks and opportunities), and tabs 6 and 7 in the [Climate Risk Assessment Tool](#).



Transition planning & policy requirements

If your organisation has a high-level transition plan (complete or in progress), you can use the same transition scenario for this activity. Alternatively, you can build on this activity to map out your organisation's higher-level transition pathway.



3. Review and prioritise the key drivers for your organisation

Review your lists of drivers and check for any gaps. Use STEEP categories (social, technological, environmental, economic, policy) to ensure you've captured drivers across the spread of your services, assets and other values.

Assess the drivers to determine which are most relevant for your organisation. Focus on those that are both **highly uncertain** and **highly impactful** for your organisation. When considering uncertainty, think about the assumptions or things that need to happen to enable a driver, for example, the availability of alternative fuel sources depends on research and development, funding, demand, and the ability to scale up production – these are all sources of uncertainty that affect when alternative fuels will become available. We are much more certain about other drivers, such as sea-level rise – we know this is already happening and can understand the potential impacts by looking at inundation and erosion caused during king tides.

To help you identify, categorise and rank transition drivers, review tab 6 in the [Climate Risk Assessment Tool](#). This gives examples of transition drivers with ratings for how likely they are to affect different sectors.

You might choose to document your drivers in a ranked or categorised list, or map them on a timeline to serve as a specific scenario for your organisation. This can feed into your high-level transition plan, if you have one.

Record the assumptions, data sources, and known limitations used in your scenario analysis. This supports transparency and enables future updates or reviews of the analysis.





Activity 2.3 Define the risks and opportunities – and their impacts

Risks and opportunities are usually directly caused by the external drivers you've identified. However, physical opportunities differ in that they often do not exist as a direct result of physical drivers – instead, the opportunities are usually revealed as strategic benefits that arise from managing risks (Figure 5).



Climate-related risk: the potential negative impacts on systems, services or assets, infrastructure, ecosystems and people that result from physical and transition drivers.

Climate-related opportunity: The potential benefits that arise from the shift to a low-carbon economy (caused by transition drivers), and from adapting to physical risks.

Thinking about climate risks and opportunities in terms of external drivers is consistent with ISO 31000. ISO 31000 does not define climate specific categories, but it defines risk as the effect of uncertainty on objectives, arising from internal or external sources. Climate drivers create uncertainties that can lead to both risks and opportunities, and ISO 31000 recognises that actions taken to manage risks and opportunities can themselves generate new risks and opportunities.



Stakeholder engagement

This activity involves stakeholder engagement tasks. Climate-related risks often affect multiple teams, systems or services, involving stakeholders in this activity will help identify risks that are shared across functions or that may interact with other risks. These interactions can include compounding or cascading impacts, which should be documented clearly to support coordinated planning and effective risk management.



Figure 5. Examples of physical climate drivers and transition drivers, and the risks and opportunities they create

	Physical driver Warming temperatures 	Transition driver Renewable technology 
Risks	More frequent & severe droughts 	High cost of investment 
Opportunities	Development of drought-resilient agricultural practices 	Long term cost-saving 

Recommended tasks

1. Create an initial list of risks and opportunities

Create a list of climate-related risks and opportunities for each physical and transition driver. This can include risks and opportunities that may arise from potential responses (if it's helpful for your context, you can distinguish the 2 types as *driver-led* and *response-led*).

This initial list of risks and opportunities will help guide stakeholder input. Review [CRR NSW toolkit \(see section 2b – Examples of climate-related risks and opportunities\)](#) for examples of risks and opportunities that may be caused by different drivers. You can find relevant information on risks and opportunities through:

- conducting desktop reviews of potential climate change impacts to your sector, including information about the impacts of climate change on the [AdaptNSW website](#)
- reviewing audit findings
- leveraging information relating to natural hazards from existing risk registers
- reviewing your organisation's high-level transition plan or mitigation plans (if it has any).

When thinking about risks and opportunities, consider exposure and vulnerability, as well as the driver. This approach is based on the definition used by the Intergovernmental Panel on Climate Change (IPCC):

- Hazard:** physical drivers/hazards (for example, heat, flood, fire), transition drivers (for example, policy changes, technology shifts, market volatility), or responses (adaptation and mitigation actions) that create further risks and opportunities.
- Exposure:** assets, services, supply chains or communities that exist in the physical locations or socioeconomic systems affected by the hazard/driver.
- Vulnerability:** how sensitive the exposed elements are, and their capacity to adapt or respond.

See the [Appendix A: Key concepts glossary](#) for further explanation of these terms.



2. Review and validate risks and opportunities with your stakeholders

Run a workshop or seek feedback from your stakeholder group to refine your list of risks and opportunities. Stakeholders can help identify risks and opportunities that haven't been considered and provide valuable insight into the nature of the ones that have been identified.

Guide stakeholders through the key drivers so they can consider both physical and transition risks and opportunities. Consider both acute and chronic physical risks to help assess the impacts of risks:

- **Acute risks** are short term, extreme events such as floods, storms or bushfires.
- **Chronic risks** are long-term, gradual changes like rising temperatures, sea-level rise and shifting rainfall patterns.

The [Physical risk card game](#) and the [Transition risk card game](#) are useful resources to help your stakeholders or team connect risks and opportunities directly to drivers. Photograph or document the connections that are made during the games – these be useful to inform your risk and opportunity statements in the next task.

3. Draft risk and opportunity statements

Create statements for each of the risks and opportunities in your stakeholder-reviewed list. Clear and consistent statements make it easier to analyse, prioritise, and communicate risks and opportunities across your organisation. Refer to the outcomes of the card game activities to help guide your statements.

For direct, driver-led risks and opportunities, follow this structure:

Driver (physical or transition) leads to **impact** (how it affects the asset/service/value at risk) resulting in **outcome** (what it means for your organisation)

For example:

'Increasing bushfire danger days (**driver**) leads to higher maintenance and protection costs for remote assets (**impact**), resulting in increased operational expenditure and insurance pressures (**outcome**).'

For indirect, response-led risks and opportunities, use this structure to make it clear that the risk or opportunity only exists if action is taken:

Potential response (adaptation or mitigation) could lead to **impact** (the opportunity or risk it presents to the asset/service/value at risk), resulting in **outcome** (what it means for your organisation)

For example:

'Cultural burning programs to reduce bushfire risk (**response**) could lead to opportunities for First Nations peoples to connect with Country (**impact**), resulting in greater involvement of First Nations perspectives in risk management (**outcome**).'

Keep statements short, specific and easy to understand. Avoid jargon and use terms consistently across your CCROA. For example, you might describe changes in bushfire weather as either 'projected change in ...' or 'increasing frequency of...'. Be consistent in how you describe the same hazard throughout your CCROA.

You may decide to expand the impact description, specify the type of impact within the statement, or map relationships between separate risk statements where they are connected. Refer to the [Climate Risk Assessment Tool](#) for examples and templates.



4. Tips for articulating impacts and outcomes

Consider the following different types of impacts, and which of your risks and opportunities they might apply to:

- Direct impacts – immediate effects on assets, services or people
- Indirect impacts – secondary effects through supply chains or stakeholder relationships
- Compounding impacts – multiple events interacting to amplify impact
- Cascading impacts – one event triggering a sequence of impacts
- Aggregate impacts – unrelated events occurring together with greater combined effect.

When drafting impacts and outcomes, consider how the risk or opportunity may affect your organisation's business model, including:

- inputs – what your organisation relies on (for example, workforce, energy, data, supply chains, funding)
- processes – how services are delivered or operations are carried out
- outputs – what your organisation provides or enables (for example, services, infrastructure, regulatory functions, public value).

This may help reveal impacts on service delivery, supply chains, costs, demand, delivery models or dependencies that are not immediately visible at the asset level.

When drafting impacts and outcomes, it's useful to check records of any past climate-related events. Transition drivers and impacts can be particularly difficult to identify – they may show up in records as:

- operational or compliance issues due to policy changes
- increased costs or altered service delivery from market shifts
- adaptation or investment responses to technology disruptions.



Transition planning & policy requirements

Risk and opportunity statements feed into disclosures under the Strategy pillar of [NSW Treasury's TPG24-33](#). [Organisations should ensure risk and opportunity statements clearly describe material climate-related risks and opportunities \(that is, the risks and opportunities that could affect your organisation's objectives, strategy or financial position\).](#)

5. Group statements by theme

You can group risks and opportunities by climate hazard, transition driver, affected asset or service, or strategic priority, or time horizon. Try different ways of grouping to identify relationships and priorities, such as drivers that are responsible for multiple risks or opportunities. Or multiple impacts on a single asset, service or community.

6. Note assumptions and uncertainties

Record assumptions and uncertainties (for example, timeframes, exposure and vulnerability levels, policy settings). This builds trust and transparency in your process and supports future revisions to the statements.

7. Go deeper – if it's within your scope

Depending on the scope of your CCROA, you may need to document specific details of the hazard/driver, exposure and vulnerability for each of your organisation's assets or services.



Minimum approach for Activity 2.3, if you're new to climate risk or are conducting a first-pass assessment

- Use the driver → impact → outcome structure
- Keep statements short and specific
- Group by hazard or affected asset
- Record basic assumptions (for example, timeframe, exposure)
- Tag time horizon (short, medium, long)
- Use existing enterprise risk management criteria for rating



Best-practice approach for Activity 2.3, recommended under [NSW Treasury's TPG24-33](#) for scenario analysis, strategic planning, and disclosure

- Embed timeframe and scenario context in the statement (for example, 'by 2050, under SSP3-7.0...')
- Include quantification where data is available (for example, 'Heat-related hospitalisations in NSW are projected to increase by up to 30% by 2050 under a high emissions scenario')
- Identify type of impact (for example, direct, indirect, cascading)
- Record confidence rating, affected area, and related controls
- Document assumptions and uncertainties, including climate model variability, policy and market uncertainty, socioeconomic factors, and local translation of global data
- Link statements to planning outputs including your organisation's risk register, action plans that you'll develop in Step 3, your overarching transition plan and disclosure reports

Activity 2.4 Identify existing controls

In this activity, you’ll identify any controls your organisation already has in place to manage the risks and opportunities you’ve identified. This builds on the risk and opportunity statements you developed in Activity 2.3 and sets you up to assess the materiality of risks and opportunities in Activity 2.5.

Existing controls are the formal or informal actions that your organisation has taken to reduce exposure or vulnerability to climate-related risks, or to act on climate-related opportunities. Remember, controls may not eliminate risks completely, but they can reduce their likelihood and impact. Documenting existing controls helps you to:

- avoid duplicating effort
- build on what’s already working
- identify gaps that need attention.

Recommended tasks

- 1. Review existing controls and link them with specific risks and opportunities**
- Look for policies, procedures, infrastructure, systems or programs that already help to manage the risks and opportunities you’ve identified. Check sources such as risk registers, asset plans, business continuity plans and strategic frameworks.
- You may already have identified some controls in your climate risk maturity assessment in Activity 1.3. Table 2 below contains a list of typical controls that your organisation may already have in place.

Table 2. Categories and examples of typical controls

Control type	Examples
Physical infrastructure	Flood levees, upgraded drainage, heat-resistant materials, passive cooling, raised assets
Operational procedures	Emergency protocols, maintenance schedules, business continuity plans, extreme weather checklists
Policies and planning standards	Climate-informed design codes, zoning overlays, procurement policies, emissions targets
Management frameworks	Enterprise risk registers, disaster recovery systems, insurance coverage, adaptation plans
Partnerships and programs	Cross-agency arrangements, community resilience programs, First Nations partnerships, sector working groups

For each risk or opportunity statement, note which controls are already in place and how they reduce likelihood or consequence, or enable opportunity.



2. Assess control effectiveness

Consider whether each control is effective, partially effective, or needs improvement. This informs whether additional action is needed.

3. Identify gaps and overlaps

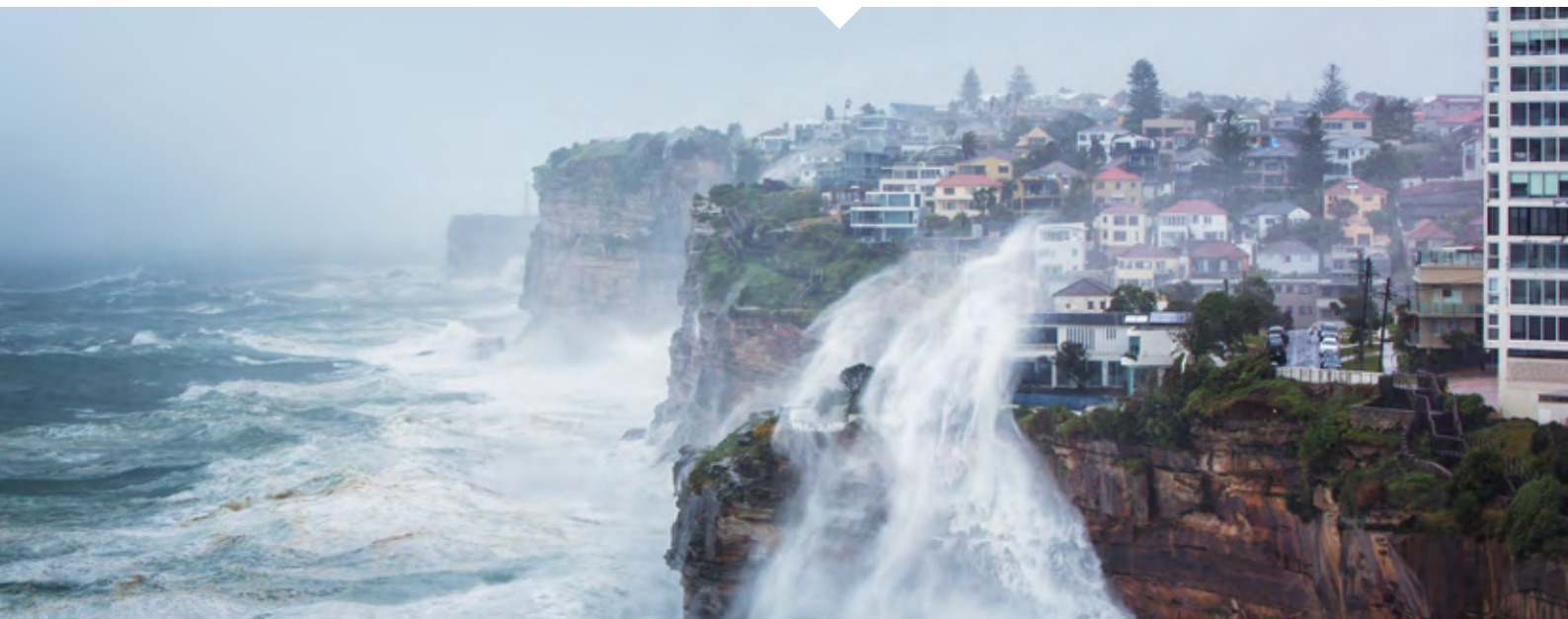
Highlight risks or opportunities that are currently not well managed or note where multiple controls may be duplicating effort. This information can be recorded in a table (see example in Table 3) to help you focus your resources.

4. Engage stakeholders

Consult with risk owners and operational teams to validate your understanding of existing controls and identify any informal or undocumented measures.

Table 3. Example record of existing controls

Risk or opportunity statement	Existing controls	Control type	Effectiveness	Notes / gaps
More frequent heatwaves may reduce staff availability and increase service disruption.	Heat protocols, flexible rostering	Operational procedure	Partially effective	No passive cooling in older buildings



Activity 2.5 Assess risks and opportunities to inform action

Not all climate-related risks and opportunities are equal. Some may be more likely to occur, have more serious consequences, or affect critical services, assets or communities. Others may offer significant benefits if acted on early. Assessing helps direct attention and resources where they will deliver the greatest value.

This activity builds on the risk and opportunity statements (Activity 2.3) and your review of existing controls (Activity 2.4) to assess and rank risks and opportunities for action. It sets you up to identify and schedule effective actions in Step 3. Your organisation's risk framework will help you assess climate-related risks and opportunities.

Recommended tasks

1. Assess risks and opportunities using your organisation's risk criteria

Use your enterprise risk management framework to assess the likelihood and consequence of each risk and opportunity. Assess likelihood and consequence across the short-, medium- and long-term time horizons that you set for the scope of the CCROA (Activity 1.4). These horizons align with organisational planning cycles and ensure that both physical and transition risks and opportunities are considered consistently over time. Focus on how the timing of impacts influences the significance of a risk or opportunity. For example, a long-term risk with severe consequences may warrant greater attention than a low-impact risk expected to occur sooner. This helps determine which risks or opportunities require earlier action.

2. Record the risk ratings for each risk and opportunity.

Use your organisation's risk framework to determine risk ratings for each risk and opportunity. This includes rating the:

- inherent risk/opportunity – the level of risk/opportunity before additional actions are taken, but considering the effectiveness of any existing controls
- residual risk – the expected level of risk that would remain after additional actions are implemented.

For example, your risk ratings may show a high inherent risk of heatwaves in an urban area. Even after you implement additional actions, there will be the residual risk that vulnerable populations (such as elderly people) may still suffer heat-related illnesses during extreme heat events.

If your organisation does not have a suitable framework for managing climate risks, use the criteria from the [NSW Treasury Risk Management Toolkit](#).



3. Identify material risks

You will need to now take an extra judgement step, to identify material risks and opportunities. A risk or opportunity may be material because it has a high residual-risk rating or because it is still strategically significant, even with a low-risk rating.



Materiality, in the context of a CCROA, refers to the significance of a risk or opportunity in terms of its potential to affect your organisation's objectives, services or strategic priorities. This is broader than the financial materiality used in traditional finance frameworks. A risk may be material even if it has a low-risk rating, for example, if it affects a critical service or vulnerable community.

A risk is considered material if its potential impact or likelihood is high enough to require active management or decision-making. Materiality helps determine where action is needed. See [Appendix A: Key concepts glossary](#) for more information.

To determine which risks and opportunities are material enough to act on, consider the risk ratings alongside factors such as timing of impacts, effectiveness of existing controls, strategic importance, geographic exposure, interdependencies, reputational impact, or potential co-benefits that could occur by responding. These qualitative insights help you identify risks and opportunities that may not rate highly on traditional risk matrices but still warrant attention due to their broader organisational significance. See Table 4 below for examples.



Table 4. Qualitative assessment criteria to identify material risks

Factor	What to consider
Value at risk	Does the risk or opportunity significantly affect organisational objectives, services or strategic priorities?
Scalability	Does the risk or opportunity affect multiple areas or functions? Could a response be scaled up?
Geographic exposure	Is the risk or opportunity concentrated in high-exposure regions?
Strategic importance	Does the risk or opportunity relate to a key organisational goal or future investment?
Interdependencies	Does the risk or opportunity rely on or affect other systems, services or stakeholders?
Reputational impact	Could the risk or opportunity affect public trust, stakeholder relationships or compliance?
Co-benefits	Could responding to the risk or opportunity deliver additional social, cultural, environmental or economic benefits?

4. Engage stakeholders to validate your CCROA

Consult with internal and external stakeholders to validate the risks and opportunities you have deemed as most material. Depending on your scope, you might share a document for feedback, or hold a workshop to present your priorities and discuss with your stakeholders. This ensures your CCROA reflects operational realities and builds organisational buy-in, strengthening the credibility of your assessment.

5. Integrate climate-related risks and opportunities into appropriate risk management frameworks

Your organisation's existing risk management frameworks may need to be adapted to record the climate risks and opportunities you've identified.

For example, priority risks may need to be embedded into a material risks register; operational or asset risks may need to go into asset registers; and opportunities into an emerging opportunity register. [CRR NSW toolkit \(see section 2c – Checklist: Reviewing your organisation's risk management framework and governance\)](#) lists the [key elements that should be added to ensure your frameworks adequately capture climate-related risks and opportunities](#).

[When any adjustments have been made, record your identified climate-related risks and opportunities in your organisation's risk register.](#)



Activity 2.6 Collate your research and analysis documents

This activity helps you capture the important details of how your CCROA was conducted. Keeping records of your approach supports transparency, repeatability and future disclosures. It also helps others understand the scope, assumptions and limitations of your CCROA. Collate documentation of the key decisions, framing and methodology that shaped your CCROA, along with the outputs.

Recommended tasks

1. Collate documents and decisions in your organisation's records-keeping system

Gather your research and analysis documents, and copies of relevant approvals for the following aspects of your CCROA.

2. Assessment approach and methodology

- How climate-related risks and opportunities were identified (for example, desktop review, scenario analysis, workshops)
- How risks and opportunities were analysed and evaluated, including the criteria used for likelihood, consequence and assessment
- How time horizons, scenarios and assumptions were applied
- How material risks and opportunities were determined

3. Alignment with risk management frameworks

- How the assessment parameters align with your organisation's enterprise risk management framework
- Any adjustments made to existing risk criteria to reflect climate-specific considerations (for example, longer time horizons, uncertainty, compounding impacts)
- How outputs link to risk registers, governance processes or disclosure requirements

4. Key decisions and framing

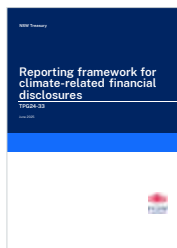
- Scope – what was included and excluded (for example, assets, services, functions, locations)
- Boundaries – physical, operational and temporal (for example, geographic area, business units, planning periods)
- Assumptions – underlying premises used in the analysis (for example, policy settings, hazard frequency, stakeholder behaviour)
- Sources – data, tools and references consulted (for example, NARcliM2.0, NGFS, SSPs)
- Uncertainties – limitations and areas needing further review or evidence
- Key findings – priority climate-related risks and opportunities and the basis for prioritisation
- Stakeholders – people and roles involved and consulted throughout the assessment

Summary of supporting resources for Step 2

Published tools and policies



NSW Treasury Risk Management Toolkit



TPG24-33 Reporting framework for climate-related financial disclosures
(NSW Treasury's TPG24-33)



Climate Risk Assessment Tool

Guidance



Selecting climate scenarios: Key criteria and principles

Climate data



NARClIM2.0 climate projections



Toolkit Part 2

CRR NSW toolkit:

- Section 2a – Templates for documenting past and current climate-related impacts
- Section 2b – Examples of climate-related risks and opportunities
- Section 2c – Checklist: Reviewing your organisation's risk management framework and governance



Closing

The outputs of Step 2 represent significant progress towards effective climate-related risk and opportunity management. They provide the insights and structure needed to plan targeted responses in Step 3 and to begin integrating climate-related risks and opportunities into organisational systems.

Develop and implement an action plan to respond to climate-related risks and opportunities

3



Step 3 overview

While Step 2 asked you to assess risks and opportunities in terms of what matters most, Step 3 helps you determine what to do, and when.

This step aligns with the ‘treatment’ stage of a typical new or existing risk management process. It focuses on how your organisation will respond to the prioritised climate-related risks and opportunities identified in Step 2. Working with your stakeholders, you will plan and prioritise actions that fit your organisation’s context, maturity and strategic direction.

The way in which an organisation documents and strategically plans its response to identified climate risks will differ depending on its context, mandate and risk profile. In line with ISO 31000, each entity should design risk treatments and planning processes that are proportionate, integrated with existing governance systems, and tailored to its operational environment.

At this stage, Step 3 is about planning, not doing. The goal is to create an action plan that responds to the material climate-related risks and opportunities identified in Step 2. You’ll implement your action plan after you’ve prepared your monitoring, evaluation, reporting and improvement (MERI) plan in Step 4. This is when you’ll turn your planning into action through a cycle of MERI – expect some back-and-forth between planning, actioning and MERI as you learn and adjust over time.

The following resources will help you complete Step 3.



- the [Physical risk card game](#) is an interactive game to facilitate with stakeholders to identify suitable actions to respond to physical risks – this can be used by any organisation, regardless of their climate risk maturity



- the [Adaptation Planning Guide](#) contains detailed guidance on how to address physical climate risks and opportunities and is suitable for more mature organisations.

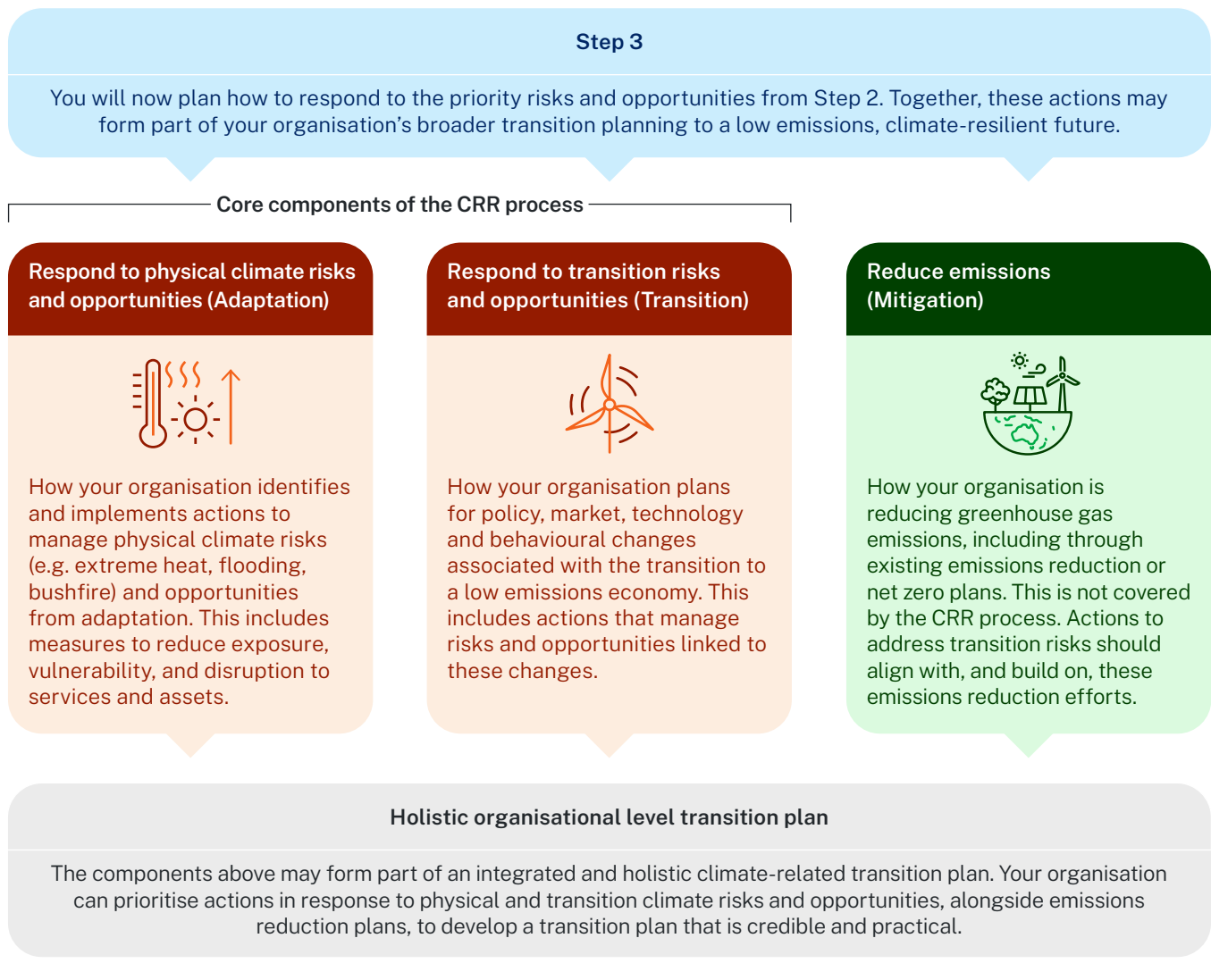


- the [Transition risk card game](#) is an interactive game to facilitate with stakeholders to identify suitable actions to respond to transition risks and opportunities – this can be used by any organisation, regardless of their climate risk maturity



- if your organisation already has an emissions reduction plan, or a holistic transition plan, you’ll use those plans to identify existing actions and potential gaps.

Figure 6. Your responses to climate-related risks and opportunities form part of your organisation's holistic transition plan



Whether your organisation is just starting out or already has climate risk embedded into its systems, Step 3 supports proportionate, practical action. Each activity includes:

- a minimum approach to help you get started
- a best-practice approach to help you move towards embedded maturity.



Toolkit

Note: You'll need Part 3 of the toolkit to complete this section. Revisit [Appendix A: Key concepts glossary](#) if you're not familiar with the terms used in this step. Links to specific resources are included throughout this step, and summarised at the end of this chapter.



Transition planning & policy requirements

How to link your actions to your organisation's wider transition plan

Your actions will support your high-level transition plan so that your organisation meets its reporting obligations under the NZGO Policy. This will also strengthen your transition plan's alignment with the *Strategy* section of [NSW Treasury's TPG24-33](#).

You can start by creating your action plan as described in this step, or you can start by creating your organisation's transition plan. They will inform one another as you work through them. More information about transition plans and what they cover can be found in the [Climate-Related Transition Planning Framework for NSW Organisations](#).

What you'll have at the end of Step 3

After completing these activities your organisation will have:

- ✓ a set of actions linked to prioritised climate-related risks and opportunities
- ✓ documented actions (or embedded actions in existing plans) with clear timeframes, responsibilities and resources
- ✓ updated risk registers and plans that document your actions
- ✓ integrated climate-risk responses into organisational systems and governance frameworks.



3.1 Identify and prioritise actions

Start by reviewing the material risks and opportunities you identified in Step 2. For each one, identify potential actions that could reduce exposure, build resilience or create value.

Some example actions to respond to physical risks and opportunities (often called adaptation actions) are:

- updating the design of an asset to make it more resilient to climate extremes – to respond to increasing risk of heatwaves, bushfires, drought and flood
- improving emergency protocols – to respond to the risk of increased bushfire.

Some example actions to respond to transition risks and opportunities are:

- changing service delivery models – to respond to risks and opportunities associated with changing customer and stakeholder values associated with climate change and sustainability
- creating an emissions reduction plan - to respond to policy requirements and reduce the risk of noncompliance
- upgrading energy infrastructure and installing batteries – to respond to the opportunity to electrify fleet as electric vehicles become more affordable.

Remember to also identify actions for any response-led risks and opportunities you identified, such as opportunities to build resilience and adaptive capacity as a result of responding to a physical risk. Where possible, look for actions that also benefit climate change mitigation, such as electrifying assets to reduce both fuel costs and emissions.

You might identify mitigation activities as suitable actions to respond to transition risks and opportunities. Check that your actions align with any existing mitigation or emissions reduction plans.



Stakeholder engagement

Engaging stakeholders in this activity is important for determining appropriate actions.

Build on the stakeholder group identified in Step 1 to include those who can influence or deliver actions. Include risk owners, operational teams, finance, and external partners where actions affect shared assets or services.

Use workshops or targeted consultations to engage stakeholders in the recommended tasks for this activity. Stakeholder input is particularly valuable for:

- brainstorming and validating proposed actions for the material risks and opportunities identified in Step 2
- defining and applying criteria to prioritise actions
- identifying co-benefits of actions.

Use the 2 card games (Physical risk card game and Transition risk card game) to link actions to risks. If you already ran a card game workshop in Step 2, revisit the results to identify gaps, co-benefits, and refine and validate each action.

Document stakeholder input and decisions for transparency.



Recommended tasks

1. Identify potential actions to address each risk and opportunity

Based on your list of material risks and opportunities from Step 2, and the outcomes from any stakeholder workshops, develop a long list of potential actions to address each material risk and opportunity. The [Climate Risk Assessment Tool](#) lists some possible actions for both physical and transition risks and opportunities – use these to crosscheck against your list and check for gaps.



Stakeholder engagement

Note: you can do this activity before or after you run a stakeholder workshop. Do it before to build a list of actions to validate. Or do it after the workshop to verify and finalise your list of potential actions.



Transition planning & policy requirements

If your organisation already has a transition plan (existing or in progress), make sure your actions align. Refer to the [Climate-Related Transition Planning Framework](#) for detailed information about transition plans.

When identifying actions, consider:

- risk tolerance – what level of action is needed based on how much risk your organisation is willing to accept?
- available resources to implement actions – how much funding, staff, and time do you have and need?
- existing controls and initiatives – where can actions fill gaps or leverage what's already in place?
- capacity for adaptive management – what's your organisation's ability to adjust its approach as conditions change?
- equity – make sure actions don't result in disproportionate costs or risks on any group, especially vulnerable groups
- sustainability – how can you build local capacity for long-term resilience?
- actions that can respond to multiple risks or at the same time – what actions respond to more than one risk or opportunity? Are there other co-benefits?

In some cases, you'll need to make trade-offs between different actions where:

- actions compete for limited resources and cannot be implemented at the same time
- an action that responds to one climate-related risk or opportunity results in another risk
- an action that responds to one climate-related risk or opportunity limits the ability to respond to another.

When a trade-off occurs, document the preferred action, including:

- the competing actions and the criteria used to assess them (for example, cost, feasibility, risk reduction, equity, long-term outcomes)
- the rationale for the chosen action.

Depending on the significance of the risk, opportunity or trade-off, decisions may need to be escalated to executive leadership or governance bodies for approval. Clear documentation of trade-offs supports transparent decision-making and strengthens alignment with governance and disclosure expectations.



Minimum approach

- Identify a basic list of actions that address each material climate risk and opportunity
- Check against existing controls, resources and organisational risk tolerance

Best-practice approach

- Co-design actions with stakeholders through workshops and targeted engagement
- Use the [Climate Risk Assessment Tool](#) to ensure actions are comprehensive
- Fully document trade-offs, decision criteria and escalation pathways to support transparent reporting

2. Screen and prioritise actions

Use a simple scoring or multicriteria approach to rank your potential actions. See [CRR NSW toolkit \(see section 3b – Action prioritisation checklist\) for example criteria. Focus on the actions that are likely to have a big impact, align with your goals, or may need to be scaled up over time. Record your prioritised list of actions.](#)



Minimum approach

- Apply simple criteria such as impact, urgency, and feasibility
- Prioritise actions that address the most material risks and opportunities
- Facilitate a short workshop or shortlisting exercise with key stakeholders

Best-practice approach

- Apply structured criteria such as cost and resource requirements, co-benefits, transformational potential, dependencies, equity, feasibility and timeframes
- Consider sequencing and interdependencies across programs, assets or services
- Test priorities with cross-team or cross-agency stakeholders to validate assumptions and avoid blind spots
- See the [Adaptation Planning Guide](#) for detailed guidance on identifying and prioritising actions for physical risks and opportunities



3. Describe the rationale and approvals required for each action

For each action, record why it was chosen, the risks or opportunities it addresses, and any governance or endorsement needed (for example, executive sign-off, regulatory approval, project governance).

Submit your actions for endorsement by relevant delegates.



Minimum approach

- Record the basic reason each action was selected
- Note key assumptions, constraints or dependencies
- Capture who endorsed or approved the decision

Best-practice approach

- Document the full decision pathway, including criteria used, trade-offs considered and any options that were rejected
- Link each action to the specific risk or opportunity, relevant time horizon and organisational value at risk
- Record governance decisions and alignment with other organisational plans (for example, transition plans, asset strategies, service plans).
- See the [Adaptation Planning Guide](#) for detailed related to actions for physical risks and opportunities



3.2 Detail and schedule your actions

Documenting the finer details of your chosen actions helps your organisation understand what needs to be done, why, and when. This creates a foundation for integrating climate risk management into organisational planning and governance.

You can document your actions in dedicated plans, such as an adaptation plan for physical risks and opportunities (as outlined in the [Adaptation Planning Guide](#)), or a simpler format that suits your organisation's capacity and maturity. A simple template with examples is provided in [CRR NSW toolkit \(see section 3a – Action planning template\)](#). Actions can then be embedded into your organisation's existing strategies or frameworks (see [Activity 3.3](#)) and referenced in your high-level transition plan.

Recommended tasks

1. Choose a suitable format

Decide whether to use a simple table or register of actions for quick documentation, or to develop a strategic action plan linked with your organisation's corporate planning and governance frameworks (the [Adaptation Planning Guide](#) contains guidance for creating a detailed adaptation plan for physical risks and opportunities). Whatever format you decide, make sure its purpose and governance arrangements are clearly defined and understood.

2. Detail your chosen actions for implementation

Review your approved list of actions and develop a clear description of each action, including what will be done, who is responsible, and whether the action needs to be implemented in the short, medium or long term. This sets you up to plan a detailed schedule of actions based on timeframes and when triggers and thresholds occur (see below).



Minimum approach

- Focus on 1 or 2 priority risks
- Identify simple, practical actions
- Use existing planning documents to record actions
- Engage stakeholders to validate options

Best-practice approach

- Identify actions for all material risks and opportunities
- Consider co-benefits, trade-offs, feasibility and potential unintended consequences
- Engage stakeholders to collaboratively brainstorm and refine options
- See the [Adaptation Planning Guide](#) for detailed information about actions for physical risks and opportunities



3. Link actions to organisational priorities

Make sure actions are clearly connected to identified risks, opportunities and strategic goals.

Align actions with your organisation's budget cycles and planning processes, and broader transition plan (if it has one).



Transition planning & policy requirements

Your detailed actions are useful for informing your organisation's high-level transition plan. By referencing your action plans in your transition plan, your actions will be tied to a process that is forward looking, practical, targeted and aligned with your organisation's long-term goals.

4. Define triggers and thresholds and sequence your actions

Not all actions can or should be implemented straight away. Some will need to be implemented in the short term, and others may only need to be implemented when certain triggers or thresholds are reached.

Triggers and thresholds are the signs that it's time to plan for, implement or scale up an adaptation action. They will help you prioritise and schedule your actions in response to changing conditions.

Triggers are early signs that conditions are changing. They give advance warning so you can proactively prepare to implement or scale actions. Triggers could include:

- rising maintenance costs for critical assets
- policy reforms or market signals affecting compliance or cost.

Thresholds are the points when conditions become unacceptable and management action must occur immediately. Thresholds include:

- physical thresholds, such as the number of extreme heat days exceeding an agreed benchmark for an asset
- transition thresholds, such as regulatory changes that materially alter cost, demand or compliance for key services.

This information will inform your MERI plan (Step 4) and governance framework to create accountability and avoid delays in implementing actions.



Minimum approach

Document your actions in a simple table or register that includes:

- actions, timeframes and responsibilities
- the climate-related risks or opportunities each action addresses.

Also document any actions that are listed in your organisation's climate-related transition plan, including contextual information about:

- whether the plan is standalone or embedded in other strategies or frameworks
- the key assumptions used in developing the transition plan (e.g. policy settings, funding availability, technology pathways, market conditions)
- the key dependencies the transition plan relies on (e.g. regulatory approvals, external partners, workforce capability, data availability, coordination with other programs or jurisdictions).

This ensures minimum expectations for climate-related transition planning are met, even where plans are high-level or embedded across multiple documents.



Best-practice approach

- Develop a strategic plan aligned with capital allocation and organisational priorities
- Use a pathways approach to schedule actions based on urgency, triggers and thresholds (see the [Adaptation Planning Guide](#) for details)
- Include monitoring indicators and integrate actions into governance, planning and reporting systems



3.3 Integrate actions into organisational systems

Embedding climate-related actions into your organisation's systems ensures they are implemented, tracked and sustained. Integration means updating risk registers, strategic plans, asset management systems and reporting frameworks so climate actions become part of routine business.

Recommended tasks

1. Update risk registers and plans

Record your chosen actions in your risk register against their relevant risks and opportunities. Update your organisation's strategic and operational plans to reflect the actions you'll take.

2. Assign accountability

Strengthen governance by assigning executive responsibility for climate risk responses and embedding oversight into standard decision-making processes.

This may include:

- confirming which executive or governance body is accountable for oversight of climate-related risks and opportunities
- updating relevant terms of reference or committee charters to explicitly include responsibilities for managing or overseeing climate-related responses
- clarifying how often climate-related risks, actions and progress will be reported to executive leadership or governance committees
- aligning climate risk oversight with existing risk, audit, finance or strategy reporting cycles.

3. Integrate into governance and decision-making

Embed your actions, triggers and thresholds in corporate plans, risk frameworks and service delivery processes.



Transition planning & policy requirements

For organisations with high-level transition plans (existing or in progress), make sure your actions are referenced in your transition plan.

If your organisation reports under [NSW Treasury's TPG24-33](#), ensure your actions are embedded into governance and risk frameworks for consistent tracking and reporting.

4. Re-rate risks to confirm residual risk

After embedding actions, use your organisation's risk framework to confirm the level of residual risk (see [Activity 2.5](#)). Determine if this level of risk is within your organisation's risk appetite and tolerance and update your risk register and report to governance committees.

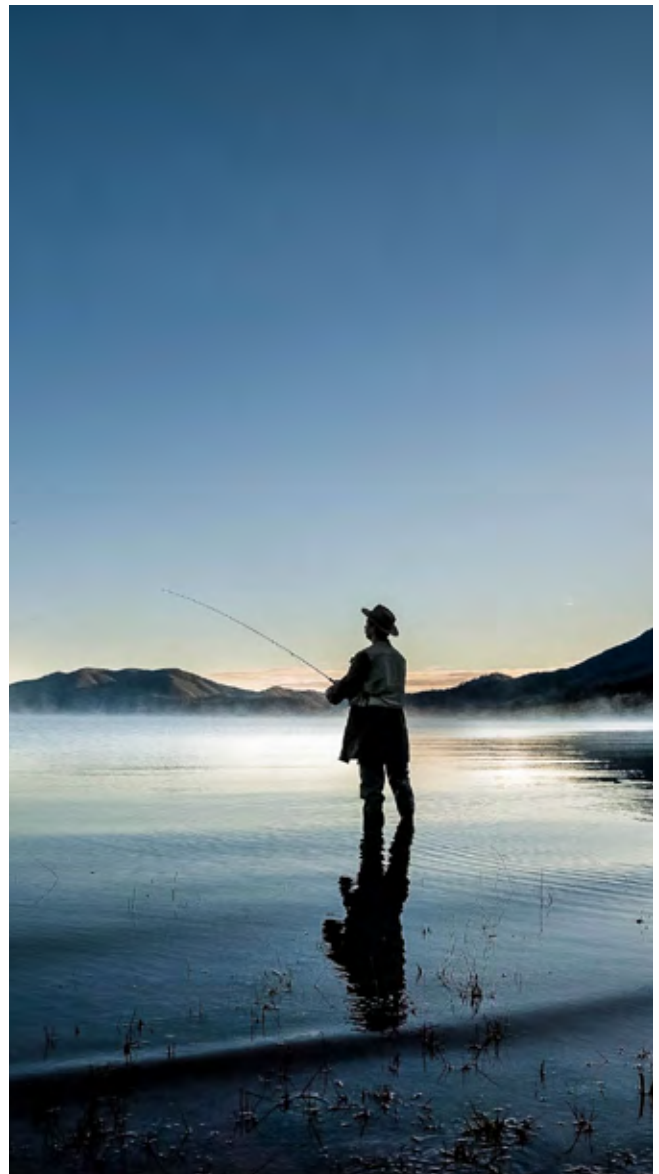


Minimum approach for Activity 3.3

- Add actions to your risk register and operational plans
- Engage relevant teams (for example, finance, procurement, infrastructure, policy) to build support for implementation
- Engage cross-functional teams to share ownership
- Integrate actions into annual plans, asset management, procurement and workforce strategies

Best-practice approach for Activity 3.3

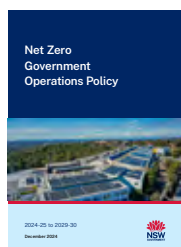
- Embed actions in corporate plans and governance frameworks
- Provide tools, training and resources to support delivery
- Use change management principles for long-term implementation
- Collaborate with external partners to share learning and amplify impact
- Formalise actions in governance documents and long-term plans
- Align actions with budget processes and investment cycles
- See the [Adaptation Planning Guide](#) for detailed information about actions for physical risks and opportunities





Summary of supporting resources for Step 3

Published tools and policies

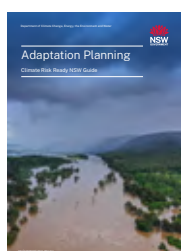


[Net Zero Government Operations Policy](#)



[TPG24-33 Reporting framework for climate-related financial disclosures](#)
(NSW Treasury's TPG24-33)

Guidance



[Adaptation Planning Guide](#)



Toolkit Part 3

[CRR NSW toolkit:](#)

- Section 3a – Action planning template
- Section 3b – Action prioritisation checklist



Closing

The action plans you create in Step 3 help you embed climate risk management into your organisation's planning and decision-making. You now have a roadmap for responding to climate-related risks and opportunities.

Step 4 will help you put that plan into practice by creating a MERI framework to track progress and learn as you go. This is where the management cycle really begins, as you implement, review, and improve your actions.

Monitor, evaluate, report and improve actions

4



Step 4 overview

Monitoring, evaluation, reporting and improvement (MERI) keeps climate risk management dynamic, evidence-based and aligned with your organisation's objectives.

A well-designed MERI plan helps you

- track the progress and effectiveness of your actions
- assess whether actions achieve their intended outcomes
- use lessons learned to strengthen your organisation's resilience over time.

MERI is more than compliance. It creates a learning loop that turns data into insight and insight into better decisions. Because climate conditions and organisational contexts change, MERI gives you a structured way to assess, adapt and improve how

you manage climate-related risks and opportunities (Figure 7).

This step will help you create a MERI plan and embed its activities within existing systems, such as your risk management framework, performance reporting, audit and planning processes. This helps ensure climate risk remains visible and integrated with how success is measured. It also tracks whether material climate-related risks and opportunities are changing, so actions stay fit for purpose as conditions evolve.

This integration also supports consistent reporting under NSW Treasury's TPG24-33.

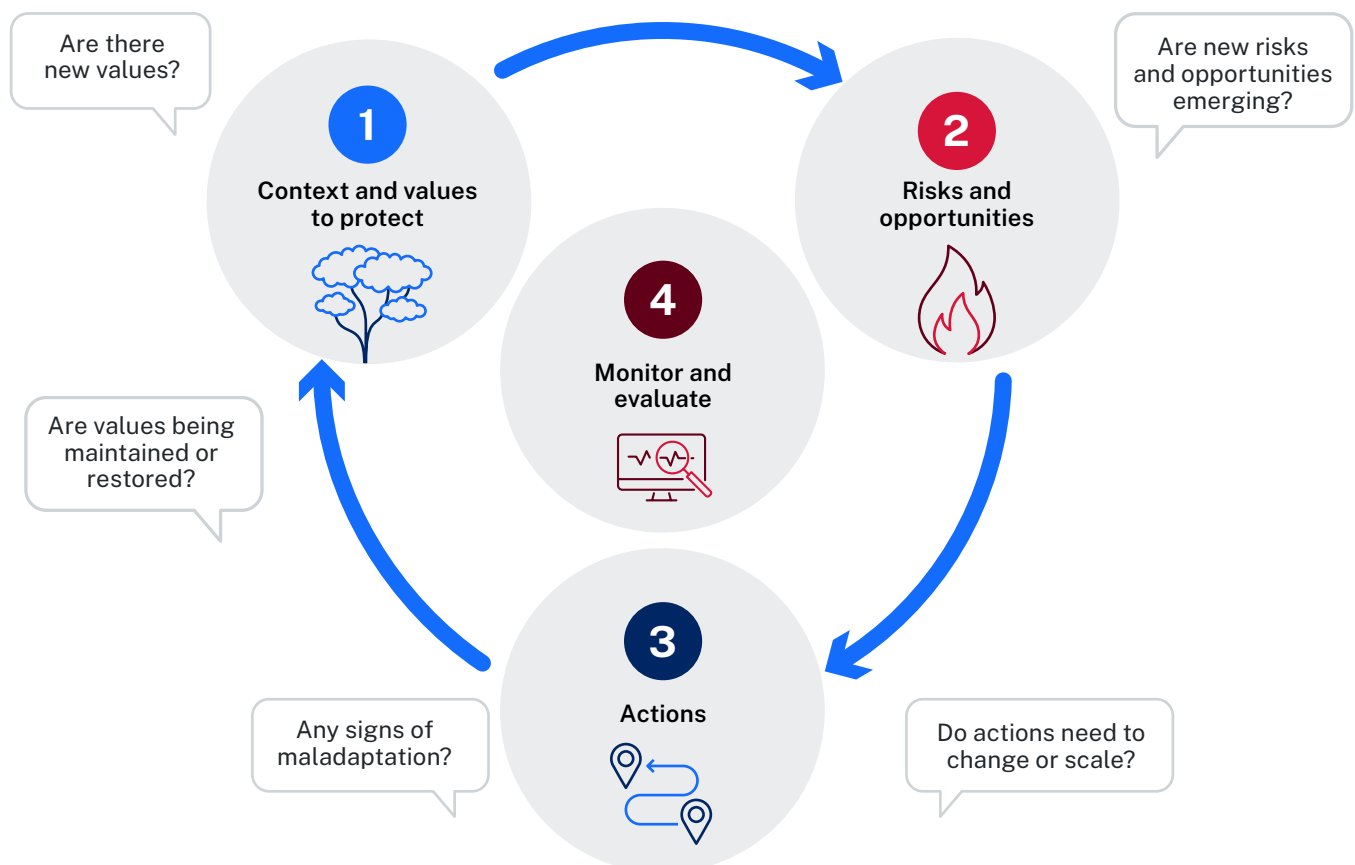


Figure 7. The cycle of actions and MERI activities helps your organisation evolve its approach as conditions change



What you'll have at the end of Step 4

After completing these activities your organisation will have:

- ✓ a confirmed purpose and scope for your MERI plan
- ✓ appropriate indicators and metrics, and clear baselines and targets
- ✓ clearly assigned monitoring and evaluation responsibilities
- ✓ defined escalation pathways and accountabilities
- ✓ integrated MERI activities into your organisations
- ✓ risk management framework and existing systems
- ✓ identified reporting requirements and opportunities for communication, learning and improvement.



Toolkit

Note: You'll need [Part 4 of the toolkit to complete this section](#). Revisit [Appendix A: Key concepts glossary](#) if you're not familiar with the terms used in this step. Links to specific resources are included throughout this step, and summarised at the end of this chapter.



Activity 4.1 Confirm your MERI purpose and scope

This activity will clarify what the MERI plan will achieve and keeps monitoring actions focused and timely.



Transition planning & policy requirements

If your organisation is required to report under [NSW Treasury's TPG24-33](#), include disclosure requirements in the scope of your MERI plan so monitoring supports compliance.

In this guide, MERI covers:

- monitoring the implementation and effectiveness of individual climate risk and opportunity actions, whether they sit in a standalone plan or as part of your organisation's wider transition plan
- monitoring the overall implementation and effectiveness of your action plans
- monitoring changes in material climate-related risks and opportunities over time, including monitoring for changes in the risks and opportunities you've identified, and the emergence of new risks and opportunities.

This information will support timely review and adjustment of actions and help ensure monitoring remains relevant as conditions evolve.

Recommended tasks

1. Define the aim of the MERI plan

State what the plan will achieve. Refer back to the rationale of the CCROA (Activity 1.1) to make sure your MERI plan supports the goals of your organisation, for example, your plan might aim to achieve some or all of the following:

- guide the monitoring of actions
- evaluate effectiveness of actions
- report monitoring and evaluation results to decision-makers
- collect findings to improve climate risk management practice
- check for changes in the material climate-related risks and opportunities
- report on the implementation of action plans.

2. Define the scope of your MERI plan

Define the scope of your MERI plan based on the scope of the CCROA. For example, if your CCROA is focused on a particular program, keep your MERI scope constrained at the program level. If your CCROA covers your whole organisation, define an enterprise-level scope and consider whether to include programs, projects and partnerships – and if so, to what degree.

Be realistic and choose a level of detail you can achieve and maintain.

3. Identify what actions will be monitored, and the risks and opportunities they respond to

In your MERI plan, document the priority actions you identified in Step 3. For each action, list the climate-related risks and opportunities it responds to, and the relevant triggers and thresholds for implementation. This will keep your monitoring activities focused on collecting useful data.



Activity 4.2 Select indicators and set baselines and targets for actions

For each action, your MERI plan should outline:

- **the intended outcome of the action, including key assumptions** – this establishes a broad understanding of how the action responds to climate-related risks and opportunities, so you can choose appropriate indicators to monitor its effectiveness
- **relevant indicators and metrics** – indicators are the things that can be measured to monitor effective an adaptation action is, and metrics are the quantifiable data that is measured
- **baselines** – these are current measurements of your chosen indicators, and they serve as a baseline from which you'll track progress towards your target
- **achievable targets** – these are the future measurements of your chosen indicators that your adaptation action aims to achieve.

Together, these factors help you understand and document how your actions are performing. They'll show you how well the actions are protecting the things your organisation values most, and how well opportunities are being leveraged to enhance your organisation's values. The data will help you decide whether to scale up or adjust your actions.

Ensure all assumptions and methodologies are clearly documented to maintain transparency and support consistent reporting.

Recommended tasks

1. Describe the intended outcomes of actions and key assumptions

For each of the actions you identified in Step 3, describe its intended outcomes in terms of how it addresses climate-related risks and opportunities for your organisation. This will help you evaluate the effectiveness of each action. For example, does the action aim to reduce the impact of bushfire on your assets? Or increase the resilience of assets to extreme heat? Or help protect social and cultural values from sea-level rise? Be specific where you can and note the particular assets, services and values that will be protected or enhanced. Record any assumptions underpinning these outcomes.

2. Select meaningful indicators and metrics

Based on the intended outcome of the action, think about how you'll know if you're making progress towards the outcome, and how you'll know if the outcome has been achieved. Choose a small number of meaningful indicators to help you track this. Each indicator must be able to measure:

- the baseline state of the value (for example, asset, service) before you implement the action
- the intended outcome of the action, to help you set a measurable target
- progress towards the intended outcome, so you can track how well the action is performing.

For example, if your action is to use cultural burning practices to protect an asset from bushfire, an indicator might be the total area of cultural burning. This can be measured before the action is implemented to set a baseline, used to inform an achievable target, and used as metrics to track progress by comparing the area burned with the target. This helps you decide if you need to scale up or change your approach.

Your choice of metrics will be influenced by the type of indicator, availability of monitoring tools and equipment, and the scope of your MERI plan.



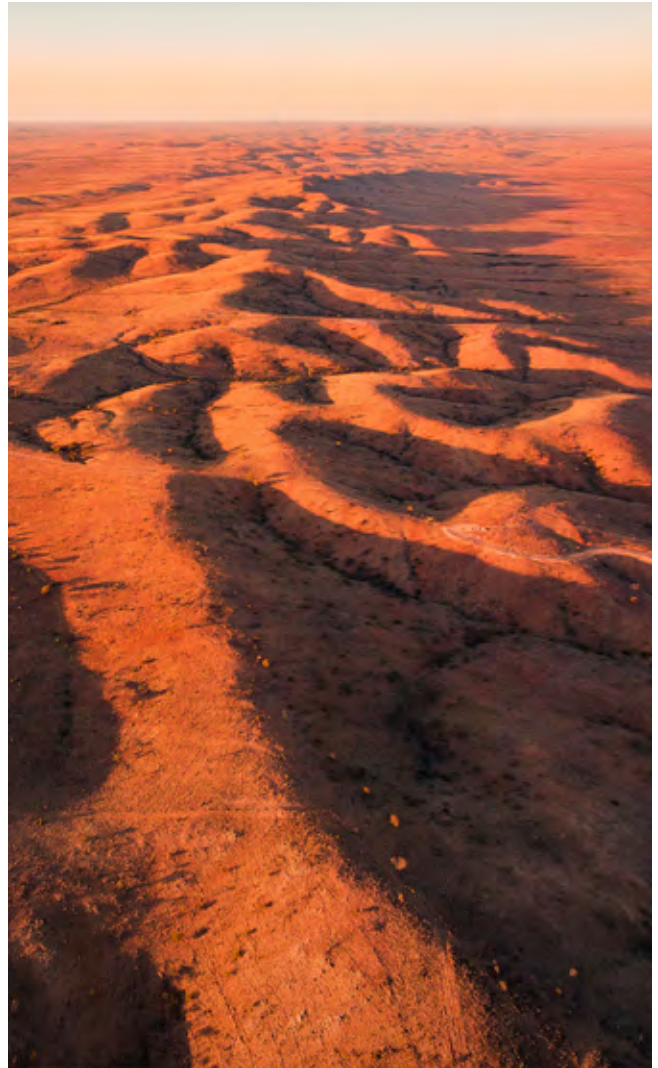
3. Document baselines and targets

For each value at risk, record your starting point (baseline) using the indicators and metrics you've identified. Baseline data may include social, cultural, environmental and economic factors, depending on your intended outcome. Where relevant, include a baseline for material risks and opportunities (for example, current risk ratings, exposure or sensitivity, or opportunity readiness) so future changes can be compared. Note any controls that are already in place to protect the value from risks or enable opportunities.

Set targets that define what success looks like for the value, and each action. To do this, think about:

- how you'll know if the action is protecting the value from climate risks
- how you'll know if an opportunity is being harnessed
- what would indicate that the related risk or opportunity is increasing, decreasing, or changing such that your approach needs review.

Be realistic. Targets should reflect appropriate levels and timeframes based on your scope, resources and future climate conditions. It may not be feasible to maintain an asset or service exactly as it is now.





Activity 4.3 Select indicators to track your overall implementation progress

Your MERI plan also needs to cover how you'll track the implementation of your action plans more broadly.

To do this, identify both:

- **process indicators** and supporting metrics that you can measure before, after and during the implementation of your adaptation plan, such as percentage of planned actions completed, number of staff trained, and number of policies updated
- **outcome indicators** and supporting metrics to measure the results or changes for your organisation after the completion of your action plan, such as reduced service disruptions, improved asset resilience (reduction in repair costs for example), volume of emissions reduced, change in the level or nature of material risks and opportunities.

Where possible, align indicators with existing corporate or sector performance measures to reduce duplication. Include indicators to show whether material risks or opportunities are increasing, decreasing, or changing in character, so reviews and adjustments are evidence based.

Below are some examples of indicators and metrics that can be used to track the overall implementation of your action plan.

Process indicators

- Percentage of priority actions implemented
- Number of staff trained in climate risk management
- Number of governance papers including MERI updates
- Number of stakeholder engagement sessions completed
- Percentage of risk register entries updated with climate-related risks

Outcome indicators

- Reduction in climate-related service disruptions (for example, outages, delays)
- Percentage of critical assets assessed for climate risk
- Percentage of adaptation actions integrated into corporate plans
- Percentage of transition actions aligned with the NZGO Policy

Impact indicators

- Percentage reduction in maintenance costs for climate-exposed assets
- Percentage improvement in climate risk maturity score (Health Check Tool)
- Percentage decrease in insurance premiums linked to climate risk exposure

A template with examples can be found in [CRR NSW toolkit \(see section 4a – Template for tracking implementation progress\)](#).



Activity 4.4 Assign responsibilities and define escalation pathways

Clear roles and responsibilities are essential for an effective MERI plan. They ensure MERI activities are carried out consistently and that accountability for climate risk management is embedded across the organisation.

Identifying these in your MERI plan means you have pre-agreement on when to implement actions, so you can respond quickly to climate-related risks and opportunities. This helps navigate the uncertainties associated with climate change and ensures your organisation can respond quickly as conditions change.

Recommended tasks

1. Nominate roles for MERI tasks

Identify who will:

- collect data
- analyse results
- prepare reports
- initiate improvement actions.

Assign responsibilities, including governance reforms and capability-building activities. Risk owners track performance within their area of responsibility. Risk owners also track changes in related risks and opportunities and advise when review is needed.

If you have a central climate risk lead or climate change risk officer, they will coordinate the overall MERI picture, synthesise results and ensures reporting is consistent and timely. This includes integrating insights about shifts in material risks and opportunities, not just action delivery.

See suggested roles and responsibilities in [Appendix D: Roles and responsibilities](#).

2. Define escalation triggers and thresholds, pathways and accountability

Escalation triggers and thresholds are the signs that an action or the overall plan is not effective and needs to change (these are different to the triggers and thresholds you identified in Step 3, which tell you when it's time to implement or scale up an action). Examples of escalation triggers and thresholds can be found in [CRR NSW toolkit \(see section 4a – Template for tracking implementation progress\)](#).

[Escalation pathways are clear, consistent processes for raising issues to the appropriate senior decision-makers so they can be addressed effectively.](#)

[Set clear accountabilities based on assigned roles such as:](#)

- risk owners monitor metrics
- project leads assess effectiveness and recommend action
- executives decide when to initiate new actions or allocate resources.

Where possible, link responsibilities to existing performance agreements or accountability frameworks. Include escalation charts or flow diagrams in your MERI plan for clarity. Document roles and escalation protocols in your organisation's risk management and governance frameworks. This demonstrates active climate risk management and supports oversight bodies.

3. Coordinate across teams

Engage risk owners, operational teams, and finance to ensure MERI activities align with organisational priorities and reporting cycles.



Activity 4.5 Integrate MERI into existing systems

Embedding MERI into your organisation's existing systems, governance and approvals ensures that climate risk and opportunity monitoring becomes part of routine business. Integrating MERI with risk management, performance reporting, audit and planning processes keeps climate risks and opportunities visible and supports better decision-making. It also enables consistent reporting requirements under NSW Treasury's TPG24-33. This integration includes scheduled review of changes in material risks and opportunities, not just action delivery.

Recommended tasks

1. Align MERI with organisational cycles

Schedule MERI reviews to coincide with existing business planning, budgeting, audit and reporting cycle.

Align review activities with:

- business planning and budget preparation
- internal audit and assurance programs
- annual performance and corporate reporting
- climate-related financial disclosures under NSW Treasury's TPG24-33
- periodic climate risk and opportunity reassessment to capture changes in exposure, vulnerability and materiality
- your organisation's wider transition plan (if it has one).

2. Embed MERI in governance and reporting systems

Incorporate MERI responsibilities and reporting requirements into governance frameworks and performance systems.

Ensure MERI outputs feed into:

- executive papers
- audit and risk committee reports
- annual disclosures under NSW Treasury's TPG24-33.

Establish processes for communicating significant movements in material risks or opportunities and the implications for actions and resourcing.



Transition planning & policy requirements

If your organisation has a wider transition plan, consider how MERI findings will be used to track your organisation's transition to a net-zero future.

3. Update risk registers and controls regularly

Establish a schedule to review and update climate-related risks, opportunities and controls at least every 2 to 3 years, or sooner if new climate projections are released, new transition drivers emerge or significant climate events occur. You'll use these reviews to:

- update confidence ratings and residual-risk levels
- reassess effectiveness of controls
- update escalation triggers and thresholds.

When the status of risks and opportunities change, make sure changes flow through to action plans, controls, indicators and targets.

4. Reassess climate risk maturity every 2 to 3 years

Use the Climate Risk Maturity Health Check Tool (that you used in Step 1) every 2 to 3 years to track progress and identify areas for capability uplift.

Document improvements and integrate findings into adaptation and transition planning.



Activity 4.6 Identify reporting requirements and opportunities for communication, learning and improvement

The data you collect through monitoring, along with the actions you take in response, are valuable sources of insight. They not only help refine your approach but may also be required under formal reporting arrangements. These insights can also inform stakeholders and enable knowledge sharing with other organisations on their climate risk management journeys.



Transition planning & policy requirements

If your organisation reports under [NSW Treasury's TPG24-33](#), make sure your MERI reporting aligns with the disclosure requirements.

Recommended tasks

1. Identify reporting requirements and processes

Use existing governance channels for reporting, such as:

- executive papers
- audit and risk committee reports
- annual reports
- disclosure submissions under NSW Treasury's TPG24-33.

When reporting on your progress, summarise the performance of actions based on the metrics you've collected – how much progress have you made towards the targets. Explain any significant changes or deviations from the intended outcomes, and whether your current approach remains appropriate or needs to be adjusted. Transparent reporting builds confidence in your organisation's approach and commitment to accountability.

2. Provide training and resources

Equip staff with guidance on MERI processes, reporting requirements, and disclosure obligations under NSW Treasury's TPG24-33.

Offer tools and templates to support consistent data collection and reporting.

3. Identify opportunities to improve your process and share insights

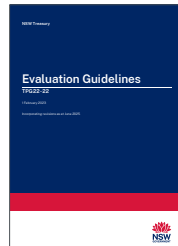
Your monitoring results and insights will help you learn and improve your approach throughout the climate risk and opportunity management process. Encourage team members to document lessons after reviews or significant events, noting what worked, what didn't, and why. Share this knowledge across divisions or through communities of practice. Continual learning and improvement through regular reflection and shared insights helps agencies remain proactive in their climate risk management practices.

Summary of supporting resources for Step 4

Published tools and policies



[NSW Government
Evaluation Framework](#)



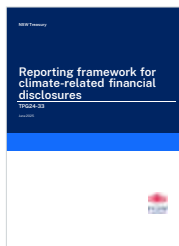
[NSW Treasury Program
Evaluation Guidelines](#)



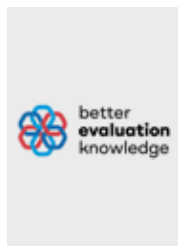
[NSW MERI
Framework](#)



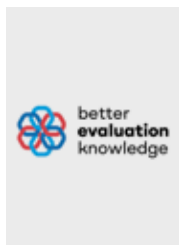
[ISO 31000:2018 and ISO
14091:2021](#)



[TPG24-33 Reporting
framework for climate-
related financial disclosures](#)



[Better Evaluation
website](#)



[NSW Department of Premier
and Cabinet's Evaluation
Toolkit](#)



Toolkit Part 4

CRR NSW toolkit:

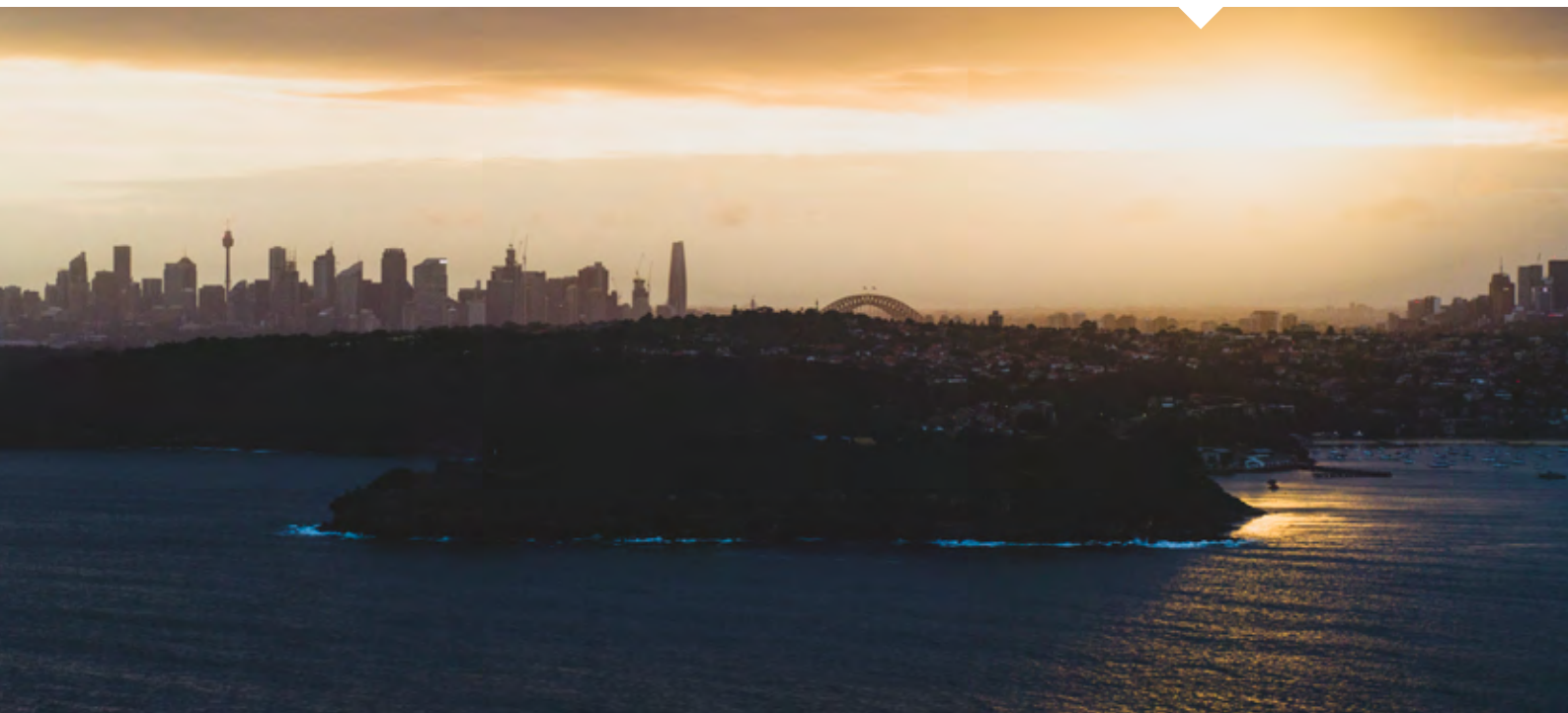
- Section 4a – Template for tracking implementation progress



Closing

Step 4 is about keeping climate risk management active and useful, and it is not a one-off exercise. By embedding MERI into your everyday systems, you create a feedback loop that turns insights into better decisions. This step also helps you meet the disclosure requirements of NSW Treasury's TPG24-33, and show accountability and continuous improvement over time.

The next section, [From planning to action](#), will guide you in implementing the actions you planned in Step 3, while using your MERI framework from Step 4 to track progress, learn from results, and adjust as conditions change. It's about moving from planning to doing, while keeping the process flexible so you can respond to new risks, opportunities and information as they arise.



From planning to action: managing climate-related risks and opportunities

You've done the hard work building understanding, setting priorities, and creating plans for action and MERI activities. Now it's time to put those plans into practice. This means starting implementation (planned in Step 3) while using your MERI framework (Step 4) to track progress, learn from results, and adjust as conditions change. This is where climate risk management becomes tangible, and starts shaping decisions, systems and outcomes.

As you learn, you'll move between planning and implementation, revisiting Step 3 and Step 4 in loop to refine actions and improve over time.

Climate change isn't static, and neither is your organisation. As conditions shift, new data emerges and priorities evolve, your approach will need to adjust too. Remember, this process isn't about perfection, it's about momentum. Every action you implement and every insight you share helps make NSW and your organisation more resilient to climate change.

Keep the cycle going

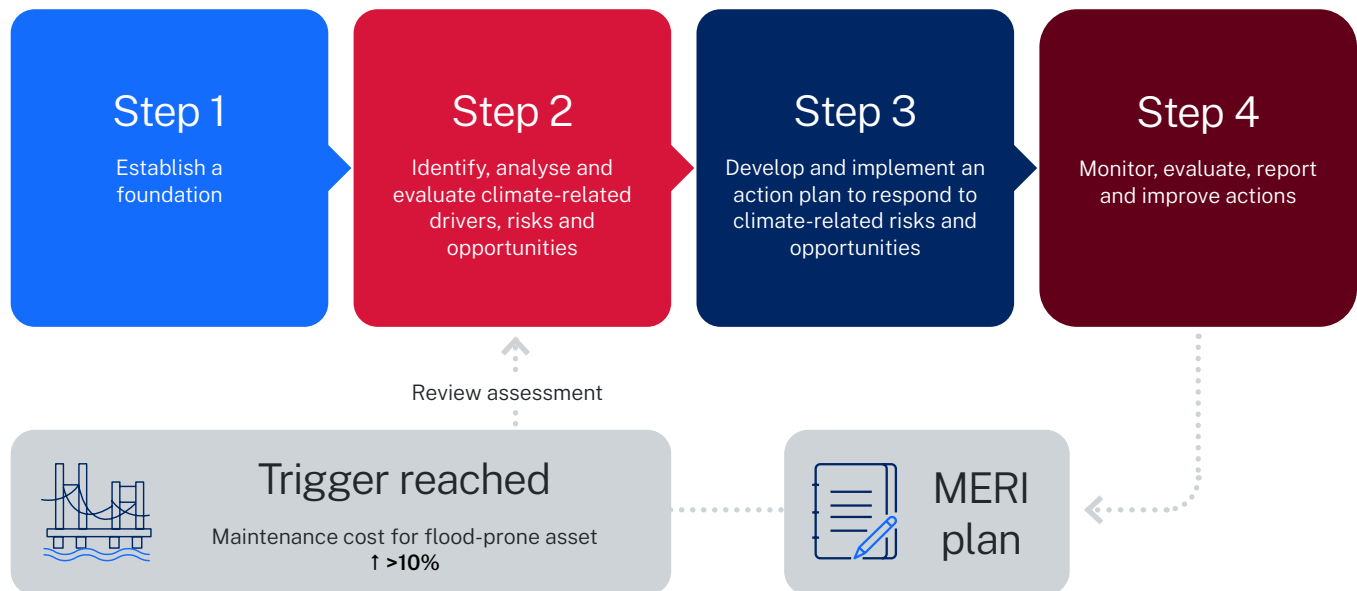
As you implement actions, you'll learn what works, what needs adjustment and where new challenges or opportunities are emerging. Your MERI plan from Step 4 guides this process, helping you to:

- track progress and effectiveness
- identify when assumptions have changed
- recognise when new climate risks or opportunities appear
- see when existing risks become more or less material
- decide when it's time to revisit your risk and opportunity statements or update your plans.

This means the loop may take you back to Step 3 to refine actions, or back to Step 2 if risks, opportunities or drivers have shifted (Figure 8). You'll communicate and report on material information throughout this cycle, in line with the channels and opportunities you identified in Step 4.



Figure 8. A climate-related example of the assessment-implementation-MERI loop



Closing

The Climate Risk Ready NSW process is designed to evolve with you. Managing climate risks and opportunities isn't a one-off task, it's an ongoing commitment. By acting, monitoring and improving over time, your organisation will embed climate risk into everyday decisions, making them informed, practical and future-focused.

Appendices





Appendix A:

Key concepts glossary

These definitions support users in understanding and applying the concepts needed to conduct CCROAs and manage them effectively.

Actions

Actions are the additional measures that could be introduced to reduce climate-related risks, or leverage opportunities. See also *Controls and Risk treatment*.

Adaptation

Actions undertaken to manage or reduce the adverse consequences of climate change, as well as to harness any benefits or opportunities. The term *adaptation* is often used to refer to managing physical climate risks and opportunities. Adaptation may be incremental, transitional or transformational.

- **Incremental adaptation:** Small, gradual changes that improve existing systems or processes to cope better with climate impacts, without changing how the system works. For example, raising the height of a seawall to protect against rising sea levels.
- **Transitional adaptation:** Adaptation actions that shift existing systems, policies or practices to better respond to climate risks, without fundamentally changing the system. For example, Landcare and natural resource management groups restoring vegetation and modifying land management practices to improve ecological resilience and support animal and plant species.
- **Transformational adaptation:** Adaptation that involves fundamental changes to systems, structures or practices in response to climate risks. It may include shifts in values, goals, governance or operations. For example, relocating critical infrastructure and high-risk communities from floodplains to safer zones, while converting flood-prone land into multifunctional spaces such as wetlands, parks,

and water retention areas to restore natural flood buffers and enhance biodiversity. Then, embedding these changes into statutory planning frameworks by introducing mandatory flood-resilient zoning to prevent future development in high-risk areas, development controls, and incentives for nature-based solutions in urban design.

Adaptation pathway

ISO 14091 and TS 14092 formalise pathways for adaptation to physical climate risks. They outline actions to maintain resilience under different climate scenarios.

Example: *Improve drainage → upgrade infrastructure → relocate assets if sea-level rise exceeds a threshold.*

Adaptive capacity

Adaptive capacity is the ability of systems, institutions, people or ecosystems to adjust to climate-related risks, whether physical or transition-related, take advantage of opportunities, and respond to consequences. It reflects resources, knowledge (including traditional knowledge), flexibility, governance and social capital, and influences how well an organisation can cope, recover or adapt over time.

Climate projection

A climate projection describes how the climate might change in the future, based on computer models that simulate Earth's climate under different emissions scenarios. These projections help organisations understand what the future climate



could look like and plan for a range of possible conditions.

Climate change scenario

A plausible representation of the future climate, based on assumptions about greenhouse gas emissions, socio-economic development, and technological change. Climate projections and transition scenarios are types of climate change scenarios. See also [Shared Socioeconomic Pathway \(SSP\)](#).

Climate change risk and opportunity assessment (CCROA)

A structured process to identify, analyse and evaluate risks and opportunities arising from climate change. It includes consideration of both physical risks (for example, extreme weather, sea-level rise) and transition risks (for example, policy changes, market shifts), as well as opportunities for innovation, resilience and leadership.

Climate-related risk and opportunities management

Coordinated activities to direct and control an organisation regarding climate-related risks and opportunities. It includes governance, strategy, risk treatment, monitoring and continuous improvement, and should be embedded in organisational decision-making.

Climate variable

A measurable property of the climate system that varies over time and space, such as temperature, rainfall or wind speed. Changes in climate variables can lead to climate hazards like heatwaves or storms.

Confidence rating

Reflects how reliable the evidence or projections are. High confidence supports immediate planning. Low confidence may need further investigation or monitoring.

Consequence

The negative outcome or impact of an event, used in risk analysis to understand the severity of potential

climate-related effects on objectives, assets or communities. Consequences may be financial, operational, cultural, reputational, environmental or social. See also [Impact](#).

Controls

Controls are the measures your organisation already has in place to manage climate-related risks and opportunities (*actions* are the additional measures you might take).

Decarbonisation

See [Net Zero](#).

Exposure

Exposure refers to the presence of people, assets, services, First Nations cultural heritage sites or systems that could be affected by climate-related risks, whether physical (like floods, fires and coastal erosion) or transition-related (like policy changes, market shifts or technological disruption). Exposure is one of the key components in assessing climate risk, alongside sensitivity and adaptive capacity.

Hazard

A climate hazard is something in the climate system, like extreme heat, storms or floods that can cause harm. A hazard can cause loss of life, injury, or other health impacts, as well as damage and loss to property, infrastructure, cultural sites, livelihoods, service provision, ecosystems and environmental resources.

Climate hazards can be acute or chronic:

- **acute** – sudden onset events such as heatwaves, floods, storms or bushfires
- **chronic** – long-term changes such as sea-level rise, increasing average temperatures, or prolonged droughts.

Hazards describe the *climate phenomena*, while physical risks describe the *impacts* of those phenomena on systems, services, or assets.

Impact

The impact is the effect of a climate hazard or transition driver on assets, systems, cultural sites, people or ecosystems. Impacts can be negative



(see [Consequence](#)) or positive (Opportunity). Understanding impacts helps to determine the severity of climate-related risks and opportunities.

Impacts of physical climate risks are influenced by the hazard, and the exposure and vulnerability of the value affected. The resulting impacts may be **direct** (for example, damage to infrastructure) or **indirect** (for example, supply chain disruption, health effects).

Likelihood

The chance of something happening, used in risk analysis to estimate the probability of a climate-related event or impact occurring. Likelihood may be expressed qualitatively or quantitatively and should be based on evidence and expert judgement.

Materiality (risk assessment – ISO aligned)

Materiality refers to climate-related risks or opportunities that could significantly impact your organisation. Materiality is considered in CCROAs to help assess risks and opportunities for action. Materiality judgements are used to identify material risks and opportunities so that your organisation can meet the requirements for climate-related financial disclosures (see [Material information](#) below).

Material information (TPG24-33 Reporting framework for first year climate-related financial disclosures)

Materiality also refers to information about climate risks and opportunities. Climate-related information is material if it affects your organisation's prospects, or if omitting, misstating or obscuring the information could be expected to influence the decisions of the primary users of an entity's general-purpose financial reports. Assessing materiality helps determine what information your organisation must disclose in line with NSW Treasury's TPG24-33 framework.
(Aligned with IFRS S2 and ISSB guidance)

Material risks (and opportunities)

Material risks are risks that pose a significant threat to your organisation's objectives. A climate-related risk (or opportunity) is considered material if its potential impact or likelihood is high enough to require active management or decision-making.

Identifying material risks and opportunities helps to determine which ones need treatment, monitoring or escalating.

(Adapted from ISO 31000:2018 – Risk management guidelines)

Net zero

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

Physical opportunity

Opportunities may arise from adapting to climate change including improving asset resilience, reducing long-term costs, protecting service delivery, or strengthening community trust. While less common, physical opportunities can also emerge from changing climate conditions – such as shifts in tourism patterns and agricultural possibilities.

Physical risk

Physical risks are the potential negative impacts on systems, services or assets, infrastructure, ecosystems and people that result from climate-related hazards. These risks can be acute or chronic:

- **acute** – related to sudden events like floods, storms or bushfires
- **chronic** – related to long-term changes such as sea-level rise, increasing average temperatures or prolonged drought.

While *hazards* describe the climate phenomena (for example, more frequent heatwaves or rising sea levels), *physical risks* describe the consequences of those phenomena for organisations - such as damage to infrastructure, disruption to services or increased operational costs, especially if systems are not designed to cope with future conditions.

Plausible future climate

A plausible future climate is one that is well within the bounds of possibility, given the uncertainties that exist. Plausible means that a particular climate



scenario could reasonably occur – it doesn't refer to the likelihood of a scenario occurring.

Residual risk

The level of risk remaining after controls have been applied. Residual risk should be monitored and managed and may be accepted if within the organisation's risk appetite. It informs decisions about further action or contingency planning.

Resilience

The ability of a system, organisation, workforce or community to anticipate, absorb, recover from and adapt to climate-related shocks, stresses and transitions. In the Climate Risk Ready NSW context, resilience is strengthened through proactive planning, flexible systems, inclusive governance and investment in adaptive and transitional capacity, supporting long-term public value and improved decision-making.

Risk appetite

The amount and type of risk an organisation is willing to pursue or retain to achieve its objectives. It reflects strategic priorities, values and tolerance for uncertainty, and should be clearly communicated.

Organisations with well-developed systems, processes, and capabilities for identifying, assessing, and managing climate-related risks and opportunities are better positioned to define and apply their risk appetite effectively.

Risk management framework

A structured, organisation-wide approach to identifying, assessing and managing risks that could affect the achievement of strategic and operational objectives. Risk management frameworks help organisations make informed decisions, allocate resources effectively and improve resilience.

The Climate Risk Ready NSW Guide is an example of a risk management framework, as it provides a structured 4-step framework to help NSW agencies identify, assess, treat, and monitor climate-related risks in a way that supports resilience, informed decision-making, and alignment with government objectives.

In the context of climate risk, risk management frameworks provide a foundation for integration, but additional approaches are often needed to address the unique characteristics of climate-related risks and opportunities.

If your organisation does not have a suitable framework, refer to the [NSW Treasury Risk Management Toolkit](#)

Risk owner

A person or entity with the accountability and authority to manage a particular risk. They are responsible for ensuring appropriate treatment, monitoring and reporting, and for engaging relevant stakeholders.

Risk statement

A short description of a risk that outlines its cause, event and potential impact on organisational objectives. Risk statements help clarify the nature of a risk and support consistent assessment and treatment. In climate risk and opportunity management, they frame uncertainties in terms of their potential effects on strategic, operational or service delivery outcomes. Typically documented in enterprise or project risk registers, business continuity plans, strategic documents, climate risk assessments or risk management platforms. Refer to [TPP12-03c Risk Management toolkit for the NSW Public Sector Volume 2 - Templates examples and case study](#).

Example: *'Increased frequency of extreme heat events may lead to reduced workforce availability, impacting service continuity and operational efficiency.'*

This aligns with the Selecting Climate Scenario Guide, [ISO 31000](#), [ISO 14091](#), and [NSW Treasury's TPG24-33](#).

Risk tolerance

Risk tolerance is the specific amount of risk an organisation is willing to live with after taking steps to reduce it. It refers to the organisation's readiness to bear a specific level of risk after treatment, often expressed in terms of thresholds or limits. Risk tolerance helps guide decision-making, escalation and resource allocation.



Risk treatment

Also known as an adaptation action for physical climate risks. The process of selecting and implementing measures to modify risk. This may include avoiding, reducing, transferring or accepting risk. Effective treatment considers feasibility, cost, co-benefits and alignment with organisational objectives.

Scenario analysis

Scenario analysis explores how climate-related risks and opportunities could unfold under different plausible future conditions. It helps organisations assess potential impacts and test decisions across a range of climate and transition scenarios.

This approach is essential to completing a CCROA and managing climate-related risks and opportunities, because these tasks must account for uncertainty, long-term change and non-linear effects, unlike standard risk assessments that rely on historical data. Scenario analysis uses narratives and visual aids to explore how climate-related risks and opportunities may change over time, across regions, or under different climate and policy pathways.

Scenario analysis supports better decision-making by revealing risks and opportunities that may emerge under different climate futures.

Sensitivity

Sensitivity is the degree to which a system, asset, cultural heritage site or service is affected by climate-related risks. High sensitivity means even small changes – whether physical (like temperature or rainfall) or transition-related (like policy or market shifts) – can have significant impacts. Sensitivity is influenced by design, location, condition and interdependencies.

Shared Socioeconomic Pathway (SSP)

A type of climate change scenario that describes alternative global socioeconomic futures up to 2100. SSPs are used in the IPCC Sixth Assessment Report (AR6) to explore how different patterns of population growth, economic development, technology and inequality could influence global greenhouse gas emissions and the challenges of climate mitigation and adaptation. SSPs are represented as 5 narratives describing broad

socioeconomic trends that could shape future society, as well as global developments leading to different challenges for mitigation and adaptation to climate change. SSPs build on the IPCC's previous emissions scenarios, Representative Concentration Pathways (known as RCPs), which only considered greenhouse gas concentrations (and not the human factors that affect them).

Thresholds

Thresholds are points requiring escalation and can be from a physical risk, transition risk governance or capability sources. See examples below:

- Physical Risk Threshold: Extreme heat days exceed 20 per year for 2 consecutive years
- Transition Risk Threshold: Policy change increases compliance cost by >15%
- Governance Threshold: MERI report not tabled for 2 consecutive quarters
- Capability Threshold: No improvement in climate risk maturity after 3 years.

Transition opportunity

Potential benefits that arise from the shift to a low-carbon economy. These may include access to new markets, improved efficiency, cost savings, innovation, stronger reputation, or new funding and incentives. Unlike physical opportunities that are often linked with responding to risks, transition opportunities often emerge alongside transition risks as a direct result of a transition driver. Transition opportunities can support strategic goals, sustainability targets and long-term resilience.

Transition scenario

A type of climate change scenario that describes how policy, market, technology, and stakeholder changes could unfold over time as economies move towards net-zero emissions. They include the emissions reduction trajectory (decarbonisation pathway), but also encompass broader changes in policy, markets, technology, and stakeholder expectations that shape organisational risks and opportunities.

These pathways help organisations explore how different levels and types of climate-related action may shape future risks and opportunities. Common scenarios include orderly transitions with steady progress, disorderly transitions with delayed and



disruptive change, and limited action scenarios with escalating physical impacts.

Transition risk

Risks linked to the shift towards a low-carbon economy. These can come from changes in government policy, laws, technology, markets or public expectations. Along with risks associated with the transition to a low-carbon economy, there are also risks associated with *adapting* to climate change, where a response to a physical climate risk creates new risks.

Transition risks can affect how organisations operate, spend funds, invest and plan for the future and impact decisions, costs and competitiveness.

Triggers

Triggers are early warning signals and can be from a physical risk, transition risk governance or capability sources. Some examples are:

- physical risk trigger: increase in maintenance costs for flood-prone assets by >10%
- transition risk trigger: announcement of new emissions reporting requirements
- governance trigger: MERI report delayed by one reporting cycle
- capability trigger: staff training completion falls below 50% by mid-year.

Values

Things that matter and could be affected by climate change. These include physical assets (like buildings and infrastructure), natural assets (like ecosystems and water sources), cultural heritage (including First Nations cultural values, identity and connection to Country), public services, economic activities, and community wellbeing. Identifying values helps organisations understand what's at risk and where to focus their climate risk management efforts.

Vulnerability

The degree to which a system, community, cultural heritage site or asset is susceptible to, or unable to cope with, the adverse effects of climate change. Vulnerability is influenced by sensitivity and adaptive capacity. High vulnerability indicates a need for targeted actions and support.



Appendix B:

Relevant strategies, policies and programs

NSW Government programs, tools and resources: these terms relate to NSW and Australian Government initiatives, platforms and modelling tools that support climate risk management and capability building.

AdaptNSW

The NSW Government's public-facing climate adaptation website. It provides regional climate projections (through the NARClIM project), case studies, tools and resources to support climate risk management across sectors. It is a key platform for sharing guidance and capability materials.

Climate Risk Ready NSW

A NSW Government program that helps organisations identify, assess and manage climate-related risks and opportunities. It includes guidance, tools, capability support and resources tailored for NSW contexts.

NSW and Australian Regional Climate Modelling (NARClIM)

NSW Government's trusted source for regional climate projections data and associated information for NSW. It provides downscaled climate projections for Australia, with finer-scale projections for south-eastern Australia. The latest generation of NARClIM projections (known as NARClIM2.0) are available via AdaptNSW. NARClIM projections support scenario analysis and CCROAs by offering data on temperature, rainfall, extreme events and more under different emissions pathways.

NSW Audit Office – Managing Climate Risks to Assets and Services (2021)

This performance audit assessed how effectively NSW Treasury and the Department of Planning, Industry and Environment (now the Department of Climate Change, Energy, the Environment and Water) supported agencies to manage climate risks to public assets and services.

It's relevant because it:

- found that many agencies had not completed climate risk assessments or developed adaptation plans
- highlighted the need for coordinated support, improved education, and better integration of climate projections
- recommended stronger guidance, monitoring, and assurance processes for climate risk management.

Climate Risk Ready NSW responds directly to these findings by providing a structured, scalable process for agencies to assess and manage climate-related risks and opportunities.

NSW Audit Office – Audit Work Program 2025–2028

The NSW Audit Office's forward audit plan includes a focus on climate-related risks, ESG reporting, and the effectiveness of public sector responses to emerging systemic risks.



It's relevant because it:

- signals increased scrutiny of climate risk integration in asset management, infrastructure planning, and financial reporting
- reinforces the importance of transparent, strategic climate risk management across agencies.

Climate Risk Ready NSW supports agencies to prepare for future audit expectations by embedding climate risk into governance, planning, and reporting frameworks.

NSW Government drivers – strategic direction and mandate

NSW Climate Change (Net Zero Future) Act 2023 – Legislative mandate and strategic direction

This Act legislates NSW's commitment to net-zero emissions by 2050 and greater climate resilience. It's relevant because it:

- sets legally binding emissions reduction targets: 50% by 2030, 70% by 2035, net-zero by 2050
- establishes an adaptation objective for NSW
- requires agencies to act in line with guiding principles: fairness, scientific integrity, intergenerational equity, and transparency
- creates the Net Zero Commission to monitor progress and advise government.

For users, this means climate-related risk and opportunity management is no longer optional - it's part of NSW's legal and strategic framework. Climate Risk Ready NSW helps agencies respond to this mandate by embedding climate risk into decision-making, planning, and reporting.

NSW Climate Change Adaptation Strategy (2022) – Strategic Framework

This Strategy sets the whole-of-government direction for climate adaptation. It's relevant because it:

- requires agencies to complete CCROAs
- embeds adaptation into government decision-making
- aligns with the Net Zero Plan and other major initiatives

Climate Risk Ready NSW supports this by helping agencies assess risks and opportunities in a way that is locally relevant, system-aware, and strategically aligned.

NSW Climate Change Adaptation Action Plan 2025–2029 – Operational Mandate

This is the first whole-of-government adaptation action plan. It's relevant because it:

- sets out 46 concrete actions across 7 themes (for example, policy, capability, processes)
- requires agencies to mainstream adaptation into everyday decisions
- commits to a statewide CCROA every 5 years.

Climate Risk Ready NSW helps agencies meet these expectations by providing a practical process for identifying risks and opportunities that feed directly into adaptation planning.

NSW Treasury's TPG Framework – Integrated disclosure and strategic risk management

The TPG frameworks set mandatory requirements for climate-related financial disclosures across NSW public sector entities.

- TPG25-10: Provides the overarching policy and guidelines for financial and annual reporting across NSW Government agencies
- TPG24-33: Defines the minimum content requirements for climate-related financial disclosures, mandating that entities report on climate risks, opportunities, and management strategies.

They are relevant because it requires entities to:

- report on governance, strategy, risk management, and metrics and targets
- describe their climate risk assessment methodology
- explain how climate risk is embedded in operations and strategic planning
- align with ASRS, adapted for NSW context.

Climate Risk Ready NSW is designed to help agencies meet these requirements by guiding them through a structured, proportionate process that supports both internal decision-making and external reporting.



NSW Net Zero Plan – Stage 1: 2020–2030

The NSW Net Zero Plan is the state's roadmap for reducing emissions and transitioning to a net-zero economy by 2050. Stage 1 focuses on the decade to 2030 and outlines practical steps to accelerate emissions reduction while supporting economic growth.

Key objectives:

- achieve a 35% reduction in emissions by 2030 (from 2005 levels)
- lay the foundation for net-zero emissions by 2050
- ensure emissions reduction enhances prosperity and quality of life.

Strategic focus areas:

- support for low-emissions technologies and innovation
- investment in clean energy, transport, and agriculture
- empowering consumers with information and choice
- collaboration with the Australian Government, with \$2 billion committed over 10 years.

Implications for executives:

- reinforces the need for transition planning and emissions reduction across portfolios
- aligns with the Climate Change (Net Zero Future) Act 2023, which legislates NSW's net-zero targets
- supports integration of climate risk into strategic planning, procurement, and infrastructure investment.

Government Sector Finance Act 2018

The *Government Sector Finance Act 2018* (GSF Act) establishes the foundation for financial and resource management across NSW Government agencies. It is principles-based legislation that promotes:

- sound financial management and performance
- transparency and accountability
- effective risk management systems.

Relevance to Climate Risk Ready NSW:

- The GSF Act requires accountable authorities (for example, Secretaries, Chief Executives) to

establish and maintain effective systems for risk management, internal control and assurance.

- Climate-related risks and opportunities are increasingly recognised as material strategic risks, meaning they fall within the scope of the GSF Act's expectations.
- Climate Risk Ready NSW helps agencies meet these obligations by embedding climate risk into core decision-making, planning and reporting processes.

TPP20-08 Internal Audit and Risk Management Policy

TPP20-08 is a mandatory NSW Treasury policy that outlines minimum standards for risk management, internal audit, and Audit and Risk Committees. It supports agencies in fulfilling their obligations under the GSF Act.

Relevance to Climate Risk Ready NSW:

- TPP20-08 requires agencies to implement risk management frameworks aligned with ISO 31000:2018 – Risk Management Principles and Framework
- it promotes best practice and encourages agencies to tailor their risk management to emerging risks, including climate-related risks.
- Climate Risk Ready NSW aligns with TPP20-08 by guiding agencies through a structured climate risk assessment process that integrates with existing enterprise risk management systems.

TPP12-03 Risk Management Toolkit for the NSW Public Sector - Practical Risk Integration

This Treasury toolkit provides practical guidance, templates and examples for implementing ISO 31000-aligned risk management across NSW Government entities.

It's relevant because it:

- supports agencies to tailor risk management frameworks to their context
- encourages integration of emerging risks, including climate-related risks
- aligns with the internal audit and risk management policy (TPP20-08).

Climate Risk Ready NSW complements this toolkit by helping agencies embed climate-related risks



and opportunities into existing enterprise risk management processes.

TTRP21-05 Indicative Assessment of Climate Risk – Strategic Economic Insight

This Treasury research paper outlines an analytical framework for assessing physical climate risks in NSW's long-term economic and fiscal planning.

It's relevant because it:

- reinforces the materiality of climate risk for NSW's financial outlook
- highlights the need for forward-looking risk assessments
- supports integration of climate risk into strategic planning and investment decisions.

Climate Risk Ready NSW supports this direction by guiding agencies through structured assessments that inform both operational resilience and strategic planning.

NSW Treasury's Sustainable Finance Steering Committee – ESG and Disclosure Alignment

This committee oversees the integration of environmental, social and governance (ESG) considerations, including climate-related financial risks, across NSW Government portfolios.

It's relevant because it:

- supports alignment with national and international disclosure frameworks (for example, IFRS S2, ASRS)
- promotes consistent, transparent climate risk reporting
- encourages whole-of-government coordination on sustainable finance.

Climate Risk Ready NSW aligns with this committee's objectives by providing a practical pathway for agencies to assess and disclose climate-related risks and opportunities in line with Treasury expectations.

Australian Government drivers – strategic direction and mandate

Climate Risk and Opportunity Management Program (CROMP), Australian Government – National alignment and compatible structure

The CROMP is the Australian Government's framework for integrating climate risk and opportunity into public sector decision-making. It's a relevant driver for Climate Risk Ready NSW because it sets national expectations for embedding climate risk into strategy, operations, and reporting - and its structure is compatible with Climate Risk Ready NSW's approach.

For NSW users, this means:

- Climate Risk Ready NSW supports voluntary alignment with Australian Government expectations – especially for entities with national visibility, partnerships, or funding
- Climate Risk Ready NSW's 4-step process mirrors CROMP's 7-step process, but is tailored to NSW's governance, language, and context
- NSW Treasury's TPG24-33 framework is informed by national and international standards, including those underpinning CROMP – so using Climate Risk Ready NSW helps agencies meet both state and federal climate-related financial disclosures expectations
- Climate Risk Ready NSW provides a practical, proportionate pathway for agencies to manage climate-related risks and opportunities in a way that is consistent with emerging national practice – without duplicating effort or compromising relevance.

Australian Sustainability Reporting Standards – National Disclosure Alignment

The Australian Sustainability Reporting Standards (ASRS), developed by the Australian Accounting Standards Board, set out mandatory climate-related disclosure requirements for large entities under the ASRS S2 Climate-related Financial Disclosures standard. These standards are aligned with the international IFRS S2 framework and are being phased in nationally from 2025.

They are relevant because they:

- define how entities must report on climate-related risks, opportunities, governance, strategy, and metrics and targets



- require disclosures across short, medium and long-term time horizons
- emphasise materiality, scenario analysis, and transition planning.

NSW Treasury's TPG24-33 adapts ASRS S2 for the NSW public sector context. Climate Risk Ready NSW supports alignment with ASRS by guiding agencies through a structured, proportionate process that meets both state and national expectations.

National Climate Risk Assessment (Australia) 2025

The National Climate Risk Assessment is Australia's first comprehensive evaluation of how climate change could affect the systems we rely on, including health, infrastructure, the economy, and the environment.

Key points:

- developed by the Australian Climate Service (BoM, CSIRO, ABS, Geoscience Australia)
- identifies 56 nationally significant climate risks, with 11 priority risks for deeper analysis
- covers 7 key systems and 4 cross-system risks, including supply chains, water security, coastal communities, and governance
- highlights risks to First Nations communities, integrated through a First Nations-led process
- confirms that climate hazards will worsen under all plausible futures
- emphasises that early action reduces long-term costs and protects what Australians value.

Implications for executives:

- reinforces the need for system-wide adaptation planning
- provides a national evidence base for risk prioritisation and investment
- supports alignment with the National Adaptation Plan and state-level frameworks like Climate Risk Ready NSW.

International standards

ISO 31000:2018 - Risk Management Principles and Framework

This international standard provides a structured, organisation-wide approach to managing uncertainty. It's relevant because it:

- embeds risk management into governance, strategy, planning, reporting, culture, and values
- promotes proactive identification of risks and opportunities
- supports decision-making under uncertainty and builds stakeholder confidence.

Climate Risk Ready NSW Guide aligns with ISO 31000 by helping agencies integrate climate-related risk and opportunity management into core decision-making processes, not just as a compliance exercise, but as a strategic enabler.

ISO 14091:2021 - Climate Risk Assessment for Adaptation

This international standard provides guidelines for assessing climate-related risks and vulnerabilities. It's relevant because it:

- supports qualitative and quantitative risk assessments
- enables early, planned adaptation rather than reactive responses
- encourages use of impact chains, indicators, and adaptive capacity analysis.

The Climate Risk Ready NSW Guide draws on ISO 14091 to guide users through a structured climate risk assessment that informs adaptation planning and operational resilience.

IFRS S2 Climate-related Disclosures – International Reporting Standard

IFRS S2 is the global standard for climate-related financial disclosures, developed by the International Sustainability Standards Board (ISSB). It sets out how organisations should report on climate-related risks and opportunities in a consistent, comparable and decision-useful way.



It's relevant because it:

- defines disclosure expectations across governance, strategy, risk management, and metrics and targets
- requires scenario analysis and time horizon alignment (short, medium, long term)
- underpins both the Australian Sustainability Reporting Standards (ASRS) and NSW Treasury's TPG4-33 Framework.

Climate Risk Ready NSW supports alignment with IFRS S2 by guiding agencies through a structured process that enables transparent, proportionate and meaningful climate-related risk and opportunity management – suitable for both internal decision-making and external reporting.



Appendix C:

Climate Risk Ready NSW

– Steps and outputs

Table C: Summary of steps and outputs from the Climate Risk Ready NSW process

Steps	Pages	Outputs
1 Step 1: Establish a foundation	p. 13-26	• a clear and documented rationale for managing climate-related risk and opportunities • a CCROA team with defined roles • an understanding of your organisation's climate risk maturity • an agreed scope that identifies values at risk, covers both physical and transition risks and opportunities, and sets appropriate boundaries and timeframes • a list of stakeholders to consult and keep informed throughout the process • executive endorsement and approvals to proceed • a fit-for-purpose risk register with documented considerations for climate-specific adjustments, such as likelihood and consequence ratings, time horizons, and risk appetite • a documentation hub to record rationale, approvals, plans, findings and monitoring outcomes.
2 Step 2: Identify, analyse and evaluate climate-related drivers, risks and opportunities	p. 27-47	• a thorough understanding of past and current climate-related events and trends that affect your organisation • an understanding of climate projections and transition scenarios, and carefully selected future scenarios that suit your organisation's purpose • clear risk and opportunity statements to help you document and communicate the possible impacts your organisation might experience under certain future scenarios • an inventory of existing controls being used to manage climate-related risks and opportunities • an assessment of likelihood and consequence for each identified risk and opportunity • clear priorities around the most important risks and opportunities for your organisation to manage.

**3**

**Step 3:
Develop and
implement an action
plan to respond to
climate-related risks
and opportunities**

p.48-61

- a set of actions linked to prioritised climate-related risks and opportunities
- documented actions (or embedded actions in existing plans) with clear timeframes, responsibilities and resources
- updated risk registers and plans that document your actions
- integrated climate-risk responses into organisational systems and governance frameworks.

4

**Step 4:
Monitor, evaluate,
report and improve
actions**

p.62-74

- a confirmed purpose and scope for your MERI plan
- appropriate indicators and metrics, and clear baselines and targets
- clearly assigned monitoring and evaluation responsibilities
- defined escalation pathways and accountabilities
- integrated MERI activities into your organisations risk management framework and existing systems
- identified reporting requirements and opportunities for communication, learning and improvement.



Appendix D:

Roles and responsibilities

Table D: Roles and responsibilities required during the Climate Risk Ready process

Role	Responsibilities	Participant name and role
Assessment team	Supports development and delivery of climate risk and opportunity assessment and management activities, including workshops, analysis, and communication with decision-makers	e.g. cross-functional team including risk, sustainability, finance, operations, planning, and data representatives
Project lead	Coordinates the assessment process, manages timelines and resources, facilitates team meetings, and ensures deliverables are met.	e.g. program/project manager, sustainability lead, risk advisor
Executive sponsor	Provides strategic oversight, champions the assessment internally, and supports resourcing and decision-making.	e.g. executive director, deputy secretary, senior executive
Risk advisor/owner	Ensures alignment with the organisation's enterprise risk framework, supports integration of climate risks into existing systems, coordinates MERI activities.	e.g. risk manager, enterprise risk lead, *climate change risk officer (CCRO)
Sustainability or climate lead	Provides subject matter expertise on climate change, supports scenario selection and interpretation of climate data.	e.g. sustainability manager, climate change advisor
Finance representative	Assesses financial implications of risks and opportunities, supports alignment with financial planning and disclosures.	e.g. chief financial officer, finance business partner
Asset or infrastructure lead	Identifies physical assets at risk, supports assessment of asset vulnerability and adaptation options.	e.g. asset manager, infrastructure planner
Operations or service delivery lead	Provides insight into operational risks and service continuity, supports identification of critical functions.	e.g. operations manager, service delivery lead
Planning or strategy lead	Ensures alignment with strategic objectives and planning cycles, supports integration of findings into organisational plans.	e.g. strategic planner, corporate planning lead
Data or analytics support	Assists with data collection, analysis and visualisation, including climate projections and risk data.	e.g. data analyst, GIS specialist
Stakeholder engagement lead	Coordinates engagement with internal and external stakeholders, supports communication and consultation activities.	e.g. community engagement officer, communications advisor
Governance bodies (for example, Audit & Risk Committee, Executive Leadership Team)	Provides oversight of MERI integration and disclosure compliance, ensures alignment with organisational priorities, and supports integration into enterprise governance.	e.g. committee members, senior executives

* Many NSW Government organisations may already have a designated climate change risk officer (CCRO) or equivalent role at the departmental level. This role can support coordination across portfolios. **Note: Not all roles will be required in every organisation. In smaller organisations, some individuals may take on multiple roles. In larger or more complex organisations, you may also consider establishing a steering committee or working group to provide oversight and guidance.**

