

Public policy effects Year 2 Guidance

Commonwealth Climate Disclosure

This document has been developed to support entities to implement the policy effects criteria of climate disclosure. It is not mandatory to use this Guidance. Entities should consider how it relates to their entity's individual circumstances.

Although all climate disclosure criteria should be addressed, the format for how these are disclosed is flexible (provided it meets the [General Requirements](#)). When your climate disclosure refers to different sections of an annual report, we recommend using an index. We recommend that you use this document alongside the examples and other resources published on the [Application Guidance website](#).

Public Policy Effects

Commonwealth entities and companies undertake a range of activities (Figure 1) which address the needs of the community and serve the government of the day through policy delivery. Considering climate risks and opportunities in the delivery of public policy aims to integrate climate considerations into core government functions. This helps to deliver more resilient policies and build community adaptation.



Figure 1 Range of Commonwealth entity activities

The public policy effects criteria (S5) supports annual report users to understand the current and anticipated effects of climate-related risks and opportunities on the delivery of public policy. This includes descriptions of the effects of climate-related risks and opportunities on the entity's delivery of public policy (both current and anticipated) and where the climate-related risks and opportunities are concentrated.

Policy effects criteria are a new requirement in Year 2 of the Commonwealth Climate Disclosure (CCD) Requirements. The policy effects requirements are summarised below.

Public policy effects

- New criteria (**S5**) to disclose effects of climate-related risks and opportunities on an entity's ability to deliver public policy.

Tip: The Climate risk management program project policy application guide (PDF 4 MB) available [here](#), developed by CROMP describes how to deliver assessments targeting a specific program, project, or policy area within your organisation's area of responsibility. It allows entities to assess and generate information useful for your disclosure.

What is public policy?

Entities in the Australian public service undertake activities which directly deliver or contribute to the delivery of public policy. This may take many forms. The CCD Requirements define public policy as:

Public policy refers broadly to any type of public policy intervention. This includes (but is not limited to) the development, implementation and enforcement of public policy through:

- the provision of policy advice
- the delivery of goods and services
- legislation
- regulations and standards
- voluntary agreements
- guidelines
- programs
- grants
- procurements and expenditures
- taxes
- subsidies and other fiscal measures
- financing and investment
- research and development
- public asset and infrastructure projects.

Where does your entity communicate its public policy, priorities and responsibilities?

Commonwealth entities and companies contribute to public policy by acting as the bridge between the government of the day and practical implementation, covering the entire policy cycle from agenda-setting to evaluation. They set their public policy objectives through a structured framework designed to align with government priorities. Your entity communicates objectives, priorities and responsibilities and how it will achieve these responsibilities through a corporate plan. These

objectives are designed to deliver outcomes that solve an entity’s policy objectives. This can be thought of as the delivery of public policy.

Key documents where these objectives are set could include:

- **Corporate Plans:** This is the primary planning document for a Commonwealth entity, detailing key activities, purposes, and performance measures.
- **Annual reports:** The performance reporting document, including financial statements and non-financial performance information. It contains information about the company’s performance over the last 12 months.
- **Portfolio Budget Statements (PBS):** Tabled in Parliament, the PBS sets out the outcomes and programs (policy objectives) for which funding is appropriated.

Defining your scope and approaches to analyse policy delivery

Public policy effects criteria (S5) ask entities to analyse how climate related risks and opportunities affect the entity’s public policy delivery. There are multiple ways to approach this depending on the level of detail and perspective required (Figure 2).

- **Top-down approach:** Use the objectives set out in the entity’s corporate plan. This can help set the boundaries of scope and anchor the analysis in the entity’s strategic priorities.
- **Bottom-up approach:** Guided by the [Climate risk management program project policy application guide](#), this can help entities to understand specific risks and opportunities.
- **Hybrid approach:** A combined top-down and bottom-up approach can provide a comprehensive view for holistic risk management, aligning high-level strategic objectives with granular policy delivery.

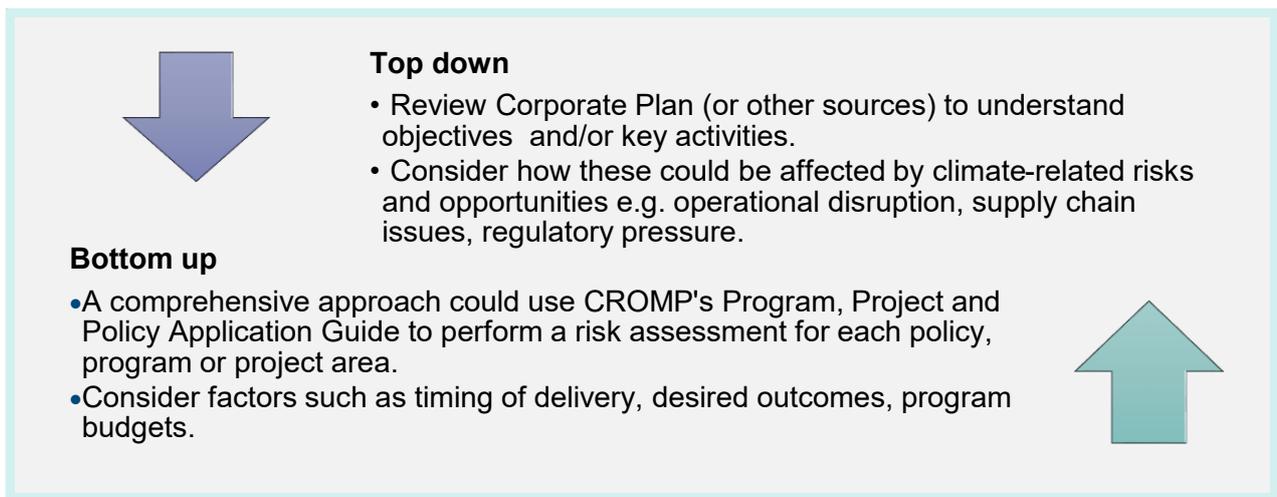


Figure 2 Defining scope and approaches to public policy

Choosing the right approach for your entity

Entities should select an approach which best fits their circumstances, capability, and stage of climate risk maturity. Entities may wish to begin with a top-down approach that focuses on high-level, entity-wide objectives. As your entity's understanding and climate-related risk management practices develop, you may expand to a more comprehensive approach, progressing to all relevant policy effects to enable resilient policy delivery.

Examples how entities can get started to assess their public policy effects

Example top-down approach:

An entity delivering a response might/can look at their corporate plan to understand their objectives or key activities. They are recommended to think about how their objectives will be affected by the physical and transitional risks over the relevant scenarios and time horizons.

- Operational disruption
- Economic impacts
- Legal and regulatory pressures
- Supply chain issues
- Reprioritisation of resources
- Data impacts
- Missed deadlines

Is there a recent climate event, such as a bushfire or flood which has affected your entity? How was your policy delivery affected? Are there climate proxy events where your entity responded to a major risk? Can you use this to model a response?

Example bottom-up approach

For a large entity delivering policies across multiple policy responsibilities, for example a Department of State, a central team could act as a coordinator for disclosure information across policy areas. This is likely to be a longer process than a top-down approach but ensures that there is improved resilience to physical and transitional climate related risks and opportunities.

- Entity identifies policy responsibilities within the entity.
- Each policy area compiles a list of climate-related risks and opportunities e.g. drawn from existing risk registers
- Policy areas design appropriate treatments.
- Entity develops a consolidated risk profile.
- Entity determines the material risks and opportunities for disclosure.

How do operational model effects (S4) differ from public policy effects (S5)?

Commonwealth entities and companies assess climate impacts across the operational model and public policy effects (Table 1). It is important to understand the difference between the two when preparing your material risks and opportunities for disclosure:

Effect	Operational model effects	Public policy effects
Description	<p>Operational model effects (S4) are about how climate change effects are anticipated to affect the way the organisation functions or operates internally.</p> <p>These relate to direct, internal impacts on the entity’s operating model caused by climate change or the transition to net zero.</p>	<p>Public policy effects (S5) are about how climate change effects are anticipated to affect the ability to deliver public policy.</p> <p>They can relate to impacts that influence the entity’s obligations, such as productivity, economic development, supply chain and logistics, physical infrastructure, biodiversity and land management, agriculture costs, defence preparedness and decarbonisation activities and governance.</p>
Impact	Inside the entity.	Generally, outside the entity (activities originating from entity objectives).
Area of focus	Practical day-to-day operations.	Strategic policy-shaping.

Table 1 Comparison of operational model effects with public policy effects

Current and anticipated risks and opportunities on public policy

Commonwealth entities should consider current and anticipated risks and opportunities to public policy when preparing their disclosure. These are risks and opportunities that are currently affecting the entity or are expected to affect the entity in the future. These include strategic, operational, physical or transition impacts, see Table 2.

Risks	Opportunities
Bushfires affecting delivery timelines of tree species regeneration projects.	A reputation for climate resilience strengthens Australia’s competitiveness.

Insurance premium for bridge reconstruction goes up due to adverse local climate conditions.	Sustainable delivery and carbon-neutral products led by customer demand for environmentally friendly services and products increases market share.
Social services shop fronts close due to storms and flooding.	Financial supports help students remain engaged during climate-related hardship.
Cost of damage and disaster recovery increases.	Climate-resilient infrastructure upgrades reduce downtime, lower repair costs, and increase longevity.

Table 2 Showing policy related current and anticipated risks and opportunities

When considering anticipated effects, entities may wish to use the same short-, medium-, and long-term time horizons which you have used in your responses to S2 (c).

Example: Non-corporate Commonwealth entity with notable geographical climate-related risk and opportunity concentration. The current effects of the material risks and opportunities could include:

- Risk: Impact on timing of delivery: A project goes on extended hiatus during recent bushfire seasons due to safety risk.
- Risk: Impact on program budget: Shortages of in-demand skills increases costs associated with third party service providers.
- Risk: Supply Chain: A program experienced a four-week delay in SE NSW roll-out due to Black Summer road-closures.
- Opportunity: Markets changes: Reduced cost of sustainable technologies enabled program X to expand scale of rollout.

Applying climate scenario data (S14) to support your climate risks and opportunities identification

Strategy criteria S1-6 help to build a holistic picture of the entity’s current and anticipated risks and opportunities for the operational model and its public policy delivery. Climate scenario analysis (S14) helps to look at these risks and opportunities along different timelines and different emissions pathways.

Climate scenario data enhances analysis by identifying long-term and compounding risks not within a single reporting period and strengthens the prioritisation of material climate risks and opportunities. Its use should form your response to Strategy criteria to assess potential impacts on policy delivery (S5).



Figure 3 Working with climate scenario analysis data to identify your risks and opportunities

By comparing how policies perform across different future climate conditions, entities can identify material risks, prioritise actions, and consider “what if” scenarios in their planning for both physical and transition risks. For example, how do increases in floods affect your policy landscapes and what changes need to be made to your public policy delivery to reduce your exposure to an increase in floods over time.

Refer to the Climate Scenario Analysis Guidance (under development) and [Climate risk management technical guidance](#) (Step 2) developed by CROMP for more information on climate scenario analysis.

Concentration of risks and opportunities

Understanding where risks and opportunities are concentrated helps contribute to an understanding of the climate resilience of the entity and its public policy delivery. Many policies undergo an impact analysis as part of their policy proposal process setup, and this can be a good place to start to identify elements for policy delivery. An impact analysis can contribute to understanding where vulnerabilities might occur, geographically within certain areas of public policy delivery such as third parties, technology or operational disruption. Addressing concentration of risks and opportunities in policy delivery can be undertaken by:

- **Mapping dependencies:** Identify and map dependencies through your public policy delivery. These may include a dependency on a single provider, multiple activities or a geographic spread of activities affected by physical climate risks or changes in regional setups and regulations.
- **Identify:** Determine which vendors are critical to business operations, particularly in IT, cloud services, and essential public services.

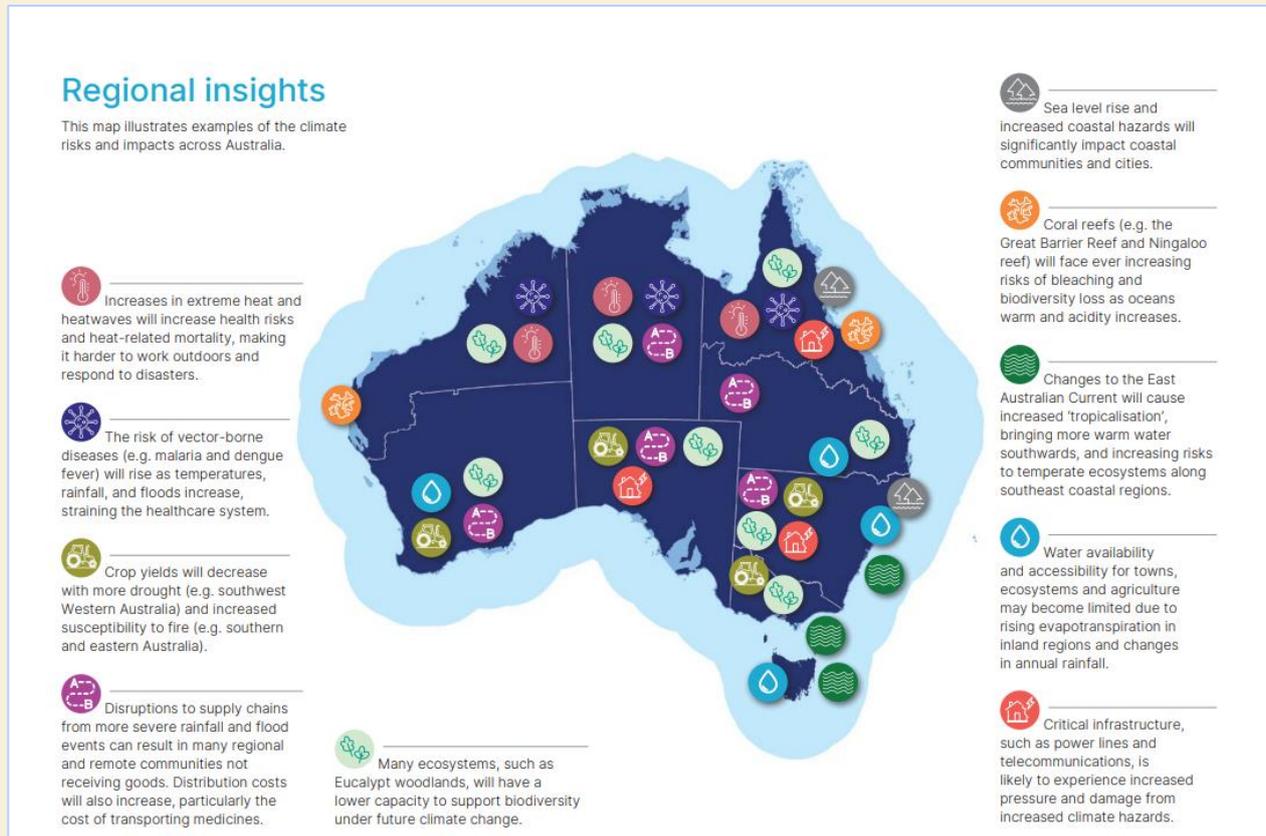
Concentration can be represented as either a location map or a narrative description, see the following examples:

Example: Flooding in NSW and Victoria in October 2022, which extended into Queensland and South Australia, caused impacts including widespread flooding of communities and dairy, grain and horticulture production regions, as well as disruption of freight infrastructure. The

geographical extent of flooded area (the 'event region') was relatively small, however the region provided food for the nation and had several busy inter-city freight routes which affected multiple other areas.

Source: *Supply Chains Technical Report 2025*

Example: Illustrative example of the concentration of risks and opportunities.



Source: *Australia's First Climate Risk Assessment: An Overview 2025*

Example of public policy effects

The following illustrative example (Figure 4) shows a matrix with potential climate and transition impacts to a Commonwealth program, project, or policy area. In this example the entity has considered how physical and transitional risks and opportunities could affect its policy objectives.

Risk driver	Timely delivery	Achieving desired social policy outcomes	Adherence to program budget	Supply chain
Bushfire	A project goes on extended hiatus during recent bushfire seasons due to safety risk.			A program experienced a four-week delay in SE NSW roll-out due to Black Summer road-closures.
Flooding		Temporary office closures, property damage, forced evacuations due to flash flood in 2018.		Temporary closure of Trans-Australian railway after 2022 floods affected transport of materials for C'wlth funded road projects.
Market shifts	Shortage of in-demand skills impacting a project's timelines.	Reduced cost of sustainable technologies enabled program X to expand scale of rollout.	Shortages of in-demand skills increases costs associated with third party service providers.	

Figure 4 Example of public policy effects matrix with climate risks highlighted red and climate opportunities highlighted blue.

Source: CROMP's [Climate risk management program project policy application guide](#)

Document control

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1	06/03/2026	Initial publication

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