

Strategy Year 2 Guidance

Commonwealth Climate Disclosure

This document has been developed to support you in implementing the Year 2 Strategy criteria of your entity's climate disclosure. It is not mandatory to use this Guidance, and you should consider how it relates to your 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.

The additional Year 2 requirements are summarised below.

Climate-related risks and opportunities	• Expansion of S2 scope to cover the entity's policy-related risks and opportunities in accordance with the progressive implementation schedule.
Public policy effects	• New criteria (S5) to disclose effects of climate-related risks and opportunities on an entity's ability to deliver public policy.
Strategy and decision making effects	• New criteria (S6) to disclose effects of climate-related risks and opportunities on an entity's strategy and decision-making.
Climate-related scenario analysis	• New criteria (S14) to disclose how climate-related scenario analysis was carried out when completing a climate risk and opportunity assessment.

S1 has also been expanded to include S1(c), S1(d) and S1(f) to cover the criteria above.

Note: There is no application guidance for S0 and S1 because they are achieved by addressing all other Strategy criteria.

Navigating CCD guidance available for Strategy criteria

A suite of guidance materials is available to support you in responding to the CCD requirements under the specific Strategy criteria. This document provides high-level guidance and an overview of the Strategy criteria as a whole. Figure 1 illustrates how this overarching guidance is complemented by a series of technical fact sheets addressing specific criteria, such as public policy effects. These fact sheets offer detailed, topic-specific advice.

The guidance materials also include example responses from entities who have voluntarily opted in early and reported against these criteria, as well as a worked example to further support entity understanding.

These Strategy resources are published on the [Application Guidance website](#).

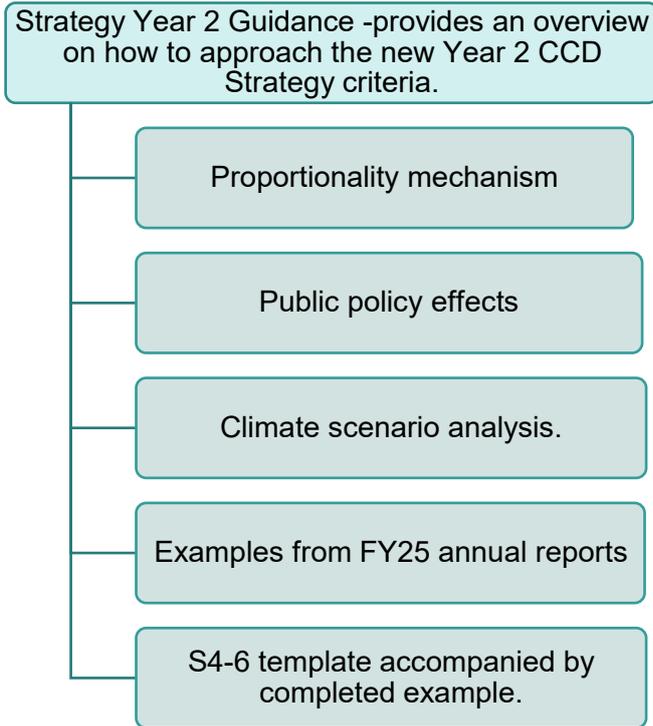


Figure 1 Suite of guidance on Strategy criteria

Guide to making your disclosure

The strategy section of your climate disclosure should ‘tell the story’ about your strategy for managing climate-related risks and opportunities, enabling annual report users to understand connections between information and avoiding duplication when possible.

The Strategy criteria in the CCD requirements are not presented in the chronological order in which entities would typically undertake the work; one approach entities may take is outlined in the diagram below. This guidance document is structured around this sequence of events.

1. Getting started

- Review available information (Corporate Plan, CROMP, Emissions Reduction Plan etc.)
- Confirm scope according to the progressive implementation schedule **(S2a)**
- Consider what information is 'material information'.

2. Methodology used to identify material risks and opportunities

- Identify if CROMP or alternative methodology was used **(S3)**
- Consider how climate scenario analysis is used to identify material risks and opportunities **(S14)** over different time horizons.

3. List and categorise material risks and opportunities

- Categorise each risk and/or opportunity as either physical or transition risk **(S2b)**
- Specify and define time horizons over which the risks and opportunities could be expected to occur **(S2c and S2d)**.

4. Assess current and anticipated effects of material risks and opportunities

- for the entity's operational model **(S4a)**
- for the entity's ability to deliver public policy (refer to CCD definition of 'public policy') **(S5a)**
- and where the current and anticipated effects of the risks and opportunities are likely to be concentrated **(S4b and S5b)**.
- Consider whether your approach used is reasonable and supportable **(S5c)**.

5. What action you have, or will, undertake to manage these current or anticipated risks and opportunities

- Current or anticipated changes to approach to manage material climate risks and opportunities **(S6a)**.

6. Consider Year 3 requirements for next year's disclosure

- Financial position, financial performance and cash flow effects **(S7)**.

1. Getting started (S2a)

After conducting your climate risk and opportunity assessment, you should confirm your scope, review existing information available and ensure you understand how the public policy definition and materiality apply to your entity's climate disclosure.

Depending on your entity's individual circumstances, the climate risk and opportunity assessment undertaken using the Climate Risk and Opportunity Management Program (CROMP) may provide a large portion of the information to address the Strategy criteria. Once you have considered CROMP's overlap with the Strategy category, it is recommended you engage with the [Materiality Guidance](#) and Public Policy Effects Guidance.

Tip: Information is considered meaningful where it concerns climate-related risks or opportunities that have, or may have, a significant impact on the entity, its ability to deliver public policy and/or its financial prospects.

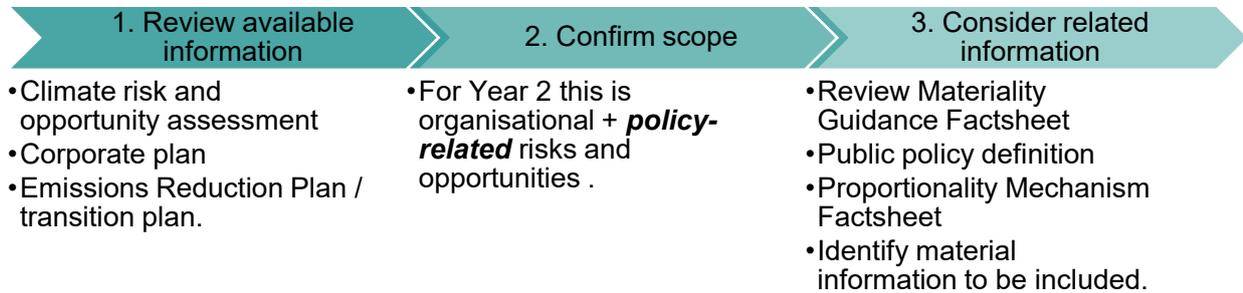


Figure 2 Suggested pathway to get started on the Strategy criteria

Note: There is no need to duplicate relevant content detailed in other sections of the annual report or within other public documents (such as your Corporate Plan or Emissions Reduction Plan) within your climate disclosure section. You may wish to reference sections of your annual report and include hyperlinks to these external documents in your index.

S2 (a) Confirm scope

In Year 2, the CCD Requirements expand the scope to include policy-related risks and opportunities. This scope should be clearly identified when referencing your material risks and opportunities in S2.

Entity reporting year	Scope of climate-related risks and opportunities to be disclosed
Year 1	Organisational risks and opportunities: This includes (but is not limited to) the climate-related risks and opportunities associated with the entity’s main business operations and people, assets or other infrastructure the entity relies on to maintain business continuity.
Year 2 and ongoing	Year 1 plus: Policy-related risks and opportunities: This includes the climate-related risks and opportunities associated with the entity’s ability to deliver its public policy.

Table 1 Progressive implementation schedule

2. Methodology used to identify material risks and opportunities (S3, S5c, S14)

This section covers criteria relating to the methodology for identifying material climate-related risks and opportunities, as set out in criteria S3, S5c, and S14. These criteria cover how entities should structure and communicate the processes used to assess materiality, and how these processes link to the broader Risk Management criteria. Together, these elements establish the foundation for demonstrating a clear, evidence-based approach to determining which climate risks and opportunities matter most for your operations and policy delivery.

S3 Climate risk and opportunity assessment

As set out in [The Australian Government's Approach to Climate Risk and Opportunity Management in the Public Sector 2024-2026](#), entities are expected to have undertaken a climate risk and opportunity assessment.

We recommend that you review the Risk Management Guidance Factsheet published on the [Application Guidance website](#) for information on completing an assessment aligned with the CROMP methodology or an alternate methodology.

It is encouraged that this assessment aligns with the CROMP methodology. If it is impractical for your entity to adopt CROMP in full and you use an alternative methodology, you will need to provide an explanation of why you chose an alternate methodology, and how it is robust and defensible (example available in the Year 1 Strategy SIV example on the [Application Guidance](#)).

S14 Climate-related scenario analysis

This criterion supports annual report users to understand how climate-related scenario analysis was conducted when completing your climate risk and opportunity assessment.

Scenario analysis shows how risks and opportunities may evolve across different timelines and emissions pathways. Combined with Strategy criteria S1–S6, it helps build a holistic view of current and emerging risks to operations and policy delivery.

Entities can assess how future climate conditions might affect policy delivery by applying both low- and high-emissions scenarios, outlined in the Year 2 Reporting Provisions as 1.5°C and higher than 2.5°C. Comparing results across scenarios helps to define material risks and inform prioritisation of actions.

The approach used will depend on each entity's needs, resources, and capabilities. Entities facing significant physical or transition risks should consider at least some quantitative analysis.

Tip: Additional resources

The Climate Scenario Analysis Guidance (under development) on our [Application Guidance](#) website provides more detailed information on S14 criterion.

See also the climate scenario analysis section in the Climate Risk Technical Guidance [Climate Risk and Opportunity Management Program resources - DCCEEW](#).

S5c Reasonable and supportable information

Entities need not undertake an exhaustive search for information. However, entities are expected to take a reasonable step to analyse their entity's circumstances and document their analysis.

Tip: There are several scoping boundaries entities can use to frame their responses. See the following resources for further information:

[CCD Requirements](#) cover exemptions for impracticality, operational constraints, exceptions and maturity.

[Application Guidance](#) factsheets covering Materiality and Proportionality mechanisms (in development).

3. List and categorise material risks and opportunities (S2b, S2c, S2d)

It is expected that entities will have undertaken a climate risk and opportunity assessment, for example using the CROMP Framework. After reviewing this assessment, entities can review the [Materiality Guidance](#) to decide which climate-related risks and opportunities are material. This will provide you with the climate-related risks and opportunities to be included under S2. Criterion S2 narrows the focus to organisational and policy climate-related risks and opportunities, how they are categorised (as predominantly a physical risk or transition risk) and the timeframes in which the climate-related risk or opportunity is expected to occur.

Tip: Not all climate-related risks and opportunities identified in your entity’s climate risk and opportunity assessment will necessarily be significant enough to include in your climate disclosure. You should focus on climate-related risks and opportunities that are both relevant and consequential to annual report users.

See the [Materiality Guidance](#) for practical guidance on determining material information for your entity.

The following diagram outlines some questions to ask as you identify material information.

S2	S2b	S2c	S2d
<ul style="list-style-type: none"> •What are the material climate-related risks and opportunities? •These are often disclosed in a table. 	<ul style="list-style-type: none"> •Are they predominately physical or transitional? 	<ul style="list-style-type: none"> •Over what time horizons do you expect the effects to occur? •Identify short-term, medium-term and long-term (often as per CROMP recommendations) 	<ul style="list-style-type: none"> •How have you defined your 'time horizons'? •This often aligns with the CROMP recommendations.

Figure 3 Prompting questions to identify S2b-d criteria

Example: Table 2 provides examples on how to address the prompting questions 1-4 above alongside additional Strategy criteria.

To meet S2(d), include the definition of short-, medium- and long-term for the effects of each climate-related risk and opportunity and the rationale for these definitions. Time horizons identified in related policy may be used to inform these definitions. Where appropriate, you should use the recommendation in CROMP’s [Organisation Application Guide](#) of using 2030, 2050 and 2090 as the short-, mid- (referred to as medium in CCD) and long-term time horizons respectively.

In addressing S2(d) you can consider when the risks or opportunities identified in your disclosure are likely to manifest, and how they may change over the time horizons considered in your climate risk and opportunity assessment. For example, whether a climate risk is already occurring and is expected to increase in future, or whether an opportunity will only be realised under a certain time horizon.

Tip: Looking at your risk or opportunity statement through different time horizons (present day, 2030, 2050 and 2090) creates a picture of how the risk or opportunity may change over time.

For example, a (physical) risk of extreme weather events on staff wellbeing and safety may initially be rated as minor in the present day and 2030. However, by 2050 and 2090 this may change to extreme as the frequency and severity of the extreme weather events increases and it becomes harder to care for staff wellbeing and safety.

Alternately, a transition risk may follow a different trajectory. High ratings may be seen in the shorter term (e.g. financial strain due to initial costs of adopting new technology for emissions reduction), but lower risk ratings in 2050 and 2090 (e.g. prior adoption of new technology leads to operation in line with emissions reduction goals).

4. Current and anticipated effects of material risks and opportunities (S4 and S5)

This section supports annual report users to understand the current and anticipated effects of the material climate-related risks and opportunities identified. This builds on the work for S2 (see Table 1) by providing an analysis of the **current and anticipated effects** of these material climate-related risks and opportunities on the entity’s:

- operational model (S4), and
- ability to deliver public policy (S5).

This includes a description of where the effects the current and anticipated effects of the climate-related risks and opportunities are concentrated.

Current and anticipated effects	Time period
Current effects	Effects of climate-related risks and opportunities for the reporting period.
Anticipated effects	Anticipated effects of climate-related risks and opportunities over the short, medium and long-term.

When considering anticipated effects, entities may wish to use the same short-, medium-, and long-term time horizons from your climate risk assessment.

Operational model is defined as the system of transforming inputs through its activities into outputs and outcomes that aim to further the entity’s objectives over the short-, medium- and/or long-term. For example, the operational model refers to the way in which the entity operates and conducts its activities to achieve outcomes that further its objectives.

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.

For the purposes of Commonwealth Climate Disclosure, public policy does not include policies internal to the organisation that have little or no outward effect on the broader Australian public.

Linkages between organisational and policy risks and opportunities

There can be similarities or interdependencies between the climate risks and opportunities identified for your organisation and for the delivery of public policy. This means that where a risk or opportunity impacts the organisation, there can be flow on effects to the delivery of a policy. Table 2 shows examples of how organisational and policy delivery risks are linked.

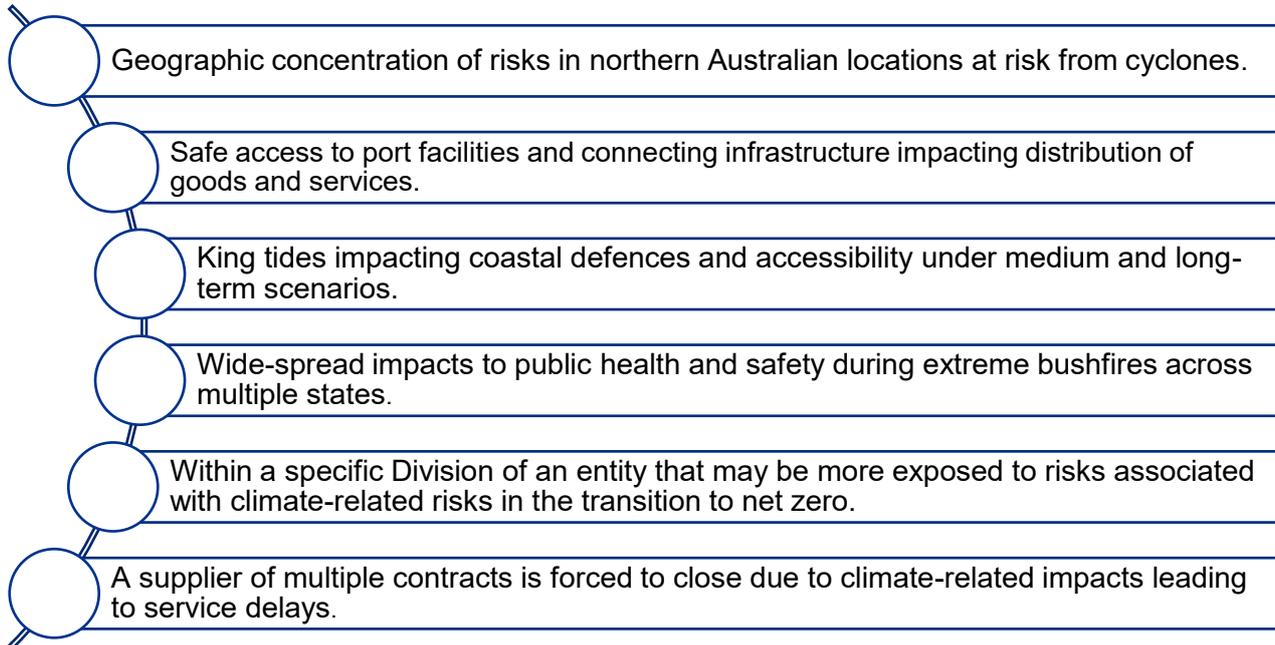
Risk or Opportunity	Organisation	Policy
Opportunity	Reducing dependence on gas heating	Increases move towards use of heat pumps powered by cheaper renewable electricity sources and lower bills long term
Risk	Health and safety impacts from extreme heat impacting staff safety and site access	Reduced capacity to deliver policies and programs
Opportunity	Civil works to address flooding risk	Reduced financial impacts from loss of rent and upgrade costs.

Table 2: Linkages between organisational and policy risks and opportunities

Concentration of risks

Concentration refers to the clustering of climate-related risks and opportunities, including geographic (locations, facilities, or types of assets), supply chain, sectoral (hard-to-abate sectors or those investing in the transition), or portfolio or activity concentration (financial and investments). You should consider the extent or range of the climate-related risks and opportunities that your entity has identified, and the specific effects that your entity may be exposed to. This may appear as the identification of risks and opportunities being assessed as particularly acute in specific areas (in one or more scenarios).

Examples include:



Note: It may not be appropriate to disclose the geographic location of climate-related risks and opportunities if doing so poses a significant security risk. Refer to 'Information exemptions' in the Year 2 Reporting Provisions for further information on security and other exceptions.

Entities may consider showcasing geographic concentration of risks and opportunities as a map (see Figure 4 below). Similar illustrations may be useful to communicate other concentration types.

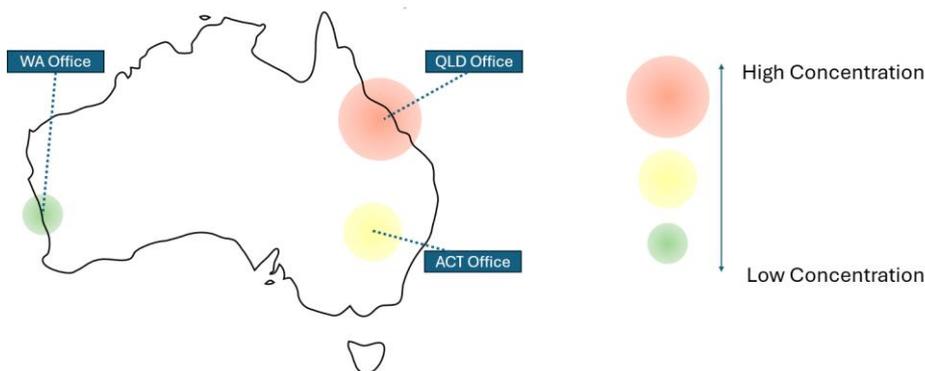


Figure 4 Example of a graphic depicting the geographic concentration of risks and opportunities.

5. Action undertaken to manage these current or anticipated risks (S6)

Criteria S6 supports annual report users to understand the effects of climate-related risks and opportunities on the entity's strategy and decision-making.

Entities can address these criteria by identifying areas within their portfolio that demonstrate actions taken in response to climate-related risks and opportunities. This may include planning activities, conducting analysis and modelling, undertaking research, integrating new procedures,

obtaining accreditation under climate-related schemes, performing reviews, setting targets, and securing funding.

These actions highlight how entities are actively managing or have managed the impacts of climate-related risks and opportunities, supporting an assessment of their overall resilience.

Current and anticipated changes (S6ai-ii)

Entities should identify what actions they have undertaken (current changes), and those that are planned (anticipated changes). This should cover:

- your operational model and policy delivery scope
- emission reduction targets, and
- other climate-related targets not related to emissions reduction e.g. capability uplift, climate adaptation plan rollout, integration with enterprise risk, climate considerations integrated into transactions processes.

Actions completed	Actions planned
Published second Emissions Reduction Plan.	Established a taskforce to accelerate action to electrify existing Commonwealth assets.
Updated our business continuity plan in response to our operational climate-related risks and opportunities.	Sign-up to WOAG electricity contracts as rolled out in relevant states and territories.
Added a standard agenda item on 'Climate Risks and Opportunities' to our Executive Board meetings to ensure decisions consideration at the executive level.	Updating our building maintenance and upgrade plan for our largest emitting sites.
Executive Board training on Climate Action obligations and disclosure requirements.	Review site selection checklist to assess for climate risk early in planning process.

Table 3 Example S6(a)i-ii

The table below outlines an alternative fictitious example of how an entity in the agricultural sector could describe the analysis and changes they have made.

Risk or opportunity	Action (current or planned)
Risk: climate conscious consumers favour lower GHG emissions foods.	Current: exploring how to develop lower carbon produce from farmers and continue to build a culture of collaboration and long-term partnership with partners.
Risk: increased heat events, flooding and drought lead to reduction in crop yields.	Current: commissioned a study to increase our understanding of material flood risk looking at quantifying coastal, river and surface water flooding on farms. Trial growers in a different catchment with reduced flood risk.
Opportunity: invest in climate change solutions.	Planned: invest in engineering innovation and carbon reduction initiatives.

Table 4 Example S6(a)i-ii for fictitious entity in agricultural sector

Examples: entities can disclose how they address S6 in a range of ways. You may wish to review some Year 1 CCD disclosures as examples of different approaches. For example, [AFP's annual report](#) (Strategy section) explained the effects on its strategy and decision making, [CSIRO's annual report](#) mapped out climate-related target progress framed around existing sustainability strategy, and [Airservices Australia's](#) annual report included their strategy for addressing identified physical and transition risks (including those related to strategy and decision making).

Planning and monitoring progress (S6a-iii-v and S6c)

This group of criteria covers how your entity plans to achieve your climate-related targets, including how you will:

- monitor progress against climate-related targets (including greenhouse gas emissions targets referenced in M5-7)
- monitor and reduce exposure to climate-related risks harness climate-related opportunities. This includes the controls, actions assets required.

It is likely that some of these criteria will be addressed through Governance and Metrics and targets criteria, for example:

- G1av: covers the accountable authority's role in setting and monitoring progress of the entity's climate-related targets.
- M7: performance against each climate-related target.

Example: APS Net Zero 2030 Target

All non-corporate Commonwealth entities and entities opting in to the target will have an Emissions Reduction Plan in place and publish an annual progress update in their annual report (M7). This work will likely cover your plan to achieve your emissions reduction target and ongoing reporting.

Entities will need to ensure their S6 response also addresses other climate-related strategies and actions above and beyond emissions reduction, for example, changes to policies and procedures, capability uplift or other adaptation initiatives.

Example: planning and monitoring

In addition to the actions outlined in our published Emissions Reduction Plan, we plan to:

1. Accelerate emissions reduction by establishing a taskforce to front load building upgrades so we can harness the benefits before 2030. This taskforce will provide recommendations to our Executive Board on whether assets are recommended for upgrade, decommissioning / divestment and/ or no action required.
2. Present any material changes and recommended actions from our annual refreshed climate risk and opportunity assessment to the Audit and Risk Committee. This includes a traffic light system to identify any changes to risk exposure/vulnerability.

3. Drive innovation with the introduction of a Climate Action Hero award to our annual entity award scheme.

S4-6 template and example

This example shows how an entity might approach their response to S4-6 in a table format.

This guidance is voluntary and is intended solely to support entities in preparing their disclosures. Entities should consider how the guidance applies to their specific circumstances, provided the General Requirements are met.

Material risks and opportunities ¹	Current effects 2025-26 reporting period	Anticipated effects Short-, medium-, and long-term time horizons	Strategy & decision making ² Actions planned or undertaken to manage effects
<p>Risk 1: climate change events, such as bushfires and storms, impacting staff health and safety.</p> <p>Time horizon³: short (2030), medium (2050).</p> <p>Concentration⁴: head office locations (Canberra and Brisbane).</p> <p>Risk type⁵: physical</p>	<p>Operational model⁶: health and safety impacts to staff from acute weather events such as the January bushfire impacting our head office this reporting period.</p> <p>Public policy delivery⁷: not applicable.</p>	<p>More frequent acute climate events alongside emerging chronic impacts (e.g. sea-level rise and drought) increasing operational disruption and service delivery during high-risk periods. We expect our coastal, low-lying and northern operations to feel the effects more readily, particularly in the medium-term time horizons and high emissions scenarios.</p>	<p>Actions undertaken: integrated climate risk into WHS and business continuity planning; strengthened flexible and remote operating arrangements and associated ICT.</p> <p>Planned actions: embed climate risk into enterprise risk management processes; review workforce planning and investment governance processes to ensure service continuity during high-risk periods.</p>
<p>Risk 2: accessing [aged/disability/child] care facilities for compliance and safety audits in extreme weather events.</p> <p>Time horizon*: short (2030), medium (2050).</p> <p>Concentration: remote and very remote regions in northern Australia impacted by road closures from fires, floods and storms.</p> <p>Risk type: physical</p>	<p>Operational delivery: not applicable.</p> <p>Public policy delivery: risks associated with maintaining the quality and safety of [aged/disability/child] facilities, including potential impacts on the safety and wellbeing of residents and patients.</p>	<p>Operational model: inability for staff to access facilities impacted by extreme weather events, and/or risks to the safety of staff when attempting to access.</p> <p>Public policy delivery: increasing climate-related disruptions particularly under high emissions scenarios may heighten the risk of reduced compliance and safety audit quality. Any real or perceived decline could undermine assurance arrangements and weaken public confidence, with flow-on impacts to consumer protection outcomes, provider accountability, and trust in regulatory and oversight systems.</p>	<p>Actions undertaken: climate and compliance data used to prioritise audits in high-risk locations; remote or alternative audit methods used when site access is unsafe (process adapted from COVID audit procedure); reported assurance gaps arising from reduced audit activity escalated to Audit and Risk Committee as needed.</p> <p>Planned actions: review and update staff safety and site-access decision thresholds during extreme weather; develop communication and engagement plan to build regulatory and consumer confidence.</p>
<p>Opportunity 1: reduce costs and emissions associated with operations, through investment in low emissions technology such as electric vehicles.</p> <p>Time horizon: short (2030), medium (2050).</p> <p>Concentration: head office locations (Canberra and Brisbane).</p> <p>Opportunity type: transition</p>	<p>Operational model: initial investments in low emissions technology and adaptation measures reduce operational expenses, potentially freeing up operational budget in future years.</p> <p>Public policy delivery: demonstrate early adoption in line with APS Net Zero commitments, linked to improved stakeholder relations and organisational reputation.</p>	<p>Operational model: lower operating risk over time resulting in operations that are more aligned with emissions reduction goals; increased efficiency and reduced future transition risk compared with delaying action; and strong reputation potentially leading to recruitment and retention benefits.</p> <p>Public policy delivery: support Commonwealth climate action obligations e.g. APS Net Zero 2030; frees up funds over time (as energy and emissions costs fall), allowing resources to be redirected to other products and services delivered to the Australian public.</p>	<p>Actions undertaken: outputs of our Emissions Reduction Plan (ERP) and related CROMP assessment used to prioritise activities; and planned activities embedded into core financial, procurement and operational forecasting, with activities scaled over time.</p> <p>Planned actions: implementation progress dashboard developed to track progress of planned activities; and develop a strategy to quantify the operational cost savings and reinvest funds into further projects and staff training.</p>
<p>Opportunity 2: community [sports/playground/public space] grants assessment criteria updated to embed climate adaptation measures.</p> <p>Time horizon: short (2030), medium (2050).</p> <p>Concentration: public sports facilities (generally in high exposure and low-lying sites).</p> <p>Opportunity type: physical</p>	<p>Operational model: not applicable.</p> <p>Public policy delivery: increase community outcomes (health and safety from acute weather events) through community sports grants by supporting community led solutions to at risk facilities.</p>	<p>Increase outcomes for the public through grants (public policy delivery) assessment process by embedding climate adaption measures with broader community outcomes.</p> <p>Provision of increased shade, shelter, access to fresh water or flood resilience measures may lead to greater access and utilisation of safe public areas during extreme conditions.</p>	<p>Actions undertaken: updated our assessment process for community sports grants to identify, and where appropriate, address climate-related risks and opportunities (delivered through site checklist, guidance on actions, and requirement for annual survey to monitor benefits).</p> <p>Planned actions: apply lessons learned to additional grant categories, where appropriate.</p>

Table 2 Material Risk and Opportunity Example

* Time horizons as per CROMP recommendations ⁸

¹ S2 (material risks and opportunities in accordance with the progressive implementation schedule).

² S6ai,ii (current or anticipated changes to the operational model and or approach to delivering public policy)

³ S2c (time horizon effects of climate change could reasonably be expected to occur)

⁴ S4b and S5b (concentration of effects)

⁵ S2b (predominately physical or transition risk)

⁶ S4a (current effects on the entity's operational model). Note – anticipated effects are in the column to the right.

⁷ S5a (current effects on the entity's ability to deliver public policy). Note – anticipated effects are in the column to the right.

⁸ S2d (definition of time horizons used)



Document control

Version number	Date of issue	Brief description of change
1	06/03/2026	Initial publication

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