



Environment Protection Authority

Climate Change Impacts, Risks and Adaptation Statement



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EPA officers testing water.

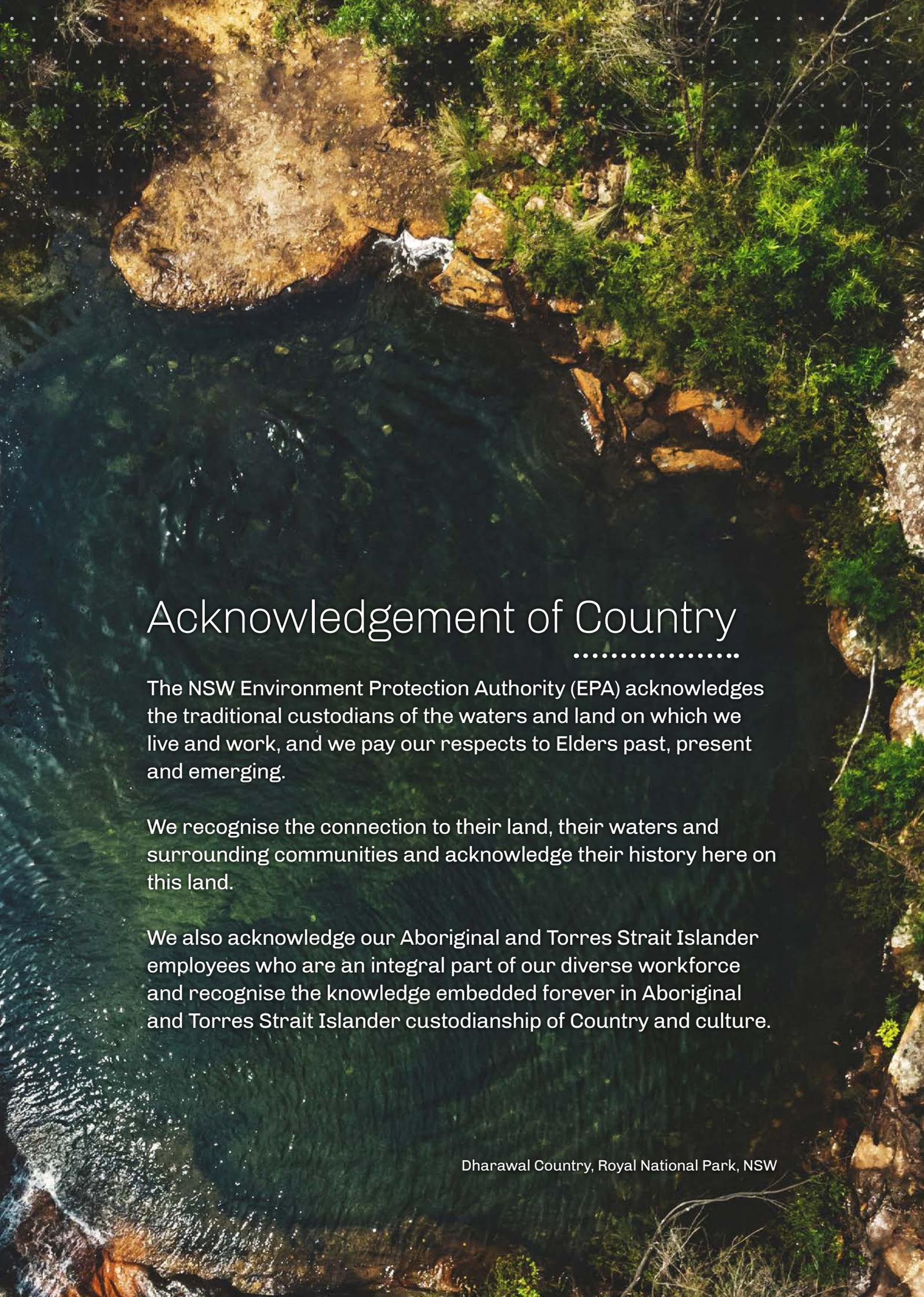
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Mid North Coast of New South Wales, Australia.

An aerial photograph of a stream flowing through a dense forest. The water is dark and clear, reflecting the surrounding greenery. The stream is bordered by large, reddish-brown rocks. The forest is lush with various shades of green, including moss and ferns. The overall scene is serene and natural.

Acknowledgement of Country

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The NSW Environment Protection Authority (EPA) acknowledges the traditional custodians of the waters and land on which we live and work, and we pay our respects to Elders past, present and emerging.

We recognise the connection to their land, their waters and surrounding communities and acknowledge their history here on this land.

We also acknowledge our Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and culture.

Dharawal Country, Royal National Park, NSW

Climate Change Impacts, Risks and Adaptation Statement

The NSW Environment Protection Authority (EPA) is the primary environmental regulator for NSW and is an active government partner on climate change policy, regulation and innovation. The EPA also plays an important role in responding to the environmental impacts of climate-induced incidents, emergencies and disasters under the State's emergency management arrangements, including response and recovery activities.

As committed under the **NSW Government Net Zero Plan Stage 1: 2020–2030 Implementation Update**, the EPA has prepared a Climate Change Impacts, Risks and Adaptation Statement (Statement), which sets out the economic, financial and physical impacts, risks and opportunities of climate change and planned future priorities on the EPA's operations.

The **NSW Climate Change Policy Framework** sets out the NSW Government's long-term goal to achieve net zero emissions by 2050 and how it will make NSW more resilient to a changing climate.

The **Net Zero Plan Stage 1: 2020–2030 Implementation Update** commits NSW to reducing emissions by 50% below 2005 levels by 2030.

The Statement has been developed to be consistent with the framework established by the **Task Force on Climate-related Financial Disclosures (TCFD)**, and it is the first statement that the EPA has developed. As we gain knowledge and improve our processes in climate-related risk identification and management, our statements will mature. The EPA's actions and responses to climate change will increase and adapt over time, based on science and current practices. Our statements will reflect the evolving Government policy and science on climate change.

To support our progress, this Statement has been peer reviewed by an appropriately qualified auditor, who has provided an assurance statement.

Composition of this Statement

There are four core elements to the EPA's Climate Change Impacts, Risks and Adaptation Statement, which is consistent with the TCFD framework. These are:

- **Governance** – which discloses the EPA's governance concerning climate-related risks and opportunities
- **Strategy** – which discloses the actual and potential impacts of climate-related risk and opportunities
- **Risk** – which discloses the processes used by the EPA to identify, assess and manage climate-related risk
- **Metrics and targets** – which discloses the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Governance

The TCFD framework recommends that the Statement should describe the EPA's governance structure concerning climate-related risks and opportunities including:

- a description of the EPA Board's oversight of climate-related risks and opportunities
- a description of EPA management's role in assessing and managing climate-related risks and opportunities.



Photo: Nick May/EPA

Governance – where we are today

Future priorities

EPA Board oversight

The EPA Board is an independent, expertise-based governing body that oversees and monitors the functions of the EPA. The Board determines the policies and long-term strategic plans of the EPA, including policies and plans relating to organisational governance and risk management.

Each year the Board considers how the EPA has reduced risks to human health and prevented environmental degradation. The Board regularly monitors the EPA's performance and strategic risks and publicly reports the outcomes in the annual report, on the EPA website and to Parliament.

In 2021 the Board approved the EPA's new Strategic Plan for 2021–24. The EPA Executive worked with the Board to make climate change a key strategic priority for 2021–24. This will ensure ongoing Board oversight of the EPA's climate-related risks and opportunities.

We will develop processes to manage and oversee climate-related risks and opportunities. These processes will be incorporated within our risk management and assurance framework and will have Board oversight.

Audit and Risk Committee

The EPA's Audit and Risk Committee (ARC) is a subcommittee of the Board and reports directly to the Board's Chair. It is independent of the EPA and monitors, reviews and provides advice regarding:

- governance processes
- risk management and control frameworks
- external accountability obligations.

The ARC meets on a quarterly basis and reviews the EPA's strategic risks, including climate-related risk.

We will report climate-related risks and the process for managing these risks to the ARC on a quarterly basis.

Management's role

Climate change is a strategic risk for the EPA: it impacts the whole organisation and is linked to a strategic priority. The Chief Risk Officer (CRO) is the custodian of the strategic risk register and coordinates quarterly reporting on the strategic risks and any material changes to the EPA Executive and ARC. The CRO oversees the implementation of risk management processes to ensure risk management is embedded in the planning and approval processes of all major business processes and functions of the EPA.

The EPA reports to the EPA Board on how it is meeting its strategic priorities, including climate change, on a periodic basis.

The EPA Executive and Senior Leadership Team will oversee and monitor climate-related risks and opportunities. This will include considering whether defined risk descriptions, ratings, controls and treatment plans are appropriate.

Governance – where we are today

Future priorities

EPA Board Regulatory Assurance Statement

The *Protection of the Environment (Administration) Act 1991* requires the EPA Board to report on EPA's progress in reducing risks to human health and preventing degradation of the environment. In making its assessment, the Board considers the extensive range of EPA programs, as well as the EPA's regulatory and risk assessment framework, and reports its findings in the annual EPA Board Regulatory Assurance Statement.

The EPA Board monitors the organisation's progress towards meeting its strategic intent using a selection of the EPA's key performance indicators, including environmental outcomes-based measures reported to the NSW Treasury.

We will report our progress in achieving our climate change outcomes which will be considered by the Board in its annual Regulatory Assurance Statement.

Reporting to Treasury

The EPA is required to set annual outcome and performance targets aligned with the delivery of State Outcome Indicators and Program Performance Measures in accordance with Outcome Budgeting (TPP18-09). The EPA reports performance against targets to the NSW Treasury on a quarterly basis.

Our quarterly reporting to Treasury will include climate change specific outcomes and performance targets. Outcomes and targets will be developed and reported to Treasury by FY 2023–24.

Strategy

The TCFD framework recommends a disclosure of actual and potential impacts of climate-related risks and opportunities on the EPA's operations, strategy and financial planning, where such information is material. This includes:

- a description of the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term time horizons
- a description of the impact of climate-related risks and opportunities on the EPA's operations, strategy and financial planning
- a description of the resilience of the EPA's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Climate-related risks and opportunities

The EPA recognises the risks and opportunities posed by climate change. Our **Regulatory Strategy 2021–24** identifies climate change as one of the key regulatory challenges for the EPA. Climate change is also a key focus area under our **Strategic Plan 2021–24**.

Climate-related risks

We followed a systematic process for identifying and articulating our climate-related risks, based on the Climate Risk Ready NSW Guide. Identification of risk mitigation and controls will be undertaken as a key future priority.

In accordance with the **Climate Risk Ready NSW Guide**, our climate-related risks have been identified as:

- physical risks caused by increasing intensity and frequency of severe (acute or chronic) weather events
- transition risks (policy, legal, reputational) associated with transitioning to a decarbonised economy
- liability risks (the result of either physical or transition risks) resulting from people or businesses holding the EPA responsible for not acting sufficiently on climate change and seeking compensation from the EPA for losses they may have suffered.

The Climate Risk Ready NSW Guide helps State Government staff manage risks and opportunities associated with climate change. The guide was published by the NSW Government in 2021 and outlines a four-step process to help increase the capacity of the NSW Government agencies to identify and manage climate change risks to public assets, services and objectives.

The most significant climate-related risks to the EPA are included in the risk tables below. These risks are either climate-related risks that directly impact the EPA's own operations (for example, work, health and safety risks to EPA officers), or risks that may impact the EPA in undertaking its regulatory functions to manage climate-related impacts, under its regulatory remit.

As we better understand these risks across the organisation, we will determine appropriate time horizons over which these risks will manifest. An example of time horizons could be short- (1–3 years), medium- (3–10 years) and long-term (> 10 years). We will then incorporate management of these risks across the different time horizons into our financial planning processes.

In order to manage risks associated with the rapidly changing climate change policy landscape in NSW and at the national level, we will continue to monitor policy changes and adjust our strategy accordingly.

Climate-related opportunities

The EPA is currently developing a Climate Change Policy and Action Plan. This will help us deliver on our strategic plan commitments, our statutory duty to develop climate-change related environmental quality objectives, guidelines and policies, and to fulfil the orders of the Land and Environment Court (NSWLEC 92, 2021). The implementation of the policy and action plan will help us to identify climate-related opportunities across the short-, medium- and long-term horizons.

CASE STUDY – 2021 Legal Challenge

In 2021 Bushfire Survivors for Climate Action (BSCA) took action against the EPA in the NSW Land and Environment Court. BSCA alleged that the EPA had not fulfilled its statutory duty under s 9(1)(a) of the *Protection of the Environment Administration Act 1991* (NSW) to develop its own climate-change related environmental quality objectives, guidelines and policies. On 26 August 2021 his Honour Chief Judge Preston ruled in favour of BSCA and ordered the EPA to fulfil its statutory duty.

We have also committed to reducing Scope 1 and 2 emissions from our own operations and to become a carbon-neutral organisation by 2030.

As we continue to develop our climate risk management approach, we will incorporate consideration of identified opportunities into our financial planning processes.

	Physical risks	Example risk mitigation
Liability	<p>Work, health and safety (WHS) risks due to severe weather, leading to:</p> <ul style="list-style-type: none"> • greater numbers of health and safety incidents • greater number of insurance claims, under-insurance or increased premiums • increased demand on PPE equipment. 	<p>Climate-related risks will be integrated into the EPA's strategic risk register and the WHS management system.</p>
Acute and chronic	<p>Increased frequency and/or severity of pollution events, leading to:</p> <p>Acute risks:</p> <ul style="list-style-type: none"> • additional cost to organisation in disaster recovery programs and support to the community to reduce risks and/or impacts of climate change • increase in EPA costs of disposal/processing of disaster waste, in the absence of capacities amongst local council facilities. <p>Chronic risks:</p> <ul style="list-style-type: none"> • increased resources required to support the regulated community to reduce chronic impacts of climate change (for example, odour issues at landfills due to sustained heavy rainfall). 	<p>Finalisation and implementation of the EPA's Climate Change Policy and Action Plan, which will detail further actions we intend to take to support our regulated community to become more resilient to a changing climate.</p> <p>Access to specific disaster recovery funding under the National Disaster recovery Funding Arrangements (DRFA) between the Commonwealth and NSW Governments.</p>
Liability	<p>Increased frequency and/or severity of pollution events leading to:</p> <ul style="list-style-type: none"> • the EPA not having adequate resources to perform its full suite of regulatory functions (for example, significant resources are diverted away from regular job functions and into climate-induced impact response and recovery work, or some sites are inaccessible). 	<p>Climate-related risks and opportunities integrated into the EPA's workforce planning process.</p> <p>Finalisation and implementation of the EPA's Climate Change Policy and Action Plan (as above).</p>

	Transitional risks	Example risk mitigation
Reputational	The EPA is unable to meet its carbon neutral commitment. For example, the carbon neutral plan does not adequately quantify emissions or identify all emission sources, or EPA cannot meet the costs required to mitigate emissions. This can lead to reputational harm.	Technical review or compliance with a carbon neutral standard. The EPA will develop a pathway to meet carbon neutrality by 2030.
Policy and legal	The EPA's regulated community considers the EPA's climate change requirements are too onerous or costly, leading to legal challenges.	Finalisation and implementation of the EPA's Climate Change Policy and Action Plan, which will include appropriately staged actions and transitional arrangements (where needed) to minimise regulatory burden and costs on our regulated community.
Policy and legal	The broader community considers that the EPA is not doing enough to manage the causes and/or impacts of climate change, leading to legal challenges.	<p>Implementation of the EPA's 2021–24 Strategic Plan, including addressing climate change as a focus area for the organisation.</p> <p>Implementation of the EPA's Climate Change Policy and Action Plan, which will detail further actions we intend to take to support our regulated community contribute in appropriate ways to the State's net zero target, and to the State's goal of making NSW more resilient to a changing climate.</p> <p>Regular horizon scanning will identify emerging climate-related risks and opportunities.</p>
Liability	The EPA does not have the capability or capacity to support the regulated community to mitigate their emissions or climate change impacts, leading to the EPA being incapable or unable to adequately perform its regulatory job functions, resulting in litigation and reputational harm.	<p>Implementation of the EPA's 2021–24 Strategic Plan, including addressing climate change as a focus area for the organisation.</p> <p>Climate-related risks integrated into the EPA's strategic risk register and workforce planning process.</p>

Strategy – where we are today

We have made climate change a strategic priority

The EPA's Strategic Plan 2021–24 identifies ecologically sustainable development and climate change as strategic priorities for the EPA. Under the strategic plan, we are committed to:

- taking action to reduce emissions, mitigate climate change impacts and build greater environmental and community resilience aligned with the principles in the **NSW Net Zero Plan**
- championing sustainable approaches to mitigate the cumulative impacts of industry on local communities and environments.

Future priorities

We will finalise and implement our Climate Change Policy and Action Plan – these documents will address these priorities.

We have identified climate change as a key regulatory challenge

Our **Regulatory Strategy 2021–24** identifies climate change as one of the key regulatory challenges for the EPA and explains how we work collaboratively with the NSW Government to achieve net zero emissions by 2050 and to make NSW more resilient to a changing climate.

We will finalise and implement our Climate Change Policy and Action Plan – these documents will address this challenge.

We are prioritising Aboriginal knowledge and perspectives

Under our **Strategic Plan**, we aim to make sure that Aboriginal knowledge and perspectives are taken into account and are incorporated within the EPA's work in important environmental issues, by building relationships with communities and working to maintain these relationships for the long term.

We will finalise and implement our Climate Change Policy and Action Plan – these documents will outline actions to help ensure Aboriginal knowledge and perspectives are incorporated into the EPA's response to climate change.

We are incorporating environmental justice principles

Consistent with our **Regulatory Policy**, we consider environmental justice principles when deciding how to respond to an environmental or human health issue. In developing our regulatory response to climate change, we are considering these principles, including the impact of climate change on disadvantaged and vulnerable communities and people (now and into the future). We are also ensuring our climate actions are fair and, where appropriate, allow for meaningful involvement regardless of age, ethnic background, socio-economic background and status, and seek to achieve intergenerational equity.

We will finalise and implement our Climate Change Policy – these documents will outline actions to help ensure environmental justice principles are incorporated into our response to climate change.

We will regularly discuss our climate change approach with the EPA's new Youth Advisory Council, to ensure we're putting intergenerational equity into practice.

Strategy – where we are today

We are supporting the NSW Government climate change objectives

- The EPA works collaboratively with the NSW Government to support the delivery of its climate change objectives under the Climate Change Policy Framework, including the Net Zero Plan Stage 1: 2020–2030, the Net Zero Plan Stage 1: 2020–2030 Implementation Update and the NSW Climate Change Adaptation Strategy and the upcoming State Resilience Strategy.

The **NSW Climate Change Adaptation Strategy** sets out the NSW Government's strategic approach for managing the impacts of climate change on the State.

A State Resilience Strategy is also being prepared by Resilience NSW, which will consider the State's emergency management planning and recovery.

Future priorities

We will finalise and implement the EPA's Climate Change Policy and Action Plan. These documents outline actions we intend to take to support our regulated community to contribute in appropriate ways to the State's net zero target by 2050 and the State's goal of making NSW more resilient to a changing climate.

We will ensure that our climate change approach complements the State Resilience Strategy, once released.

We are managing the Government's commitment to achieve net zero emissions from organic waste from landfills by 2030.

The EPA is the lead agency responsible for delivering on the NSW Government's commitment to achieve net zero emissions from organic waste from landfills by 2030, under the NSW Government's Net Zero Plan. This commitment was also reaffirmed in the NSW Waste and Sustainable Materials Strategy 2041.

We will finalise and implement our Climate Change Policy and Action Plan, which will outline how we will support other industry sectors we regulate to contribute in appropriate ways to the State's net zero target by 2050.



Flood debris in Lismore.

CASE STUDY: net zero emissions from organic waste



Under the NSW Government's **Net Zero Plan Stage 1: 2020–2030**, the EPA is making sure NSW achieves net zero emissions from organic waste by 2030.

Organic waste, such as food scraps and garden trimmings, makes up about 40% of the waste in red-lidded kerbside garbage bins. When sent to landfill, the decomposing material releases methane, a potent greenhouse gas that may escape into the air. However, when this waste is properly composted and recycled, it reduces greenhouse gas emissions in three ways:

- Methane emissions from compost are far less than those from landfills.
- Compost, when applied to land, enhances the soil's ability to store carbon.
- Biogas captured in the composting process can be used to generate electricity.

To do this, the EPA is developing new policies to reduce the amount of waste going to landfills. In particular, the EPA:

- supports local councils to provide communities with best-practice food and garden waste management infrastructure
- makes sure composts or other organic soils for land application are the best they can be
- makes it easier for waste facilities to start using innovative technologies to recover and process organic waste, including technologies such as aerobic digestion that turn waste into energy
- updates regulatory settings to make sure that any residual methane gas emissions from the organic waste industry are offset, which means removing the same amount of greenhouse gas or more from the air (for example, by planting new trees).



Seedlings in soil made of compostable material.

Strategy – where we are today

We are protecting the environment during climate-induced emergencies

The EPA works to protect the NSW environment during emergency and disaster responses, helping to manage the impact of pollution incidents on the environment and communities. In doing this, we work closely with NSW agencies such as Fire and Rescue NSW and Resilience NSW.

Our role in emergency management is detailed under the NSW State Emergency Management Plan (EMPLAN) and the NSW Environmental Services Functional Area Supporting Plan (EnviroPlan).

In accordance with EnviroPlan and in collaboration with other NSW agencies, the EPA:

- determines measures to prepare for and help prevent environmental incidents that may impact on public health and the environment
- coordinates environment protection during emergency response and recovery
 - for example, we're leading several flood recovery clean-up programs across NSW to help with the collection and disposal of debris from the 2021 and 2022 storms and floods
- coordinates the clean-up of land and inland waters affected by serious environmental incidents.

The EPA sits on the State Emergency Management Committee Climate Change Advisory Group and the Australasian Fire and Emergency Service Authorities Council Climate Change Group, which both aim to provide advice on climate-related risks to inform emergency management strategies, planning, processes and decision-making.

We are establishing a carbon-neutral pathway

The EPA is aiming to become a carbon-neutral organisation by 2030. We've already started examining Scope 1 and 2 greenhouse gas emissions from our operations and we are working towards establishing a robust, clear and accountable carbon-neutral pathway for the EPA.

Future priorities

Under our Waste Delivery Plan we will build waste sector resilience to climate change by co-developing climate-related risk management plans with local government and state agencies to implement waste management plans during severe weather events by FY 2022–2023.

We have committed to using spatial mapping and scenario modelling using NARCLiM climate projections and data to inform strategic infrastructure planning for the manage wastes generated in extreme weather events. This will be done by FY 2022–23.



A fire starting to spread in the south coast of NSW.

We will identify Scope 1 and 2 emissions across EPA operations by FY 2022–2023. The EPA will use the validated results as the basis for the 2030 carbon-neutral pathway for EPA's operations.

Strategy – where we are today

We are developing a Climate Change Policy and Action Plan

EPA is developing a Climate Change Policy and Action Plan to strengthen its regulatory response to climate change.

Our policy will describe our commitment to deliver on our strategic priorities, our statutory objectives and our duty to address climate change. Climate-related risks from our regulated community will be managed through implementation of the action plan. The policy and action plan will:

- complement, support and build on the foundations set in the NSW Climate Change Policy Framework and Net Zero Plan, including its 2030 and 2050 emission targets
- detail further actions we intend to take to support our regulated community in contributing to the State's net zero targets
- detail further actions we intend to take to build the community's resilience and to contribute to achieving the State's goal of making NSW more resilient to a changing climate
- help to mitigate many of the climate-related risks identified in the climate-related risk assessment.

Future priorities

We will finalise and implement our Climate Change Policy and Action Plan.

We will incorporate climate-related risk and opportunities into our financial planning through the annual budget (one year) and forward estimate (10 year) process.

Resilience of EPA's strategy

Resilience to physical risks

EPA has committed to using NARClIM data to help inform emergency waste infrastructure planning. As our climate risk management strategy matures, we will consider whether planning for other physical risks can also be informed by scenario modelling using NARClIM data, or some other appropriate data set.

Resilience to transition risks

The TCFD framework recommends reporting on the impact to the organisation under potentially lower-carbon scenarios, including one that limits global warming to an average of 2°C above pre-industrial levels. As our climate risk management approach matures, we will investigate how qualitative and quantitative scenario modelling can inform our transition risk management strategy.

Risk management

The TCFD framework recommends disclosing how the EPA identifies, assesses and manages climate-related risks. This includes:

- describing EPA's processes for identifying and assessing climate-related risks
- describing EPA's processes for managing climate-related risks
- describing how these processes are integrated into the EPA's overall risk management framework.

Risk management – where we are today

Approach to risk management

In accordance with our **Regulatory Strategy**, we aim to assess the greatest risks and address the biggest impacts to human health and the environment. We focus our activities to achieve the best outcomes.

We take a risk-based, outcomes-focused approach to regulation rather than a prescriptive approach. This allows flexibility to choose the most innovative, cost-effective and efficient way of achieving a given outcome.

In allocating our resources, we prioritise dealing with the greatest risks to the environment and human health, and activities that deliver public value.

We are agile in how we respond to the most important issues, prioritising our policies, practices and programs to address current and emerging risks.

We regularly update our awareness and understanding of external drivers of change that may present risks or opportunities for the environment, human health and the EPA's regulatory response. Regular horizon scanning exercises help create an evidence base of potential risks and opportunities, including those related to climate change.

Future priorities

We will explicitly integrate climate change risk into our existing risk management framework. In accordance with the framework we will prioritise those risks in order of risk level (with the highest risk level given the highest priority).

We will continue to conduct regular horizon scanning to identify external drivers of change and macro-trends across different fields, including climate change, that can create possible risks and opportunities and so influence the EPA's regulatory response. We will integrate climate change risk identification in quarterly reporting to the Board through external issues-scanning to identify emerging climate-change related trends and risks.

We will regularly look for changes in the broader regulatory landscape which may require us to consider whether our own regulatory response should change accordingly.

Climate-related risk assessment

Climate-related risks have been identified by the EPA in accordance with the Climate Risk Ready NSW Guide, and have been used to develop a climate-related risk assessment. A core working group within the EPA was established to undertake the climate-related risk assessment, in collaboration with an appropriately qualified independent consultancy. A senior management team was established to oversee the risk assessment process. Representatives with diverse backgrounds and functions from across the broader EPA community were subsequently consulted on two occasions during the drafting process before the risk assessment was finalised.

We will identify risk treatment and controls for each of the risks identified in the climate-related risk assessment. We will determine residual risk ratings when risk controls are in place. We will incorporate climate-related risks and controls into our strategic and divisional risk registers by FY 2022–23.

Risk Management Framework

Our approach to the management of climate-related risks follows the EPA's Risk Management Policy, and Risk Management Framework and Operating Procedures. The policy, framework and procedures are consistent with AS/NZS ISO 31000:2018 and the Internal Audit and Risk Management Policy for General Government Sector (TPP 20-08).

Risk management – where we are today

Risk management structure

Risk is managed at all levels of the EPA, from the CEO, Board and EPA Executive to the Senior Leadership Team and significant program leaders, to risk coordinators and all employees.

The chief custodian of risk management within the EPA is the Chief Risk Officer who reports directly to the CEO and the Audit and Risk Committee (ARC). The EPA Board is responsible for approving the risk management policy and framework, and the ARC is responsible for monitoring how effective the policy and framework is in managing risk. The Board and executive team is responsible for the strategic risk register, while the senior leadership team and significant program leaders are responsible for operational/divisional risk registers and significant program risk registers respectively. Risk owners, at executive or senior leadership level, are assigned to each strategic risk, and are responsible for assigning risk mitigation controls, roles and responsibilities for management of the risks.

Future priorities

We will assign climate-related risk management responsibilities across the EPA, to support and provide oversight for managing these risks. Risk Champions will be appointed in each EPA Division, to ensure risks are translated into divisional plans, workforce strategies and significant programs.

This will be done by the end of 2023.



Risk Registers

The EPA's Risk Management Framework requires that risk registers (strategic, operational and program) be reviewed regularly by risk owners, the relevant executive director of a division and program leads respectively.

Risk management – where we are today

Risk maturity

EPA is evolving in risk maturity (as defined by the NSW Treasury Risk Maturity Matrix) regarding management of climate-related risks.

Future priorities

We will continue to build risk management maturity, as per the NSW Treasury Risk Maturity Matrix. To track our progress, we will determine our risk maturity annually.

Metrics and targets

The TCFD framework recommends disclosing the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material. This includes:

- disclosing the metrics used by the EPA to assess climate-related risks and opportunities in line with its strategy and risk management process
- disclosing Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks

- describing the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

We will develop a process for identifying metrics and targets and will include a regular review process to make sure they are relevant and useful for tracking our performance against our climate-change strategic priority outcomes.

As we build in maturity, financial metrics or indicators of how climate-change risks are manifesting over time will be considered and reported on in future statements.

Risk management – where we are today

Climate Change Policy and Action Plan

We are developing a Climate Change Policy and Action Plan, which will form the basis upon which metrics, key performance indicators (KPIs) and targets are established and tracked. KPIs or expected deliverables are being prescribed for each action to help us track our progress.

Future priorities

The EPA's Policy and Action Plan will be approved and published. We will develop and confirm the relevant metrics, KPIs and targets. This will be done by FY 2022–23.

We will provide a summary of our progress against our actions each year in our Annual Report.

Emissions from EPA's own operations

The EPA has committed to be a carbon neutral organisation by 2030. EPA is currently identifying all emissions sources from its own operations.

We will continue to collect and validate our Scope 1 and 2 emissions data. We will use this data to inform the establishment of a carbon-neutral pathway by FY 2022–23.

Emissions from sectors that EPA regulates

Our Climate Change Action Plan will detail further actions we intend to take to help our regulated community contribute in appropriate ways to the NSW net zero targets.

The EPA's Policy and Action Plan will be approved and published. We will develop and confirm the relevant metrics, KPIs and targets. This will be done by FY 2022–23.

Risk management – where we are today

Resilience to climate-related risks from the sectors we regulate

Our Climate Change Action Plan will detail further actions we intend to take to help our regulated community become more resilient to the impacts of climate change and contribute in appropriate ways to the State's goal of making NSW more resilient to a changing climate.

Future priorities

To be consistent with the **NSW Government Climate Change Adaptation Strategy**, we will establish metrics to quantify resilience in the regulated community. This will be done by FY 2023–24.



Forestry and EPA officers checking bushland. Photo: Grant Smith/EPA

Independent Limited Assurance Statement to the Board and Management of NSW Environment Protection Authority



Assurance Conclusion

Based on the scope of our independent limited assurance engagement, nothing has come to our attention that causes us to believe that selected performance data and disclosures included in the NSW Environment Protection Authority's (EPA) Task Force on Climate-related Financial Disclosures (TCFD) Statement for the year ended 30 June 2022, have not been prepared and presented fairly, in all material aspects, in accordance with the Criteria defined below.

Scope

We, Point Advisory Pty Ltd ('Point Advisory'), performed a limited assurance¹ engagement over selected performance data and disclosures presented in NSW EPA's TCFD Statement for the year ended 30 June 2022 ('Statement').

Criteria

We have used the Financial Stability Board's TCFD Recommendations as criteria against which to evaluate the content of the Statement.

Respective responsibilities

EPA management is responsible for the preparation and presentation of information within the Statement. EPA management is also responsible for the design, implementation, maintenance, and effectiveness of internal controls over information relevant to Statement preparation, so that it is free from material misstatement. EPA management is also responsible for setting internal control performance monitoring targets, and reporting on effectiveness.

Point Advisory's responsibility, in accordance with the terms of the agreement with the NSW Treasury (Office of Energy and Climate Change) dated 21 June 2022, is to express a limited assurance conclusion as to whether selected performance data, and associated disclosures, presented in the Statement have been made in accordance with the Criteria. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ASAE 3000). We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Other stakeholders should do their own due diligence before taking any action from this Assurance Statement.

Our Methodology

The assurance procedures we performed were based on our professional judgement and included:

- Interviews with key staff to understand EPA's internal control environment, processes, and information systems, relevant to the Statement's preparation;
- Reviewing and assessing data, and disclosures, included in the draft Statement against the Criteria;
- Reviewing documentation with respect to EPA's climate-related governance, strategy, risk management, metrics and targets processes;
- Performed limited substantive testing over selected performance data and disclosures within the Statement and reviewed supporting information; and
- Reviewed the selected performance data and disclosures in the Statement included in the NSW EPA's Annual Report to ensure the information is accurately presented.

Inherent limitations

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ASAE 3000) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided. As such, we did not evaluate the design of control activities, obtain evidence about their implementation, or test their operating effectiveness.

Our independence and competencies

We are not aware of any issues that could impair our independence or objectivity for this assurance engagement. Point Advisory's independence policy and supporting measures apply to management and professional staff. This policy also prohibits any financial interests in our clients that would or might be seen to impair independence.

Led by a Lead Certified Sustainability Assurance Practitioner (CSAP), our assurance team has qualifications and experience in applying the ASAE 3000 and TCFD Recommendations relevant for this assurance engagement.

Our detailed conclusions and observations

Our detailed observations and areas for improvement have been raised in a report to the NSW EPA's management.

Use of our Assurance Statement

We do not accept any responsibility for any reliance on this Assurance Statement to any person(s) or organisation(s) other than the Board and management of NSW EPA. Other stakeholders should do their own due diligence before taking any action as a result of this Assurance Statement.

On behalf of the assurance team.



Alan Dayeh

Managing Principal, NSW

Point Advisory, Sydney

25 October 2022

