Climate-related financial disclosures

Sydney Water Annual Report 2025-26

Sydney WATER
Water IS OUR LIFE

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Basis of preparation

Compliance with NSW Treasury reporting requirements

This climate-related financial disclosure for 2025–26 for Sydney Water Corporation (Sydney Water) has been prepared in accordance with TPG24-33 Reporting framework for climate-related financial disclosures as issued by NSW Treasury.

Relationship to the financial statements

These climate-related financial disclosures should be read in conjunction with Sydney Water's Financial Statements and Annual Report for the financial year ended 30 June 2026.

Materiality

Climate-related information is material if it can be reasonably expected to affect Sydney Water's prospects including its financial outlook and the ability to achieve its objectives. It is also material if omitting, misstating, or obscuring that information could be expected to influence the decisions of the primary users of the corporation's general purpose financial reports. Where primary users are taken to be Shareholder and Portfolio Ministers, relevant government owned corporations and departments, customer & community groups.

Emissions reporting

As an entity that reports under the National Greenhouse and Energy Reporting Scheme (NGERS) legislation, we have continued to report on relevant emission sources based on NGERS methodologies. TPG24-33 permits the use of NGERS methodologies as the basis for greenhouse gas measurement and reporting. We have undertaken steps in the NSW Greenhouse Gas Emissions Accounting and Reporting Guidelines to identify additional emission sources not required under NGERS. Scope 1 and 2 emissions reported in this disclosure are those within our operational control (that is excluding those from plants owned and operated by third party contractors). Sydney Water uses New South Wales (NSW) location-based factors for estimating emissions from grid electricity consumption.

Forward looking statements

These climate-related disclosures contain statements that are, or may be deemed to be, forward-looking statements, including Sydney Water's net zero target. Forward-looking statements are not guarantees of future performance, and involve known and unknown risks, uncertainties, and other factors, many of which are beyond the control of Sydney Water. Forward-looking statements in these disclosures, reflect Sydney Water's best estimates, assumptions and judgments as at the date of these disclosures. The uncertainty in climate-related information may lead to Sydney Water changing its views in the future.

Governance

Sydney Water's Board set overall policy, strategy and direction for the Corporation, setting risk appetite for management to operate in and ensuring appropriate frameworks and reporting mechanisms are in place. The Audit and Risk Committee (ARC) is a board committee whose role includes assisting the Board in overseeing the effective implementation of our enterprise risk management framework. As part of this role, the ARC has the specific function to "oversee the reporting of mandatory sustainability and climate related disclosures, and climate and sustainability risks and opportunities". This function is reflected in the ARC Charter alongside its other functions and the principles for the operation of the Committee (G1a[1]). In 2025–26 the ARC was informed on matters concerning climate-related risks and opportunities (including on our climate-related financial disclosures) through papers tabled at three of their meetings (G1c).

The Board has established a Nominations Committee which is responsible for ensuring the Board consists of Directors with the right mix of skills and experience. As part of this, the Nominations Committee has developed a Board Skills Matrix used to consider the experience required and identifying any gaps in the Board's skills. The skills and competencies required to manage climate-related risks are captured by existing skills such as risk management, commercial/business leadership, strategy development, financial reporting, regulatory management, environmental management, legal management, innovation and stakeholder engagement. The Nominations Committee also oversees continual professional development of the Directors, to ensure that they gain and retain additional skills while on the Board. A climate-related training series is currently in development to be delivered in the 2026–27 financial year (G1b).



Figure 1 - Overview of Climate-related Governance

Sydney Water has a Board endorsed strategy, updated in October 2024. The strategy includes strategic objectives and targets for net zero carbon emissions and climate resilient systems. The Board receives updates on progress towards our net zero target quarterly and our climate maturity target annually as part of the Corporate Performance Report which is reviewed and discussed in Board meetings (G1c, d, e).

[1] These references, used throughout the document, are to TPG24-33 requirements which can be found in detail in Appendix 2

Each year the Board approves our Statement of Corporate Intent (SCI) for submission to our shareholding Ministers. The SCI and its business plan outline our objectives, main undertakings, and performance targets for the coming year. The Board also approves our Long-Term Capital and Operating Plan (LTCOP). These plans include many of the actions disclosed in the climate-related risks and opportunities section (G1d, e).

Improvements to board papers submissions are underway to ensure visibility of climate considerations at-hand or already resolved in previous project review stages; this ensures the Board can evaluate treatment of climate considerations. Currently, multi-criteria analysis (MCA), including climate considerations where relevant, is included in our investment review process for management and Board decision-making. Considerations in MCA may include potential changes in emissions or electricity use due to asset changes, or the treatment of physical hazards. The formal review of any MCA is undertaken by the Investment Review Committee (IRC) (a sub-group of the Sydney Water Executive Management Team). (G1d).

Climate change features as one of our enterprise risks, the top tier risks owned by the Sydney Water Executive. Our Board and its Committees provide oversight of these risks to ensure they are managed in accordance with the Board defined risk appetite. As part of their oversight the ARC reviewed wording of the Climate Change enterprise risk this year (G1c, e).

The Executive General Manager Finance and Commercial (EGM FC) is the sponsor for the climate change Enterprise Risk (G1e, R1d). Under the oversight of EGM FC, the Head of Strategy Change and Performance (Head of SCP) has the accountability for leadership and governance for climate change adaptation and the net zero carbon programs and the policy ownership in relation to key strategic priorities identified under Sydney Water's Strategy. Reporting to Head of SCP, the Strategy and Sustainability team are responsible for the implementation of the policy directions used to support the oversight of climate-related risks and opportunities (G2a).

Sydney Water uses the Climate Risk Management Program (CRMP) to coordinate and strengthen the controls and procedures supporting management oversight of physical climate-related risks and opportunities. The program gives effect to the Climate Change Adaptation Position Statement (outlined in Table 1) by integrating physical climate risk into relevant business processes, planning, and investment. The CRMP connects physical climate risk management with enterprise risk, strategic investment, asset management, and operational planning. It maintains the Enterprise Climate Change Risk and Opportunities Assessment, improves risk controls and assessments, reviews relevant policies and decision-making processes, and supports the use of climate information in emergency management and water supply planning. It also strengthens the analysis of adaptation costs, benefits and financial impacts. The Strategy and Sustainability team manages CRMP delivery, monitoring, and reporting. It continues to strengthen areas not yet fully embedded, particularly risk treatment, climate-related financial information, adaptation metrics, and climate considerations in future planning and decisions. The Project Control Board, sponsored by Head of SCP, provides oversight, cross-business alignment, and program performance review. A Technical Advisory Group provides expert advice and supports application of the Climate Change Adaptation Position Statement within business units (G2a, b).

The net zero carbon program has mature governance. The sponsor of the program is the EGM FC, with a steering committee, made of membership from across the organisation who are providing the strategic oversight,

direction and ensuring the delivery of the program. There are focused program working groups, bringing together the expertise from across the organisation to deliver the intended outcomes. These working groups are operating within the spirit of the Net Zero Directional Statement (outlined in Table 1), developing procedures, plans and processes to enable emissions reduction (G2a, b).

Through our climate maturity programs, we are working to better integrate climate-related matters into our procedures, plans, and standard documents to progress our climate-related ambitions (G2b).

Table 1 - Key oversight documents for climate-related risks and opportunities (G2b, R3)

Climate Change Adaptation Position Statement	Net Zero Directional Statement
• Outlines our approach to climate adaptation and details specific responsibilities for implementation. • Commits that Sydney Water will plan and invest prudently to ensure we can maintain service levels by managing our climate risk. • Formalises our approach and standard requirements for adaptation ensuring that decisions that we make will take future climate risks into account. • Sydney Water uses a medium emissions pathway (SSP2-4.5 [Shared Socioeconomic Pathway] or equivalent) as a standard required baseline for our forward planning assumptions. A high emissions pathway is also used (SSP3-7.0 or 5-8.5, based on best available data, or equivalent) to identify potential increased impacts.	• Directions set to consider the impact of carbon emissions and abatement in infrastructure project development and decision-making processes. • Applies to the capital infrastructure pipeline from the planning to the project delivery stage. • Sets high-level directions that emphasise the importance of long-term investment decisions, valuing carbon that consider carbon impact and abatement opportunities throughout the asset lifecycle, construction, operations and decommissioning. • Integrates carbon reduction criteria into all phases of capital infrastructure projects, encouraging early application for better financial and sustainability outcomes.

Strategy and risk management

Climate-related risk methodology

In 2025–26 we reviewed our existing enterprise climate change risk and opportunity assessment (ECCROA) against a medium emissions scenario (Representative Concentration Pathway [RCP] 4.5 or SSP2-4.5). Our risk and opportunity assessment was done using our enterprise risk management framework and risk matrix to assess the nature, likelihood and magnitude of climate-related risks. The matrix provides qualitative and quantitative criteria to determine a risk rating. The risk levels are defined by the matrix and those areas found to have a high or very high-risk ratings are deemed to be undesirable and require prompt treatment (R1b). We assessed opportunities using Sydney Water's enterprise risk assessment template and associated matrix. To quantify potential benefits, we applied the inverse of the consequence scale used for risk assessments. For example, where a risk consequence represents a loss of service reliability of 8,000 days, the corresponding opportunity represents 8,000 service loss days avoided. As part of our ongoing climate risk maturity journey, we are continuing to strengthen our approach to identifying, assessing and managing opportunities to better capture climate-related benefits and inform decision-making (R2).

Climate hazard data for our physical risk assessment was sourced from New South Wales and Australian Regional Climate Modelling (NARCliM) 1.5 / 2.0 data taken from AdaptNSW, as well as information from Manly Hydraulics, Climate Futures, Australian Rainfall & Runoff guidelines and the Climate Council. Information on the impacts of physical hazards was collated using both qualitative approaches (business group interviews) and quantitative data (climate risk modelling and costs).

We completed our transition risk assessment in consultation with relevant subject matter experts on each risk, factoring any changes in the external environment and improved knowledge base on projects completed over the year. We used the best knowledge and assumptions at the time of the assessment.

Both the physical and transition risk assessments assume controls that are in place (funded or part of approved strategies) do not change from the current time. The risk ratings consider controls that have budget allocated, are a confirmed part of our SCI and identifiable within the LTCOP and are not subject to additional approvals outside of our control. We are committed to implementing steps to reduce risk over time (R1a).

As a final step to identify which climate-related risks and opportunities were material for disclosure, we assessed the risks qualitatively as to their effect on our prospects (financial outlook and ability to achieve objectives) and importance to primary users' decision making. The material risks were reviewed by both the Sydney Water Executive and the Board ARC as part of their roles in oversight and management of climate-related risks and opportunities (R1).

Integrating and monitoring climate-related risks

Our risk management framework outlines accountabilities and ownership for different kinds of risk. The Climate Change Adaptation Position Statement and Net Zero Directional Statement lay out guidance for climate-related risks (see Governance) (R3). Sydney Water's risk management framework enables us to understand and navigate the risks we encounter while safeguarding the interests of our customers and shareholders.

Applying this framework to climate-related risks ensures they are considered alongside other risks across Sydney Water. Climate-related risks are managed, assessed, and prioritised based on the same criteria as other types of risk (R1c). The area of the business that manages a change or a portfolio/program/project is responsible for initiating and maintaining the required risk management activities. This consists of conducting a suitable risk assessment, identifying appropriate risk treatment actions and the ongoing monitoring and review of the risks as required (R1d).

Defining our business model

Sydney Water's business model is to deliver essential water and water-related services to more than 5.6 million people in Sydney, the Illawarra and the Blue Mountains. The key accountabilities of Sydney Water are listed in the *Sydney Water Act 1994* (the Act). The Act establishes three principal objectives: To protect public health; To protect the environment; To be a successful business.

The Act also sets up a legal framework, under which there are three key documents that direct Sydney Water – the SCI, the Operating Licence and the Customer Contract. The Operating Licence and Customer Contract outline requirements for the manner of service provision, efficiency and effectiveness. The Independent Pricing and Regulatory Tribunal (IPART) reviews our operational requirements and customer priorities to make a decision on our pricing and administers compliance with our Operating Licence. Given we are a regulated monopoly the best way to reflect climate-related risks and opportunities to our business model is to show how they relate to the objectives of the Act as reflected in the Operating Licence.

Time horizons (S4)

The time steps selected for our climate-related risk assessments reflect key planning horizons for the organisation aligning with our LTCOP, enterprise business plan (SCI), IPART price determination, and Operating Licence renewal. Due to the differing nature of the transition and physical risks we face, the time steps are different.

Table 2 - Summary of time horizons for transition and physical risk assessment

	Short-term	Medium-term	Long-term
Physical	5 years	25 years	40+ years
Transition	1 years	10 years	25 years

Physical risks

These are the risks resulting from a changing climate driven from events (for example storms, bushfire) or longer-term shifts (such as increased average temperature, sea level rise). Physical hazards like bushfires, floods, heatwaves, rises in sea levels, storms, and drought all have the potential to disrupt our services.

The time steps for our physical risk assessment are based on time steps in available modelling data, planning horizons and consideration of the longevity of our assets and the decisions we make.

- Short-term (five years) – aligns to our regulatory price and operating licence cycles and year ahead delivery plans.
- Medium-term (25 years) – covers both our enterprise business plan and LTCOP implementation.

- Long-term (40+ years) – aligns with the Greater Sydney Water Strategy, common planning assumptions, and time periods in which we will see outcomes of decisions. Many of our assets have an engineering design-life which exceeds this period.

Transition risks

These are the risks that arise from Sydney Water and the general community's transition to a lower-carbon economy. Transition risks include policy, legal or liability, technological, market and reputational risks.

The political, financial, and technological landscape for transition risk will change significantly and multiple times over the next five, 10 and 25 years. As such the timeframes for our risk assessment are shorter than those for physical risk.

- Short-term (one year) – reflective of the risks we are facing today in making decisions regarding the low carbon economy.
- Medium-term (10 years) – this timing sits between our net zero targets (2030 and 2040) and before the 2050 state and national regulatory deadlines allowing assessment of the risks at this interim stage. This also aligns to the horizon of our capital investment program (CIP) and SCI.
- Long-term (25 years) – aligned to the current net zero target for NSW Government and Australian Government.

Resourcing response activities

Every five years, IPART sets the prices we charge for water, wastewater, recycled water, stormwater and other services. Resourcing for our capital and operational expenditure needs for the next five years is outlined in our Price Determination for 2025–30. Our plans include investment to ensure we maintain safe and reliable services now and into the future, deliver water services to support housing strategies, mitigate risks associated with single points of failure, and address climate change impacts through drought response and rainfall independent supply (outlined for each risk category in the next section). These investments are rarely solely in response to changing climate, they are driven by a multitude of compounding factors (for example growth or aging infrastructure). The responses we have outlined in the following section are those that have climate impacts as one of those factors.

Our responses to climate-related risks and opportunities are likely to involve increased operating and capital expenditures. It is important to note that if these expenditures are deemed to be prudent and efficient by IPART then it is likely that these additional costs will be recovered through the regulatory pricing model with funding provided either by customers (through increased prices) and/or by shareholders.

Our IPART price determination sets out our revenue based on our investment needs to address risk in the zero-to-five year time horizon. The five to 25 year time horizon risks are addressed by the investment plans in our LTCOP, which outlines our key infrastructure and operational decisions to 2050. As part of our SCI each year we update our rolling 10-year outlook for revenue, operational and capital investments and update our plan for the year ahead in our annual enterprise plan. In 2025–26, we focused on delivery and realising benefits and value from our planned activities. Above all, Sydney Water is committed to making sure every dollar delivers value for customers. Delivery of these investment plans (for example future potential supply options) is subject to external factors such as customer and community support, the support of the NSW Government, approval from regulators, and the availability of sufficient funding through future regulatory submissions (S8).

Climate-related risks and opportunities

The tables below summarise the climate-related risks and opportunities that could reasonably be expected to affect our prospects. Throughout this section, we outline their anticipated impacts and how we are responding. Risks are clustered based on similar effects and/or responses to avoid duplication.

Table 3 - Material climate-related risks and opportunities

Category (S2)	Name	Risk/opportunity group
Physical risks	Product availability	Source waters and demand
	Product quality	
	Changes in demand	
	Wastewater impacts on environment	Customer, community and environment
	Service interruptions	
	Community amenity	
	Program and compounding events	Asset damage and compounding impacts
	Physical damage	
	External service disruption	External services
Physical opportunities	Benefits of diverse supply	Physical opportunities
	Improved resilience due to adaptation	
Transition risks	Water for cooling	Water for cooling
	Supply and demand for materials	Supply and demand for materials
Transition opportunities	Improved energy resilience	Improved energy resilience



Figure 2 - Guide on the time horizons over which the effects of each risk is expected to occur

Source waters and demand (physical risk)

Material climate-related risks, their effects on our business model and our response

Risk (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
Product availability HIGH → ↗	Extended drought severely impacting the availability of raw water in dams (chronic hazard)	Our source waters have high exposure and vulnerability to climate extremes. The increased anticipated effects on water availability reflects the fact our drinking water supply is currently largely reliant on rainfall dependent options. We have controls for this risk (described in S7) however, our business model remains vulnerable until supply options are increased. Mandatory restrictions as a primary control does not align with customer objectives. The current and anticipated financial risk of reduced supply and demand is mitigated by our regulatory pricing model, so while our cash-flow would be affected by low sales there are pricing mechanisms available to retrospectively cover costs in extreme events (such as drought). If our systems are catastrophically compromised by poor water quality, our objectives and social licence to operate could be impacted by broad-scale provision of water that required further treatment to drink ('Boil water alerts'). Risk increases in the long-term due to vulnerabilities to both severe drought and the increased likelihood of extreme weather events (heat and storm). The anticipated effect on our business model does not change over time however the potential frequency of it being realised within planning cycles may increase.	We continue to operate, maintain and monitor performance for our water filtration plants and supply systems to ensure we meet Australian Drinking Water Guidelines. We plan to leverage digital data for improved approaches to targeted water system renewals and management. We continue ongoing implementation of our water conservation plan including targeted network leakage management, customer water efficiency programs, water wise messaging and working with government to support water conservation outcomes. Our LTCOP and our price determination for 2025–30 highlight key investments to ensure water quality and reliability. Some of these key investments respond to risks climate variability poses to our source water: • Upgrades to pre-treatment works at some of our water filtration plants to manage poor raw water quality • Ensure we augment plants and networks to support growing number of new homes and businesses • Investing in future potential supply options such as expansion of the Sydney Desalination Plant and purified recycled water options as required. We have also collaborated with NSW Department of Climate Change Energy, Environment and Water (DCCEEW), and Water NSW to update the Greater Sydney Drought Response Plan. This plan ensures all organisations are aligned to allow for decisions and actions to be adjusted based on observed climatic conditions. Adjustments are also being made to our shared risk assessment processes with these stakeholders to address water quality.
Product quality HIGH → ↗	Turbidity and water quality outside of treatment capacity (acute rainfall, temperature and chronic drought hazards)		
Changes in demand HIGH → ↗	Hotter drier conditions increasing demand for water outpacing supply (acute and chronic hazards)		

Climate-related risks and opportunities impact on financial position, financial performance, and cash flow.

This reporting period (S9)	Next reporting period (S10)
• Investment continued to occur in planning for our assets to improve their resilience and reliability of our water supply. Investment continued in pre-treatment upgrades at our water filtration plants at Prospect, Cascade, Nepean and Orchard Hills. • Construction continued for the delivery of the Upper South Creek Advanced Water Recycling Centre (AWRC). • There was no immediate financial impact in this reporting period for changes in demand.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• We will need to increase our use of the existing capacity of the Sydney Desalination Plant to provide an alternative supply of water during likely drought conditions. • Investment will continue in the upgrade of our water filtration plants to ensure safe, clean drinking water and to ensure supply through all weather conditions. • Planning costs and investment in assets will continue to improve the resilience and reliability of our water supply. • The delivery of Upper South Creek AWRC will be completed which will start to provide non-rainfall dependent water supply. • Increased operational costs for operating the Upper South Creek AWRC. • Additional increased investments in the Upper South Creek AWRC.	• We will need to increase our investment in desalination options by expanding the capacity of the Sydney Desalination Plant and investigating and delivering other desalination options. • An increase in hot dry weather may increase demand increasing our desalinated water expense but also increasing our revenues. • Further investment in purified recycled water options with additional operational costs incurred for the supply of purified recycled water. • Additional operational costs to operate the expanded capacity of the water filtration plants post upgrade. • Increased operational costs for operating the Upper South Creek AWRC. • Investment in construction and delivery of Greater Parramatta and Olympic Park (GPOP) and Nepean AWRC plants.	• Consistent with the medium-term assessment.

Customer, community, and environment (physical risk)

Material climate-related risks, their effects on our business model and our response

Risk (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
Wastewater impacts on environment MED	Licence exceedances due to ingress and infiltration into wastewater network (acute rainfall hazard)	These risks attempt to show the external interaction with our services and impacts at an environmental and community scale which can be impacted by changes in nature of extreme weather events. These are represented as material not because of financial concern but due to interest of customers on achieving our objectives. They are also deemed material because exacerbations of future climate will require long-term sustained management. Climate-related risks have the potential to disrupt our ability to provide our required water, wastewater and stormwater services, and to do so in a way that is efficient, resilient and reliable. Wastewater network risks impact our ability to conduct our activities in a manner that protects the environment. Sydney Water's objective to protect public health and long-term interests of communities could be compromised. Our social licence to operate, and shareholder trust, may be impacted by prolonged water restrictions or chronic poor service performance. Our regulatory model mitigates the potential financial effects of these risks. These risks also reflect impacts on the shared role with other government agencies and councils in community resilience (for example water for firefighting), water for greening and recreational water use, and long-term waterway health outcomes.	We will continue to minimise the risk of significant environmental harm incidents, such as overflows into waterways, by continuing to operate and maintain wastewater treatment and network assets as well as undertake targeted renewal of critical sewers and higher risk wastewater network assets. We are also undertaking major upgrades to water resource recovery facilities (WRRFs) including West Camden and North-West Hub. In line with our LTCOP, we are proactively investing in long-term solutions to remove flow and loads from coastal wastewater systems via recycled water and purified recycled water. This includes nearing completion of the Upper South Creek AWRC. We are also investing in source control measures as part of the wet weather overflow abatement program, which is focused on reducing our impact on waterways. Key to our approach is working with the NSW Environment Protection Authority (EPA), collaborating on licence improvements and investment prioritising to ensure we are achieving desired environmental benefits. It includes prioritising investment as part of the Hawkesbury Nepean Nutrient Framework and the River Health Program to ensure we target highest impacts on waterway health. Another key action is improving the use of climate change projections in our asset management practices and forecasts. Internal decision-making and investment recommendations that can incorporate climate relevant adjustments to reduce future service interruptions increasing due to climate change. We have an ongoing Water Conservation Program including customer education. This program helps supply go further and for customers to better understand their usage patterns. Our LTCOP also articulates investment in a waterway health improvement plan, collaborations with agencies on environmental flows during droughts and recycled water for cooling and irrigation.
Service interruptions MED	Acute and chronic hazards disrupting water and wastewater services to customers.		
Community amenity MED	Reduced community amenity and wellbeing due to impacts of drought controls or sewer surcharges.		

Climate-related risks and opportunities impact on financial position, financial performance, and cash flow.

This reporting period (S9)	Next reporting period (S10)
• Investment continued in the amplification of the West Camden WRRF and on the North-West Treatment Hub project (upgrade of Castle Hill, Rouse Hill and Riverstone WRRF to cater for future population growth). • Continued investment Prospect pre-treatment and the upgrade of the Orchard Hills Water Filtration Plant. The upgrade includes a pre-treatment plant to prevent damage to key treatment processes during intense rainfall or disrupted water quality events. • Source control actions to complete smoke detection and repairs of private properties (redirecting connections from wastewater to stormwater networks) has been undertaken to provide some mitigative effect from potential wet weather impact. • Ongoing investment in our Water Conservation Program.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• Expanded investment in source control initiatives to address the increased risk of floods infiltrating in the wastewater network. • Continued investment in the North-West Treatment Hub. • Further analysis required to understand impact on treatment operations and additional costs to be incurred. The planned investments for the Hawkesbury-Nepean Nutrient Framework (HNF) and the River Health Program will address some of these concerns. • Potential for increased expenses related to environmental regulatory proceedings. • Additional operational expenditure is likely to be required to implement and enforce water restriction measures along with an increase in advertising and promotional spend.	• Source control investments consistent with short-term assessment. • Increased investment in amplification of wastewater storage or operations will be required. This investment will be considered alongside the HNF and River Health Program. • Increased capital investment in resilience of treatment operations will likely be required. Investment will continue in the North-West Treatment Hub. • Potential for increased expenses related to environmental regulatory proceedings. • Further investment in purified recycled water options. • Additional operational expenditure is likely to be required to implement and enforce water restriction measures consistent with short-term assessment.	• Source control, amplification, and treatment operation investments consistent with medium-term assessment. • Further investment in purified recycled water and restrictions consistent with medium-term assessment.

Asset damage and compounding impacts (physical risk)

Material climate-related risks, their effects on our business model and our response

Risk (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
Program and compounding events HIGH → ↗	The increased likelihood of damaging events in succession straining our ability to respond to event impacts and do our planned work.	There are no current material risks for individual asset damage or program impacts due to climate change alone. However, as extreme event intensity increases alongside the potential for compounding events, our response and recovery capacity could be affected. There is a need to manage the aggregated risk of asset damage across our asset base, and the systemic risk of overlapping response or recovery requirements. The future effect of aggregated program risk could significantly impact delivery of our renewals or critical mains programs or compromise our annual water continuity service standard obligations. The anticipated business model effect is a potential decrease in output efficiency due to response and recovery focus (shifting from proactive management). Current and anticipated financial impacts of individual asset damage are mitigated through the insurance coverage issued from the NSW Treasury Managed Fund (icare).	Our LTCOP highlights key investments that seek to address these risks through minimising single points of failure, interconnected systems, digital investment for early intervention and an enhanced emergency response. It also includes an increase in renewals spend in the long-term in response to climate-related hazards. We plan to address increase in physical damage by limiting exposure and vulnerability overtime in our capital program. This will be achieved through application of our climate change adaptation position statement in our planning and design processes (including baselines assumptions to moderate future emissions). This will mean that future climate-related risk is integrated into our risk-based approach to targeting investment in renewals and system upgrades in attempt to prevent systematic risks from reaching unsustainable levels. Sydney Water's refined Incident Escalation Thresholds specifically outline compounding and converging threats/multiple incidents. Our Operational Resilience Framework identifies this and our annual programs, reported to the Audit & Risk Committee and Emergency Management Steering Committee are designed to increase the capability and capacity of the organisation to prepare for, manage and respond to compound impacts of damaging events.
Physical damage HIGH → ↗	Damage to assets through acute events (for example. storms, bush fires) and more chronic hazards (for example sea level rise, decreased soil moisture).		

Climate-related risks and opportunities impact on financial position, financial performance, and cash flow.

This reporting period (S9)	Next reporting period (S10)
• There was no financial impact due to damaging events arising in quick succession arising from realised climate-related risks. However, due diligence and planning costs were incurred to onboard the Hawkesbury City Council's Windsor Sewerage Scheme (WSS) assets within the following financial year. The WSS assets had been subject to significant damage and service interruption due to repeated flooding. • There was no financial impact in this reporting period relating to physical asset damage due to realised climate-related risks.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• Sydney Water will embed the WSS after acquisition from Hawkesbury City Council and start planning to ensure the continuity of supply of services to our Hawkesbury customers. • The extent of the increase in our insurance premium to provide protection against an increased risk of impacts from climate change (from damage to assets) is not yet known with sufficient certainty.	• Planning, construction and delivery associated with potential relocation of assets to areas less impacted by bushfire/floods. • Increased costs of insurance premiums. • Increased risk that insurer may limit coverage against climate-related events and Sydney Water may need to self-insure.	• Consistent with the medium-term assessment.

External service disruption (physical risk)

Material climate-related risks, their effects on our business model and our response

Risk (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
External service disruption HIGH	Loss of tele-communications and power from the grid resulting in assets where we have no sight or control.	External service disruption can affect our ability to achieve objectives for protection of public health and the environment. If our key services are disrupted, we could face asset shut down, inability to run processes, or loss of access to monitoring and controls affecting our ability to treat and move water and wastewater. We have traditionally always had a risk (current) due to disruptions in external services. As these providers are vulnerable to changing climate their controls and risk management have potential to increase effect on our services during climate events.	We already manage our third-party risk and supplier risks through our emergency management and business continuity program. As part of the climate risk management program, we intend to have a series of collaborations with essential service (telecommunications and energy) providers who share climate risks. The focus will be on building a shared understanding and ensuring our long-term investments address any vulnerabilities created through dependencies. Under our *Security of Critical Infrastructure Act* requirements, we must manage third party and critical infrastructure risks that are material in a manner that mitigates that risk, as do our counterparts in energy and telecommunications. This risk is explicitly called out because our ability to manage the risk depends on other critical infrastructure providers including their own climate-preparedness and maturity.

Climate-related risks and opportunities impact on financial position, financial performance and cash flow.

This reporting period (S9)	Next reporting period (S10)
• There is no immediate financial impact in this reporting period relating to external service disruption.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• There will need to a focus on guaranteeing the supply of electricity to maintain the pumping and distribution of water to bushfire impacted areas.	• Additional investment in planning and design to have infrastructure more ready to withstand more intense and frequent weather (heat, flooding) and bushfire events. This allows support of other government agencies to provide their services in the event of more frequent natural disasters.	• Consistent with the medium-term impact.

Opportunities from adaptation (physical opportunity)

Material climate-related opportunities, their effects on our business model and our response

Opportunity (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
Benefits of diverse supply HIGH ➡ ➡	Optimising service provision by balancing supply from multiple sources. Diverse supply could allow reduction of impacts in demand fluctuations and reduces impacts to customers.	An increased diversity of water supply options could allow us to meet demand fluctuations and respond to issues within our delivery system without compromising revenue streams. This could lead to improved consistency of supply either through water sources or interconnection in systems. In turn this could lead to increased revenue in times where we have historically had to reduce usage (for example issuing of water conservation alerts in heat waves, or water restrictions in droughts). The potential opportunity of diverse supply requires further quantification to ensure good understanding of potential benefit. Improved resilience due to adaptation refers to non-water supply related adaptations that could improve response and/or recovery mechanisms which would be relevant to other hazards (beyond climate). Actions required to reduce risk of compounding hazards (for example improved governance of interdependent risk or asset hardening) can also provide ancillary benefits to business continuity against all hazards. There is potential reduction in service complaints and/or improvements in communication with customers in non-climate-related outages.	Our LTCOP includes pathways of investments to improve diversity of supply. Some of these key investments respond to opportunity by creating non-rainfall dependent supply: • Ensure we augment plants and networks to support potential for new sources of supply • Investigating options to progress diverse supplies for non-drinking purposes (such as data centres) • Investing in future potential supply options such as expansion of the Sydney Desalination Plant and purified recycled water options as required. These opportunities are being explored in our system planning processes. We are also working on ways to ensure system resilience can be measured and included alongside consideration of risk in optimising our capital investment program. We plan to improve our approach to opportunity assessment through a more consistent framework so that we can further quantify potential benefits and better plan a strategy to respond. We also plan to improve the integration of climate in the uplift of our business resilience and emergency management programs of work, ensuring an ‘all hazards approach’ can consider secondary benefits / opportunities of resilience required to adapt to climate. Again, this needs further exploration and quantification.
Improved resilience due to adaptation HIGH ➡ ➡	Measures adopted to adapt to climate change could increase resilience to other unrelated risks.		

Climate-related risks and opportunities impact on financial position, financial performance, and cash flow.

This reporting period (S9)	Next reporting period (S10)
• Continued investment in the construction and delivery of the Upper South Creek AWRC. • Investment continued in pre-treatment options at our water filtration plants at Prospect, Cascade, Nepean and Orchard Hills. • Planning investment commenced to consider the product strategy and servicing options approach to provide non-rainfall dependent water to our current and future data centre customers.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• Refer to Source waters and demand short term costs related to investment in water supply • Planning, legal, commercial and regulatory activities will be undertaken to provide an interim and long-term water supply for our data centre customers. • Further investment in purified recycled water options with additional operational costs incurred for the supply to our data centre customers.	• Refer to Source waters and demand medium term costs related to investment in water supply • Further investment in purified recycled water options with additional operational costs incurred for the supply to our data centre customers consistent with the short-term assessment. •	• Consistent with the medium-term assessment.

Water for cooling (transition risk)

Material climate-related risks, their effects on our business model and our response

Risk (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
Water for cooling HIGH	Customers (residential and industrial) turning to water for cooling as a low energy alternative placing additional demand on our water supply.	This risk has increased with the rapid growth of data centres requesting access to water to cool their operations. Increased water usage to manage cooling, increases the demand for water from our water supplies and places increasing pressure on Sydney Water's treatment processes and network capacity. In addition, higher demands are more likely to occur when our system is already experiencing peak demands, supply constraints or drought conditions, heightening risks to service reliability and customer supply and potentially water conservation orders and water restrictions. Managing this growing demand, will require additional water supplies, network capacity and/or water conservation activities. Greater reliance on non-rainfall dependent water sources may require more energy-intensive solutions, including higher levels of treatment, increased electricity and chemical use, increased pumping, and the construction of new infrastructure, all of which contribute to higher operational and capital emissions.	Sydney Water continues planning and advocacy to diversify sources of water to maintain the reliability and resilience of supply despite growing demands for cooling. We also promote and support household water conservation to save water (see Source Waters and Demand risks for more information on these). Sydney Water is working with government to understand and manage potential servicing risks from emerging cooling demands from data centres. We've set clear principles to guide how we support data centre growth and are planning infrastructure, prioritising recycled water and implementing fair pricing principles so all customers receive an affordable, reliable water supply.

Climate-related risks and opportunities impact on financial position, financial performance, and cash flow.

This reporting period (S9)	Next reporting period (S10)
• Planning investment commenced to consider the product strategy and servicing options approach to provide non-rainfall dependent water to our current and future data centre customers.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• Planning, legal, commercial and regulatory activities will be undertaken to provide an interim and long-term water supply for our data centre customers. • Further investment in purified recycled water options with additional operational costs incurred for the supply to our data centre customers. • Planning costs and investment in assets will continue to improve the resilience and reliability of our water supply.	• Further investment in purified recycled water options with additional operational costs incurred for the supply to our data centre customers consistent with the short-term assessment. • Planning costs and investment in assets will continue to improve the resilience and reliability of our water supply consistent with the short-term assessment.	• Consistent with the medium-term assessment.

Supply and demand for materials (transition risk)

Material climate-related risks, their effects on our business model and our response

Risk (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
Supply and demand for materials LOW	Demand for low carbon materials needed to meet our targets increases driving up prices and competition to access.	Material costs for capital projects could rise significantly as demand for low-carbon materials rise, mainly leading up to and beyond 2040 (net zero in the supply chain).	In Sydney Water's Transition Action Plan, we have identified steps to mitigating this risk. The action that most reduces risk is developing a procurement plan for low-embodied carbon materials reduces the potential for shocks to Sydney Water's financial position. This action includes activities such as: • Engaging with suppliers to identify materials with significant carbon footprints • Research and innovation into low embodied carbon materials • Collaboratively working with suppliers to trial low embodied carbon materials in projects and enabling the use of low embodied carbon materials through Sydney Water technical specifications and designs • Setting targets for emission reduction within projects • Introducing a carbon value in decision making processes beyond 2030, working with suppliers to put targets in place for reducing emissions and negotiating pathways for emissions abatement will act as further controls. • The commercial viability of net zero contracts will also be assessed.

Climate-related risks and opportunities impact on financial position, financial performance, and cash flow.

This reporting period (S9)	Next reporting period (S10)
• The implementation of low embodied carbon materials in the supply chain during the reporting period was limited. • Funding for greenhouse gas planning and design and delivery tools upgrades was approved during the reporting period with work commencing to deliver these upgrades.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• Further analysis is needed to understand the financial impacts. The assumption is that the low carbon materials will cost more, both from direct manufacturing and through supply and demand.	• Consistent with short-term assessment. • A lower financial risk as we become familiar with the low-carbon material market, and the market reaches a more balanced equilibrium between supply and demand.	• Consistent with medium-term assessment.

Improved energy resilience (transition opportunity)

Material climate-related opportunities, their effects on our business model and our response

Opportunity (S3)	Description (S1)	Current and anticipated effect on our business model (S5)	How we have responded and plan to respond in our strategy and decision making (S7)
Improved energy resilience HIGH	Adding our own sources of diverse energy supply and storage can add resilience to power outages and restrictions, reducing risk of service disruption.	Diversifying energy sources would protect customers against widespread outages and ensure continuity of services in the event of grid instability. Sydney Water already invests in self-sufficient energy sources such as cogeneration, solar, and hydroelectricity. These currently account for about 15 per cent of total energy use. As the battery industry matures, options for battery storage and electricity resilience could also be considered.	Sydney Water has been generating renewable energy for more than 25 years. We will continue to operate and maintain these assets. Capital projects will consider increased energy generation and storage options.

Climate-related risks and opportunities impact on financial position, financial performance, and cash flow.

This reporting period (S9)	Next reporting period (S10)
• Continued investment in and maintenance of renewable energy assets (cogeneration and solar) and energy efficiency. • Continued investment in converting the fleet lease portfolio to electric vehicles.	• There is no significant risk of a material adjustment within the next annual reporting period.

How it might change (S11, S12)		
Short-term	**Medium-term**	**Long-term**
• Further analysis is required to understand if assets will require retrofitting to connect to new diverse energy sources before a quantitative analysis can be made.	• Any required retrofitting will commence needing additional investment.	• Consistent with the medium-term assessment.

Climate-related risk and opportunity concentration

Source waters and demand

Risks within this impact category are directly related to availability, quality and ability to supply potable and recycled water. Climate-related risks to our treatment sites that produce potable or residential recycled water are generally storms, intense rainfall and secondary consequences of bushfires.

Our raw water catchments are typically in non-urban protected catchments, with increased risks of bushfire or storms contaminating raw water, limiting capacity to meet demand. Drought as climate hazard can affect all catchment areas and impacts would be felt throughout all delivery networks. Demand availability being affected by heatwaves is likely to be concentrated in western parts of area of operations.

Customer, community, and environment

Risk concentration is spread across entire customer base for service interruptions and community amenity.

For environmental or community impacts, coastal, tidal or major riverine areas are most vulnerable to due to their exposure to sea level rise and flooding. This has largest impact on wastewater pumping stations and inland wastewater treatment systems.

Asset damage and compounding impacts

Assets, especially water, with proximity to bushland are most exposed to bushfire damage. Assets at low elevations or proximity to waterways are most vulnerable to floods.

Systems based around the Hawkesbury-Nepean River and Georges River are highly susceptible to flood damage or compounding impacts of floods. Systems in the Illawarra and Blue Mountains regions are more exposed to bushfire and storm risks, which can compound impacts on both infrastructure and local communities.

Failures or disruptions that have compounding impacts, and lead to complicated response and recovery efforts have no particular geographic concentration across delivery systems or catchments.

External service disruption

Storms, bushfires, heatwaves and floods are climate hazards most likely to cause external service disruptions. External dependencies include power, telecommunications, chemical supply and fuel supply. Our climate susceptibility due to external disruption is not concentrated to any specific asset class, geographic area or facilities, but will share the same climate concentrations as the service relied on.

Physical opportunities

Major opportunities to improve resilience to demand fluctuations are concentrated to our potable networks and assets. However, any consideration for adaptation, such as improved design, better consideration of risk or stronger incorporation of resilience improves service outcomes, regardless of geographical boundaries.

Transition risks

Our material transition risks concentrate around markets including energy, materials and offsets; and our market supply servicing the changing water demand for cooling. These risks are difficult for Sydney Water to control, as they are influenced by external market factors and our volume share may only be small. Our financial exposure to these risks is considerable and would have a significant impact on our business operations, which is why these risks are most material to our prospects.

Sydney Water has many other transition risks which we are better placed to control which fall in other categories of reputation, policy /legal / regulatory, and technological Innovation. These include influencing regulatory changes, proactively investing in research and innovation for low carbon practices, and meeting the expectations of customers towards decarbonisation. These transition risks and opportunities concentrated in the governance, planning and stakeholder engagement areas of our business, are controlled by policies and programs which are enabled by our Net Zero Program and 2030 net zero target. (S6).

Transition opportunities

Sydney Water's material transition opportunities concentrate on improving resilience to our services – most notably for our energy consumption. We do this by making investments in our renewable energy generation assets, on-site storage of energy, and diversifying our supply. Similarly, other opportunities exist and are controlled by policies and programs governed by the Net Zero Program.

Metrics and targets

Emissions

(Note reporting on MT2abc, MT7c, MT9a can be found in Appendix 1)

Sydney Water's net zero target is by 2030 in our operations (Scope 1 & 2 emissions). The objective of this mitigation target is to reduce Sydney Water's operational carbon emissions and contribute to NSW's transition to net zero (MT6b). This target was developed using the National Greenhouse and Energy Reporting (NGER) boundary and emissions included in this reporting. There are differences between the NGER Framework and the Greenhouse Gas Protocol standards (GHGP) when it comes to emission scope (our table of exclusions for potential emissions sources can be found in Appendix 1). Most notably, the materiality of fugitive emissions from the sewer network is at this stage unknown, we will continue research trials currently underway to better understand and quantify these emissions.

We do not currently have an explicit Gross GHG emissions target. To achieve our Net GHG target there are specific actions to reduce our gross emissions to net zero. In our plan for 2030, our Gross GHG emissions for Scope 2 are expected to be zero by procuring renewable electricity to reduce market-based emissions. This will abate about 190,000 tonnes of CO2e using a conservative decarbonisation emission factor forecast, developed by comparing historical emissions factors with forecasted decarbonisation rates. This will be in addition to Sydney Water self-generating electricity through co-generation, hydro and solar. The remaining emissions will be limited to our Scope 1 emissions (treatment of wastewater, and transport and stationary fuels). To reduce our Gross Scope 1 emissions to net zero, we will continue to optimise our operations, transition our fleet to electric vehicles and investigate low emission technologies, but the purchasing of carbon offsets will be needed. The equivalent carbon footprint for these Scope 1 'Gross' emissions is forecast to be between 50,000 and 60,000 tonnes of CO2e, approximately 11-13 per cent of Sydney Water's 2005 baseline footprint (MT9c).

Table 4 - Our emissions related targets

Metric (MT6a MT9b MT6h)	**Target** (MT6c)	**Timing** (MT6e)	**Milestone targets** (MT6g)	**Baseline** (MT6f)	**Target applies** (MT6d)
Volume of Scope 1 & 2 carbon emissions (Absolute)	Net 0 CO2e tonnes per year	2030	279,000 tCO2e (2026) 246,000 tCO2e (2027)	390,000 tCO2e (2021)	Scope 1 and 2 emissions for Sydney Water (Operational Control and NGER boundary)
Volume of Scope 3 carbon emissions (Absolute)	Net 0 CO2e tonnes per year	2040	Nil	390,000 tCO2e (2021)	Scope 3 emissions for Sydney Water
Volume GHG emissions *NSW Climate Change (Net Zero Future) Act 2023* (Absolute)	Net 0 CO2e tonnes per year	2050	50% reduction (2030) 70% reduction (2035)	~450,000 tCO2e (2005)	All GHG emissions for Sydney Water

The NSW Government has legislated the *Climate Change (Net Zero Future) Act 2023*, which sets emissions reduction targets for NSW, including Net Zero by 2050. The NSW Government's current Statement of Expectations for Sydney Water sets out that Sydney Water is to operate its business in a way that is consistent with the NSW Net Zero 2050 Plan (target in table above). The Greater Sydney Water Strategy Implementation Plan also has actions for reducing emissions and supporting the NSW Government's Net Zero Plan. The NSW

EPA has released the Climate Change Licensee Requirement – Large Emitters to help NSW Government meet their targets. (MT6i) Failure to meet these targets could leave Sydney Water exposed to financial penalties or restrictions on our operating licence or Environment Protection License. Our net zero targets are more ambitious than NSW Government timelines, which strongly controls the risk of failing to meet these NSW legislative targets. We engage with our regulators regularly regarding emissions reporting and reduction to ensure we are well placed to meet any new requirements.

Sydney Water's target for Net Zero Scope 1 & 2 emissions by 2030, and Net Zero Scope 3 emissions by 2040 was committed to in 2021. These targets remain unchanged. During engagement, customers recognised the role of Sydney Water in reducing carbon emissions, expressing a willingness to pay for this even with knowledge that bills are already expected to increase. We've set an objective of net zero carbon emissions to support environmental outcomes in the long-term interest of customers in response to our customers' preference to see Sydney Water achieve net zero emissions sooner. (MT7a, b, d)

Roadmap to achieving our goal (S7d, e)

Sydney Water's plan was developed in 2021 and using a marginal abatement cost process we identified emission reduction opportunities that meet our financial viability requirements (also reviewed in 2024). As part of this process a glidepath was developed factoring the electricity grid decarbonisation, net zero project opportunities and residual emissions. Sydney Water is a large electricity consumer, so the emission reduction opportunities focus on reducing our Scope 2 emissions through renewable energy generation (cogeneration, hydroelectricity and solar from new and existing assets), energy efficiency, and through purchasing renewable electricity. A new electricity contract will commence at the start of 2027—28, our intention is to exercise the option of purchasing renewable electricity as part of that contract. The grid decarbonisation will play a role in location-based emission reduction, however we are not relying on the grid to reach net zero and will instead look towards market-based reduction. Scope 1 emissions for a water utility are more complex. We have started to transition our passenger fleet to electric or hybrid vehicles and continue to scan the market for light and heavy vehicles and stationary plant and equipment alternatives. Wastewater treatment emission reduction opportunities are limited with research underway and pilot trials externally being monitored. The residual emissions will need to be offset in the short to medium term.

Planned use of carbon credits (MT9d)

We recognise our pathway to achieving net zero emissions will require the use of carbon offsets from 2030 and beyond. This is primarily because of our difficulty reducing Scope 1 emissions in wastewater treatment. Preliminary investigations have identified that we have limited capacity to self-generate offsets with the current land holdings and Australian Carbon Credit Unit (ACCU) methodologies available. A market sounding study has been completed this year, to gauge available ACCU methods, indicative costs, capacity, location, risks and acquisition options to meet our emission reduction needs. The study found that ACCU procurement represents a relatively small financial exposure when viewed in the context of Sydney Water's overall revenue, EBITDA and energy procurement spend. At forecast price ranges, annual ACCU costs are unlikely to materially impact our financial performance. Ultimately, the purchase of ACCUs is expected to account for less than 15 per cent of Sydney Water's 2005 baseline footprint. The specific timing of our planned use of carbon credits is yet to be determined, as our current focus is on emission reduction.

Emissions performance 2025–26

As shown in Table 5, Scope 1 emissions increased slightly (three per cent) from the previous year, due to upgrades at some Water Resource Recovery Facilities to meet Environmental Protection Licence requirements and expected variations in year-to-year wastewater flow that align with weather-related drivers (such as rainfall totals) or influent quality across our operating area. Gross scope 2 emissions decreased slightly even though electricity use has increased, this was balanced by the continued reduction in the NSW grid electricity emission factors. Overall, Scope 1 and 2 emissions this year have exceeded our milestone target by 18%. The key reason for this is that at the time the interim target was set the NSW electricity grid was forecast to have more renewable energy sources than are available in 2025-26. We are however still on track to meet our 2030 target.

Sydney Water's total electricity use this year was the equivalent of 288,937 t CO2e. We generated renewable energy that is the equivalent of approximately 43,069 tCO2e. This renewable energy, however, cannot be removed from our Gross Emissions as we do not retire our Large Generation Certificates (LGCs). Renewable energy decreased by six per cent compared to 2024 –25 (based on kwh produced) due to planned maintenance and key assets being offline. Sydney Water progressed key decarbonisation initiatives including the execution of a new Electricity Service Agreement with the option to purchase renewable electricity from 2027-28, delivery of energy efficiency projects, and maintained and advanced renewable energy and solar programs (MT8).

The 2024 –25 figures presented in Table 5 have been updated to match the final emissions, based on final data and results of an independent audit. Through this process the Scope 1 emissions reduced by 7,111 tCO2-e (also reflected in net and gross emissions) and 162 tCO2-e of electricity emissions from contractors were added to the net and gross numbers

Table 5 - Our emissions performance

Metric (Units)	Measure type	2022–23	2023–24	2024–25	2025–26[1]
Gross Scope 1 emissions (tCO2-e) *(MT1a)*	**absolute**	**35,147**	**35,142**	**39,647**	**40,850**
Gross Scope 2 emissions (tCO2-e) [2, 3] *(MT1b) (MT4)*	**absolute**	**319,377**	**303,987**	**293,394**	**288,937**
Grid Electricity Scope 2 emissions (tCO2-e)[2]	absolute	281,973	263,982	246,118	245,869
Renewable Energy Generation (tCOe-2)[2, 3]	absolute	37,404	40,005	47,276	43,069
Gross volume of Scope 1 & 2 carbon emissions (CO2e tonnes per year) [3, 4] *(MT8)*	**absolute**	**354,524**	**339,129**	**333,041**	**329,787**

[1] *2025–26 emissions data is based on best estimates, assumptions and judgements as at the time of disclosure and we do not anticipate any material adjustments. Final data will be incorporated into future reporting, with prior-year figures updated as necessary and any revisions disclosed.*

[2] *Sydney Water uses NSW location-based factors for estimating emissions from grid electricity consumption.*

[3] *These emissions numbers include 67 GWh of self generated renewable energy as Sydney Water does not retire their Large Generation Certificates (LGCs), so they cannot be removed from our Gross Emissions. It is presented here to indicate renewable energy generation capacity.*

[4] *The emissions reported are those within our operational control see Appendix 1 for list of exclusions.*

Climate adaptation

Sydney Water's target for responding to our physical risks is to improve our enterprise scale level of climate risk management maturity. This improved maturity will build our organisation wide climate-related risk assessment and management process for adaptation, enabling climate-related risks to be coordinated throughout the organisation, clearly identifiable, and appropriately addressed (MT6b).

Our maturity is assessed using the NSW Climate Risk Maturity Health Check Tool V1.5. Maturity is determined on a five-level scale, through assessment of progress against key activities on the Climate Risk Ready Guide '4-step process' (MT5d).

Table 6 - Our climate change adaptation target

Metric (MT6a) (MT6h)	Target (MT6c)	Timing (MT6e)	Milestone targets (MT6g)	Base period (MT6f)	Where target applies (MT6d)
Climate Risk Ready maturity (Qualitative)	Embedded	2027	Systematic (2026)	2023	All of Sydney Water

Sydney Water's Operating Licence 2024 –28 (10.3) requires us to do the following on the enterprise scale:

- **meet an embedded level** of climate risk management maturity by 30 June 2027 or another date nominated by Sydney Water and approved by IPART.
- make **reasonable progress towards meeting an advanced level** of climate risk management maturity by 30 June 2028 or another date nominated by Sydney Water and approved by IPART (MT7a).

NSW EPA's has amended the Protection of the Environment Operations Regulation (2022) to include requirements to publish climate change mitigation and adaptation plans. However, adaptation obligations are explicitly deferred until further guidance is released. It is anticipated that this policy requirement will be reflected in our Environmental Protection Licences when they become subject to routine review (MT6i). The target was established in 2023 for 2024–2028 licence period and has not been reviewed. Any changes to this target would need to be done in consultation with and by approval of our regulator IPART (MT7b, c, d).

Roadmap to achieving our goal (S7e)

Our Climate Risk Management Plan identifies a range of high-priority outcome areas, which will be achieved through the delivery of the following ongoing program of work:

1. **Well-governed approach to climate risk** – enhancing the governance, policy and management, understanding and responses to climate risks and opportunities.
2. **Increase adaptation capability and knowledge** – increasing the information and knowledge available to staff to inform actions to enable climate resilient water and wastewater services.
3. **Enable climate resilient water and wastewater services** – implementing actions to manage risk and adapt the water system to climate change.
4. **Transparent monitoring, evaluating and reporting** - tracking and reporting progress in adaptation and ensuring insights influence future decisions.
5. **Understanding and managing shared interests and complex risks** – influencing the system that Sydney Water works in, considering external stakeholders and interdependent, compounding and cascading risks.

Under each of these priority outcome areas are a series of priority projects to be delivered over the lifetime of the program plan. The plan extends to 2028, in line with the current operating license.

Climate adaptation performance 2025–26

In June this year, a third-party assessor Arcadis undertook an audit of Sydney Water's self-assessment using the NSW Government's Climate Risk Maturity Health Check Tool v1.5. The audit verified Sydney Water's overall Climate Risk Maturity as Systematic (MT5c).

The audit report indicates that we are making meaningful progress in improving our climate risk maturity. Key improvements this financial year have included:

- Increased governance with the establishment of a control board and technical advisory group
- Revised ECCROA methodology and better risk connectivity between our enterprise risk processes
- Establishment of an internal community of practice for adaptation, and data needs assessment
- Improvements in availability and accessibility of climate-related data across the business

Focus of ongoing efforts will be placed on improvements in the 'treat the risks' and 'Monitor and review' pillars (see figure 3) (MT8).

Table 7 - Our climate change adaptation performance

Metric (Units) (MT5a)	**Measure type** (MT5b)	**2022–23**	**2023–24**	**2024–25**	**2025–26**
Climate Risk Ready maturity *(MT8)*	Qualitative	N/A	Fundamental	Systematic	Systematic

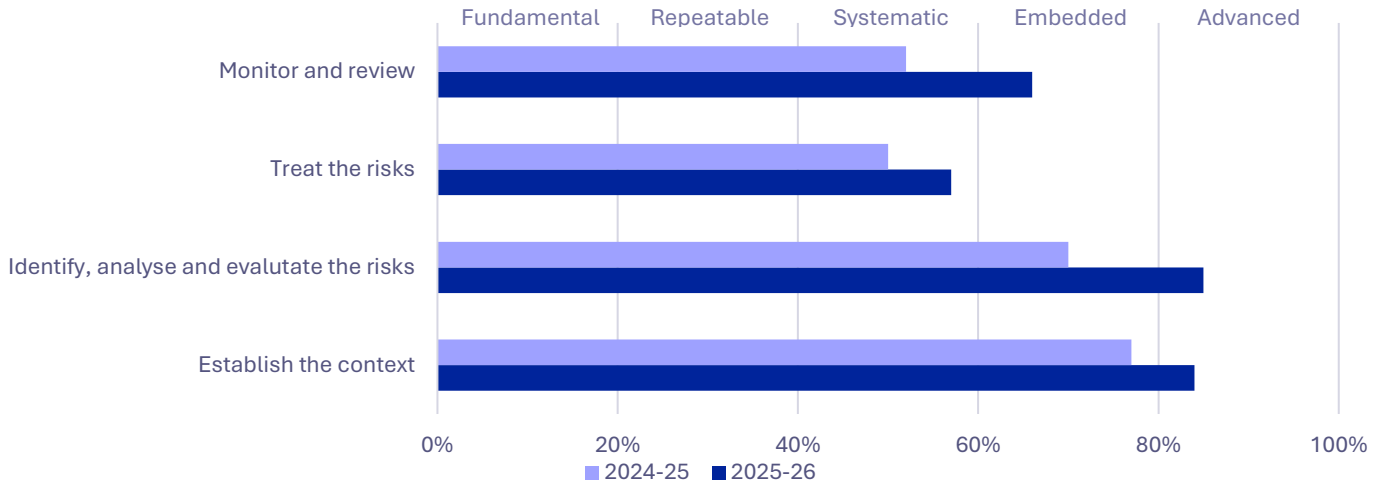


Figure 3 - Sydney Water's climate risk maturity assessments 2024 –25 and 2025–26

Appendix 1 – Background net zero target

Other metrics used to monitor progress (MT7c)

The carbon zero plan includes several smaller milestones to help us achieve our net zero goals. The installed renewable energy (cogeneration, solar, hydroelectricity) asset capacity and generation is monitored annually with the goal of self-generating more than 15 percent of our electricity each year. Energy efficiency will contribute a smaller benefit each year (less than 1 percent). The grid electricity emissions will be reduced by purchasing renewable electricity such as renewable energy certificates (about 85 percent of use). The monitoring and forecasting of total electricity and renewable electricity use assist in the preparation of renewable electricity purchasing.

GHGs are covered by the target (MT9a)

Sydney Water calculates emissions associated with many different GHGs, which occur naturally as part of our emissions footprint:

- CO2 (carbon dioxide), from the combustion of fuel in direct activities (Scope 1), as well as indirectly from energy use (Scope 2)
- N2O (nitrous oxide), from the treatment of wastewater (Scope 1)
- CH4 (methane), from the treatment of wastewater (Scope 1)
- SF6 (sulfur-hexaflouride), from the use of high-voltage electrical equipment (Scope 1).

Approach to measurement (MT2a, b, c)

Sydney Water reports its Scope 1 and 2 emissions for a site, service or facility of which we have operational control. We calculate emissions in accordance with the NGER Act 2007 as we meet the thresholds for reporting under this scheme. We use emission factors included in the NGER (Measurement) Determination, 2008, including location state-based factors for grid electricity carbon intensity, and approved methods for estimating Scope 1 emissions in wastewater treatment. Emissions associated with the combustion of fuel or natural gas also use factors found in the measurement determination, which are updated every financial year. Further detail on our emissions sources, measurement approaches, inputs and assumptions can be found in Table 8 and full list of unquantified emissions sources and reasons for exclusion in Table 9. No changes have occurred in measurement approach, boundaries, inputs, assumptions, estimation methods or emissions sources since last year's disclosures.

Table 8 - Inputs, methodology and assumptions used for measuring GHG emissions within Sydney Water's operational control

Emission source	Measurement approach, inputs, and assumptions
Fuels (transport and stationary) for fleet, plant and machinery (Scope 1) **1.Diesel fuel** **2.Natural gas** **3.Gasoline and ethanol** **4.Liquefied Petroleum Gas**	**Measurement approach:** • NGER Act 2007 • NGER (Measurement) Determination 2008: ○ Emissions from liquid fuels are calculated using Chapter 2, Part 2.4 - Method 1. ○ Emissions from gaseous fuels are calculated using Chapter 2, Part 2.3 - Method 1. ○ Emission factors from Schedule 1 **Inputs:** Invoices and reports (criterion A) and industry standards (criterion BBB). Criterion as per NGER (Measurement) Determination 2008. **Assumptions:** Sydney Water data consists of fleet and machinery, and contractor data consists of machinery. Where only cost data is available, a conversion of average cost / L is applied to determine fuel volume consumed
Wastewater treatment (fugitive emissions) (Scope 1)	**Measurement approach:** • NGER Act 2007 • NGER (Measurement) Determination 2008: ○ Emissions from wastewater treatment are calculated using Chapter 5 Part 5.3 – Method 2. Data collected is entered into a facility calculator to estimate fugitive emissions. **Inputs:** Influent flow (ML), Influent Total Nitrogen (TN) & Chemical Oxygen Demand (COD), Sludge flow to digesters, Sludge COD or Total Solids (TS) & Volatile Solids (VS), Biogas captured (Cogen and Heaters), Biogas flared, % Methane (CH_4) in biogas, Effluent flow (ML), Effluent TN & COD, Biosolids total, Biosolids TN, TS and VS **Assumptions:** • Many of Sydney Water's water resource recovery facilities (WRRFs) treat wastewater under aerobic conditions, and it is highly unlikely that any methane will be formed. Therefore, the Methane Correction Factor for Wastewater (MCFWW) is zero for 'managed aerobic treatment' - NGER (Measurement) Determination 2008. • Nitrous oxide emissions from Bondi WRRF, Malabar WRRF and North Head WRRF wastewater treatment are assumed as zero. These WRRFs are high-rate primary treatment plants with no process for nitrogen removal. It is unlikely that these plants emit nitrous oxide (N2O) in a material quantity. • For WRRFs/WRPs where influent flow is not measured e.g. Bondi, influent flow is calculated as the sum of effluent flow, overflows and bypasses from the WWRFs/WRPs. • Any missing data is substituted using averages/medians as listed and on occasion substitution for data sets can occur for similar treatment plants and historical data • Some of our treatment plants are below the threshold for Method 2 measurement requirements so their emissions are calculated through a proportionality factor based on flow rate
Combustion of biogas for electricity generation and heating (Scope 1)	**Measurement approach:** • NGER (Measurement) Determination 2008: ○ Emissions from liquid fuels are calculated using Chapter 5 Part 5.3 - Method 1 or Method 2. **Inputs:** The quantity of gas combusted for each individual site. The methane quantity is estimated from the gas flowrate multiplied by the measured methane concentration. **Assumptions:** • Where methane is not measured, or data is missing, the average methane concentration of a comparable treatment plant is used • Where this is not practical or accurate, a fixed methane fraction of 70% vol/vol is used (Method 1).

	• Sludge biogas, when reported as energy consumption (whether for electricity production, heating or flaring) should be reported as criterion BBB (industry standards) (Method 2).
Flaring of biogas (Scope 1)	**Measurement approach:** • NGER (Measurement) Determination 2008: ○ Emissions from liquid fuels are calculated using Chapter 5 Part 5.3 - Method 1 or Method 2. **Inputs:** The quantity of gas flared for each individual site. The methane quantity is estimated from the gas flowrate multiplied by the measured methane concentration. **Assumptions:** • Where methane is not measured, or data is missing, the average methane concentration of a comparable treatment plant is used • Where this is not practical or accurate, a fixed methane fraction of 70% vol/vol is used (Method 1). • The quantity flare is reported as biogas other than landfill biogas and sludge biogas.
Sulphur hexafluoride (SF_6) emissions (Scope 1)	**Measurement approach:** • NGER (Measurement) Determination 2008. ○ Part 4.5 - Mass Balance Method. The NGER Scheme uses Global Warming Potential (GWP) values from the IPCC Fifth Assessment Report (AR5) **Inputs**: Inventory of SF6 electrical switch gear, based on leakage, SF6 gas refills and decommissioning for the financial year. **Assumptions:** • Sydney Water last estimated 60 tonnes of CO2-e from SF6 inventories in electrical switchgear across the corporation in FY25. Inventory remained valid for FY26.
Purchased electricity (Scope 2)	**Measurement approach:** • NGER (Measurement) Determination 2008, ○ Chapter 7, Method A1, Location-based: using the NSW grid electricity emission factors specified in Schedule 1, part 6. **Inputs**: Electricity invoices and electricity data from metering provider platform.
Renewable energy generation / export (Scope 2)	**Measurement approach:** • NGER (Measurement) Determination 2008, ○ Chapter 7, Method A1, Location-based: using the NSW grid electricity emission factors specified in Schedule 1, part 6. **Inputs**: Quantity of electricity generation from renewable energy generation reports (hydro and solar,) cogeneration data from sludge biogas generation and renewable energy export data. **Assumptions:** • Sludge biogas is an energy commodity and is reported as energy produced as “Sludge biogas that is captured for combustion (methane only)” for all sites with biogas at Sydney Water. • The quantity of gas reported as flared, is also reported as, equal to “energy consumed by means other than combustion” • Renewable energy is used as electricity / energy use, which falls under a Scope 2 boundary. It also contributes to our Net Zero target

Table 9 - Unquantified emissions sources within the emissions boundary

Emission source	Reasons for no quantification
Reservoir or constructed-waterbody emissions (Scope 1)	Scope 1 fugitive emissions from reservoirs are excluded from the footprint, as Sydney Water owned and operated reservoirs are sealed, secured, and covered following disinfection. No organic material is present in the water following disinfection, removing the possibility of fugitive emissions production.
Emissions from land use and land use change (Scope 1)	Sydney Water does monitor land clearing and revegetation on an annual basis. This activity has not been quantified to determine the carbon impact and may represent a material source of emissions. However, producing a reliable estimate of these emissions at this point would require undue cost or effort, due to the absence of standardised corporate-level calculation methodologies. Property and Environmental mapping improvements have been implemented during 2025-26 to improve the accuracy of reported land areas and management coverage.
Fugitive emissions from wastewater networks (Scope 1)	Methane emissions from wastewater networks are excluded as there is no consistent methodology to quantify these potential emissions. It may be that these emissions are material to Sydney Water's footprint, and research is underway to understand the scale of impact this may have. Producing a reliable estimate of these emissions at this point across about 27,000km of sewer and wastewater pipes would require undue cost or effort, due to the absence of standardised industry calculation methodologies.
Fugitive emissions from refrigerants (Scope 1)	Refrigerant emissions (R22 (HCFC-22), R32 (HFC-32), R134A (HFC-134A) and R410A (HFC blend) from air conditioning, refrigeration or heat pumps have not been quantified to determine the carbon impact and may represent a material source of emissions. However, producing a reliable estimate of these emissions at this point would require undue cost or effort, due to the absence of standardised corporate-level calculation methodologies. We are investigating opportunities to quantify these emissions next year.
Biodiesel (Scope 1)	Sydney Water does not report any biodiesel use. There may be small amounts of acetylene, lubricating oils, waste oils and greases used across Sydney Water's networks, but these volumes are not large enough to be material.

Further information on our emissions reporting approach

Our emissions reporting is done in reporting groups determined through a four-step process:

1. Identify each relevant individual activity and its ancillary activities
2. Classify activities into small, discrete series of activities based on Clause 2.20 of the NGER regulations
3. Determine activities under Sydney Water's operational control using the 'Defining facility and its operational control' policy. This process has been documented in 'Assessing Sydney Water's facilities (and noting its operational control) for National Greenhouse and Energy Reporting purposes', completed in 2012. This document was reviewed in 2017 following a structural change to the governance of Sydney Water's networks, it was determined that no revisions in calculation methodology were necessary.
4. Compare each activity series to determine whether they are separate, independent activities or whether they should be combined to form a single undertaking or enterprise. Each single undertaking or enterprise resulting from this process is deemed to form a facility for the purposes of the *NGER Act 2007*.

Based on this process, our emissions are currently grouped into seven reporting entities (see Table 10) as follows:

- Four facilities (Malabar, North Head, Prospect and Wollongong) are reporting entities comprised of multiple connected plants which are not able to be separated

- Two facilities, Bondi and Cronulla, are separate reporting entities because these plants trigger the 'facility threshold' of 100 TJ for energy production and consumption, each constitutes a single plant and its respective network
- Sydney Water Facility Aggregate comprises 18 separate facilities, amalgamated into a single reporting entity due to the small relative contribution of each facility. If at any time a facility exceeds any facility threshold identified in the NGER manual, that facility must be reported as a separate entity. Currently, nine of these treatment plants fall below the threshold for site-specific monitoring as per NGER Regulations 4.26 (1A) & (1B), and so their fugitive emissions from wastewater treatment are approximated using a like-for-like model plant (Penrith).

All reporting groups include emissions associated with their wastewater treatment (Scope 1), natural gas consumption (Scope 1), electricity use (Scope 2), and renewable energy generation / export (Scope 2). Emissions associated with fuel consumption and SF6 (Scope 1) are only reported under 'Sydney Water Facility Aggregate', as there is no feasible method to determine where in Sydney fuel was consumed by our vehicles.

Sydney Water rigorously verifies its emissions calculations internally and has them independently reviewed by external auditors. For the past two years, Sydney Water has engaged RSM to conduct a limited assurance audit for the purposes of NGER reporting, moving to a reasonable assurance audit in 2025 –26.

Table 10 - Emissions reporting entities

Reporting entity	Contributing plants	Asset description
Bondi WRRF and Networks	Bondi	Water Resource Recovery Facility and network
Cronulla WRRF and Networks	Cronulla	Water Resource Recovery Facility and network
Malabar Treatment Plant and Networks (TP & NW)	Malabar	Water Resource Recovery Facility and network
	Glenfield, Liverpool	Water Resource Recovery Facility, Water Recycling Plant, and network
	Fairfield	Water Resource Recovery Facility
North Head Treatment Plant and Networks (TP & NW)	North Head	Water Resource Recovery Facility and network
	Penrith, Quakers Hill	Water Resource Recovery Facility, Water Recycling Plant, and network
	St Marys	Water Resource Recovery Facility, Water Recycling Plant, Advanced Water Treatment Plant, and network
	West Hornsby	Water Resource Recovery Facility,
Prospect Networks	Prospect*	Network only, including Potts Hill and Ryde networks
	Orchard Hills, Cascade, North Richmond	Water Filtration Plant and network
	Woronora*, Macarthur*	Network only
Sydney Water Facility Aggregate (SWFA)	Bombo, Picton, Richmond, West Camden	Water Resource Recovery Facility, Water Recycling Plant, and network
	Brooklyn, Hornsby Heights, North Richmond, Shellharbour, Wallacia, Warriewood, Winmalee	Water Resource Recovery Facility and network
	Castle Hill, Rouse Hill, Riverstone	Water Resource Recovery Facility, Water Recycling Plant and network
	Illawarra*	Network only
	Nepean, Warragamba	Water Filtration Plant and network
	Misc.	Fuel and fleet vehicle consumption, Fuel consumption through major projects + scheduled maintenance
	Overheads	Buildings / Depots (e.g. Head Office), emissions that are unable to be apportioned to any other specific Facility
Wollongong WRRF and Networks	Wollongong	Water Resource Recovery Facility, Water Recycling Plant and network
	Bellambi, Port Kembla	Water Resource Recovery Facility and network

**Four plants, Prospect, Woronora, Macarthur, and Illawarra are owned and operated by third party contractors and so fall outside Sydney Water's operational control and reporting boundary. The associated networks that connect to these four plants still fall within Sydney Water's operational control and reporting boundary. Emissions from networks include energy use (Scope 2) but exclude methane emissions in the transfer of wastewater (Scope 1) as they are not part of current NGER reporting requirements.*

Table 11 - Current emissions reporting exclusions (contribute toward Sydney Water's Scope 3 emissions)

Item excluded	Justification
Build, Own, Operate (BOO) plant and network at Gerringong-Gerroa and Bingara Gorge	This wastewater treatment plant and entire network is owned and operated by a third party.
BOO plants at Prospect, Woronora, Illawarra and Macarthur (note this exclusion does not extend to these plants' associated networks)	BOO plants operators are independent corporations (under paragraph 51(i) of the Australian Constitution) that hold full operational control over facilities, including environmental, health and safety policies.
Contractors for large infrastructure construction/operation projects or maintenance such as Upper South Creek AWRC, which are identified through an operational control assessment each year.	All Sydney Water Corporation (SWC) contractors that have the potential to exceed NGER thresholds (for example Veolia Water) are independent corporations (under paragraph 51(i) of the Australian Constitution) that hold full operational control over their activities including environmental, health and safety policies at a facility.
Transporters, handlers and processors of WRRF and WRP biosolids, sludge and residuals (for example screening and grit) and WTP residuals: Australian Native Landscapes, Remondis, Bettergrow, and Loop Organics.	These operators are independent corporations (under paragraph 51(i) of the Australian Constitution) that carry out their operations at their controlled sites and hold full operational control over facilities including environmental, health and safety policies. This exclusion also extends to the on-site storage of biosolids, sludge and residuals that these service providers perform.
Effluent recycling, reuse and sewer mining controlled by external and independent service providers	Operators carry out their operations at their controlled sites and hold full operational control over those facilities including environmental, health and safety policies.
Scope 1 fugitive emissions from stormwater treatment plants	Stormwater treatment plants (Bellambi, Fairfield and Port Kembla) do not treat sewage during dry weather; they only act as a temporary storage of sewage for transfer to other WRRF and WRP (that is from Bellambi and Port Kembla to Wollongong) for treatment. They do not carry out any anaerobic wastewater or sludge treatment processes and do not generate methane. However, all Scope 1 energy and Scope 2 grid electricity consumption for operation of stormwater treatment plants and fugitive nitrous oxide emissions from effluent disposal to riverine or estuarine waters, are accounted for in NGERS.
Dry/wet weather wastewater overflows from Sydney Water's wastewater networks during dry and wet/storm weather.	Fugitive nitrous oxide emissions from discharge of wastewater during dry/wet weather sewage overflows are excluded.
Electricity generated from backup diesel generators at some facilities. This represents a small amount of the energy generated by SWC.	This electricity is not included in reported generation data but is included in the consumption data. While diesel fuel consumption is measured and reported, the proportion used in diesel generators is not known. GHG emissions from the combustion of diesel fuel across Sydney Water operations are reported.

Appendix 2 – TPG24-33 requirements

Governance

Requirement		Section	Page
G1. The governance body (or bodies) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body (or bodies) or individual(s) and disclose information about:	a. How responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body (or bodies) or individual(s).	Governance	3
	b. How the body (or bodies) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee actions designed to respond to climate-related risks and opportunities.	Governance	3
	c. How and how often the body (or bodies) or individual(s) is informed about climate-related risks and opportunities.	Governance	3-4
	d. How the body (or bodies) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body (or bodies) or individual(s) has considered trade-offs associated with those risks and opportunities.	Governance	3-4
	e. How the body (or bodies) or individual(s) oversees the setting of targets related to climate-related risks and opportunities (if any) and monitors progress towards those targets.	Governance	3-4
G2. Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:	a. Whether the role is delegated to a specific management-level position or management level committee and how oversight is exercised over that position or committee.	Governance	4-5
	b. Whether management uses controls and procedures to support the oversight of climate- related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	Governance	4-5
G3. In preparing disclosures to fulfil the requirements in G1. and G2, an entity shall avoid unnecessary duplication. For example, if oversight is managed on an integrated basis, the entity would avoid duplication by providing integrated governance disclosures for requirements G1 (a) to (e) and/or other sustainability-related risks and opportunities.		Governance	3-5

Strategy

Requirement		Section	Page
S1. Describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects.		Climate-related risks and opportunities	10-22
S2. Explain, for each climate-related risk and opportunity identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk.		Climate-related risks and opportunities	9
S3. Specify the time horizons – short, medium or long term – over which the effects of each of those climate-related risks and opportunities could reasonably be expected to occur.		Climate-related risks and opportunities	10-22
S4. Explain how the entity defines short term, medium term and long term, and how these definitions are linked to the planning horizons used by the entity for strategic decision-making.		Climate risk methodology	7-8
S5. Describe the current and anticipated effects of climate-related risks and opportunities on the entity's business model.		Climate-related risks and opportunities	10-22
S6. Describe where climate-related risks and opportunities are concentrated (for example, geographical areas, facilities, supply chains and types of assets).		Climate risk concentration	23-24
S7. Information about how the entity has responded to, plans to respond to, or both, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law, regulation or government policy. Specifically, the entity shall disclose information about:	a. current and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities (for example, these changes could include plans to manage or decommission carbon-, energy- or water-intensive operations; resource allocations resulting from demand or supply chain changes; resource allocations arising from business development through capital expenditure or additional expenditure on research and development; and acquisitions or divestments)	Climate-related risks and opportunities	10-22
	b. current and anticipated direct mitigation and adaptation efforts (for example, through changes in service delivery, workforce adjustments or relocation of office sites)	Climate-related risks and opportunities	10-22
	c. current and anticipated indirect mitigation and adaptation efforts (for example, through working with customers and service providers)	Climate-related risks and opportunities	10-22
	d. any climate-related transition plans the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies	Roadmap to achieving our goal	26
	e. how the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets, described in accordance with disclosure requirements MT6 to MT9.	Roadmap to achieving our goal Climate adaptation	26 28
S8. Information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with disclosure requirement S7.		Resourcing response activities	8
S9. How climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period.		Climate-related risks and opportunities	10-22
S10. The climate-related risks and opportunities for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.		Climate-related risks and opportunities	10-22

S11. How the entity expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:	a. its investment and disposal plans (for example, plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans the entity is not contractually committed to	Climate-related risks and opportunities	10-22
	b. its planned sources of funding to implement its strategy.	Resourcing response activities Climate-related risks and opportunities	8 10-22
S12. How the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.		Climate-related risks and opportunities	10-22

Risk Management

Requirement		Section	Page
R1. The processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about:	a. the inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes)	Climate risk methodology	6
	b. how the entity assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the entity considers qualitative factors, quantitative thresholds or other criteria)	Climate risk methodology	6
	c. whether and how the entity prioritises climate-related risks relative to other types of risk.	Climate risk methodology	6-7
	d. how the entity monitors climate-related risks.	Climate risk methodology Governance	7 4
R2. The processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities.		Climate risk methodology	6
R3. The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process.		Climate risk methodology Governance	6 5
R4. In preparing disclosures to fulfil the requirements in R1, an entity shall avoid unnecessary duplication. For example, an entity would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each climate-related risk and opportunity and/or other sustainability-related risks and opportunities if these risks and opportunities are managed on an integrated basis.		Climate risk methodology	6-7

Metrics and Targets

Requirement		Section	Page
MT1. The following absolute gross GHG emissions generated during the reporting period, expressed as metric tonnes of CO2 equivalent:	a. scope 1 GHG emissions	Emissions	27
	b. scope 2 GHG emissions.	Emissions	27
MT2. The approach it uses to measure its GHG emissions including:	a. the measurement approach, inputs and assumptions the entity uses	Appendix 1	30-35
	b. the reason why the entity has chosen the measurement approach, inputs and assumptions it uses	Appendix 1	30-35
	c. any changes the entity made to the measurement approach, inputs and assumptions under the relevant NSW Government methodology during the reporting period and the reasons for those changes.	Appendix 1	30-35
MT3. For Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with disclosure requirement MT1, disaggregate emissions between:	a. the consolidated accounting group (for example, for an entity applying Australian Accounting Standards, this group would comprise the parent and its consolidated subsidiaries)	N/A - Sydney Water has no associates, joint ventures or unconsolidated subsidiaries.	
	b. other investees excluded from disclosure requirement MT3a (for example, for an entity applying Australian Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries).		
MT4. For scope 2 greenhouse gas emissions disclosed in accordance with MT1b, disclose its location-based Scope 2 greenhouse gas emissions.		Emissions	27
MT5. If another metric has been developed by an entity, the entity shall disclose information about:	a. how the metric is defined	Climate adaptation	29
	b. whether the metric is an absolute measure, a measure expressed in relation to another metric or a qualitative measure, such as a red, amber, green (RAG) status	Climate adaptation	29
	c. whether the metric is validated by a third party and if so which party	Climate adaptation	29
	d. the method used to calculate the metric and the inputs to the calculation, including the limitations of the method used and the significant assumptions made.	Climate adaptation	28
MT6. For each target, the entity shall disclose:	a. the metric used to set the target and to monitor progress towards reaching the target	Emissions Climate adaptation	25 28
	b. the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives)	Emissions Climate adaptation	25 28
	c. the specific quantitative or qualitative target the entity has set or is required to meet	Emissions Climate adaptation	25 28
	d. the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region)	Emissions Climate adaptation	25 28
	e. the period over which the target applies	Emissions Climate adaptation	25 28
	f. the base period from which progress is measured	Emissions Climate adaptation	25 28

	g. any milestones and interim targets	Emissions Climate adaptation	25 28
	h. if the target is quantitative, whether it is an absolute target or an intensity target	Emissions Climate adaptation	25 28
	i. how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	Emissions Climate adaptation	25 28
MT7. An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:	a. whether the target and the methodology for setting the target has been validated by a third party	Emissions Climate adaptation	26 28
	b. the entity's processes for reviewing the target	Emissions Climate adaptation	26 28
	c. the metrics used to monitor progress towards reaching the target	Appendix 1 Climate adaptation	30 28
	d. any revisions to the target and an explanation for those revisions.	Emissions Climate adaptation	25 28
MT8. An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance.		Emissions Climate adaptation	27 29
MT9. For each GHG emissions target disclosed in accordance with requirements MT6 and MT7, an entity shall disclose:	a. which GHGs are covered by the target	Appendix 1	30
	b. whether scope 1 or scope 2 GHG emissions are covered by the target	Emissions	25
	c. whether the target is a gross GHG emissions target. If the entity discloses a net GHG emissions target, the entity is also required to separately disclose its associated gross GHG emissions target	Emissions	25
	d. the entity's planned use of carbon credits to offset GHG emissions to achieve any net GHG emissions target. In explaining its planned use of carbon credits, the entity shall disclose information including: i. the extent to which, and how, achieving any net GHG emissions target relies on the use of carbon credits ii. which third-party scheme(s) will verify or certify the carbon credits iii. the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal	Emissions	26

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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

On selected climate-related financial disclosures

Sydney Water Corporation

To the Directors of Sydney Water Corporation

Limited assurance conclusion

I have conducted a limited assurance engagement on the selected climate-related financial disclosures (the subject matter information) included in Sydney Water Corporation's (the Corporation) climate-related financial disclosures for the year ended 30 June 2026.

Based on the procedures I have performed and the evidence I have obtained, nothing has come to my attention that causes me to believe that the subject matter information below has not been prepared and fairly presented, in all material respects, in accordance with the criteria as established by Treasurer's Direction TD 25-04 *Climate-related financial disclosures* (the Treasurer's direction) and NSW Treasury Policy and Guidelines Paper TPG 24-33 *Reporting framework for climate-related financial disclosures* (TPG 24-33):

- Governance section, excluding Table 1: Key oversight documents for climate-related risks and opportunities, in accordance with requirements G1 – G3 of TPG 24-33
- Strategy – Risks and opportunities, in accordance with requirements S1 – S2 of TPG 24-33, comprising:
  - Table 3: Material climate-related risks and opportunities
  - the 'Description' column in the tables on pages 10, 12, 14, 16, 17, 19, 21 and 22
- Scope 1 and 2 greenhouse gas (GHG) emissions, in accordance with requirements MT1 – MT4 of TPG 24-33, comprising:
  - '2025–26' column in Table 5: Our emissions performance
  - 'Approach to measurement' section in Appendix 1: Background net zero target
  - Table 8: Inputs, methodology and assumptions used for measuring GHG emissions within Sydney Water's operational control
  - Table 9: Unquantified emissions sources within the emissions boundary.

Other than the subject matter information described in the previous paragraph, I have not performed assurance procedures on any other disclosures included in the Corporation's climate-related financial disclosures.

Basis for limited assurance conclusion

I conducted my limited assurance engagement in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements*, issued by the Australian Auditing and Assurance Standards Board.

The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

My responsibilities under this standard are further described in the 'Practitioner's responsibilities' section of my report.

I am independent of the Corporation in accordance with the applicable requirements of Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board (November 2018 incorporating all amendments to July 2025) (the code) that are relevant to my assurance engagement of the subject matter information in Australia.

I have also fulfilled my other ethical responsibilities in accordance with the code.

The Audit Office of New South Wales (Audit Office) applies Australian Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports, or Other Assurance or Related Services Engagements*, which requires the Audit Office to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-assurance services.

I believe the evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Other matter

The comparative information for the climate-related disclosures was not subject to assurance in the prior year. As a result, no assurance is provided over these comparative disclosures.

Other information

The Directors of the Corporation are responsible for the other information. At the date of this report, the other information I have received comprises of the Corporation's general purpose financial statements and the climate-related financial disclosures, but does not include the subject matter information and my Independent Practitioner's Limited Assurance Report thereon.

My conclusion on the subject matter information does not cover the other information. Accordingly, I do not express any form of assurance conclusion thereon. However, as required by the *Government Sector Audit Act 1983*, I have separately expressed an opinion on the Corporation's general purpose financial statements.

In connection with my limited assurance engagement on the subject matter information, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the subject matter information, or my knowledge obtained during the assurance engagement, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of the other information, I must report that fact. I have nothing to report in this regard.

Directors' responsibilities for the subject matter information

The Directors are responsible for:

- the preparation and fair presentation of the subject matter information in accordance with the criteria as established by the Treasurer's direction and TPG 24-33
- designing, implementing and maintaining such internal control that the Directors' determine is necessary to enable the preparation and fair presentation of the subject matter information, in accordance with the criteria as established by the Treasurer's direction and TPG 24-33 that is free from material misstatement, whether due to fraud or error.

Practitioner's responsibilities

My objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the subject matter information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes my conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the subject matter information.

As part of the limited assurance engagement in accordance with ASSA 5000, I exercise professional judgment and maintain professional scepticism throughout the engagement. I also:

- perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control
- design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence about the subject matter information. The nature, timing, and extent of the procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosures level, whether due to fraud or error.

My limited assurance engagement consisted of making enquiries, primarily with persons responsible for preparing the subject matter information, and applying other appropriate procedures. The procedures I performed included, but were not limited to, the following:

- Overall subject matter information:
  - obtained an understanding of the reporting boundary and the internal control environment, processes, and information systems relevant to the preparation of the subject matter information
  - assessed whether the subject matter information was fairly presented against the criteria in TPG 24-33 and my knowledge obtained during the engagement
- Governance:
  - obtained an understanding of the governance arrangements established by the Corporation including the processes, controls and procedures used to oversight and monitor climate-related risks and opportunities
  - corroborated governance arrangements through enquiries and inspection of selected supporting documentation
- Strategy – Risks and opportunities:
  - obtained an understanding of the processes used to identify climate risks and opportunities
  - assessed the completeness of risks and opportunities disclosures
  - corroborated risks and opportunities through enquiries and inspection of selected supporting documentation

- Scope 1 and 2 GHG emissions:
  - obtained an understanding of the measurement approach, key inputs and assumptions, and the processes and controls in place to capture emissions sources, including changes in operations
  - evaluated the appropriateness of key assumptions and estimates used in measuring emissions, including emissions that were not quantified
  - performed analytical procedures to assess the reasonableness of the reported emissions
  - reviewed a sample of qualitative and quantitative evidence supporting the emissions.



Mary Yuen
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

26 October 2026
SYDNEY