

FY26 Sustainability Report



For the year ended
30 June 2026

Australian Energy Market Operator Limited
ABN 94 072 010 327





We acknowledge the Traditional Custodians of the land, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present and embrace future generations.

We acknowledge that, wherever we work, we do so on Aboriginal and Torres Strait Islander lands. We pay respect to the world's oldest continuing culture and First Nations peoples' deep and continuing connection to Country; and hope that our work can benefit both people and Country.

AEMO is proud to have launched its [Innovate Reconciliation Action Plan](#) (RAP) in June 2026. Pictured left and featuring on the cover of the Innovate RAP is Wiradjuri artist Lani Balzan's 'Journey of unity: AEMO's Reconciliation Path', a visual representation of our ongoing journey towards reconciliation – a collaborative endeavour that honours First Nations cultures, fosters mutual understanding, and paves the way for a brighter, more inclusive future.

Important Notice

Purpose, assumptions and forward-looking statements

This Sustainability Report has been prepared in accordance with the requirements of Chapter 2M of the *Corporations Act 2001* (Cth) and applicable sustainability reporting standards. It is intended to provide users with information to support an informed assessment of AEMO's governance, strategy, risks, opportunities and performance in relation to sustainability and climate-related matters.

This report includes climate-related data, metrics and analysis, including scenario analysis, climate resilience assessments, greenhouse gas emissions calculations, climate risk assessments and disclosures regarding current and anticipated financial effects of climate-related risks and opportunities. The preparation of this information requires the use of assumptions, judgements and estimates, and accordingly such information should be understood in that context.

This report contains forward-looking statements, including statements regarding AEMO's expectations, plans, objectives and future performance in relation to sustainability and climate-related matters. Forward-looking statements are based on information available as at the date of this report and involve known and unknown risks, uncertainties and other factors that may be outside of our control. Actual outcomes may differ materially from those expressed or implied in those statements.

Forward-looking statements should be read with appropriate caution and in the context of the risks, uncertainties, assumptions and limitations described in this report.

Acknowledgment

AEMO acknowledges the support, co-operation and contribution of all participants in providing data and information used in this publication.

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Contents

VOLUNTARY DISCLOSURES

AEMO’s role5

Climate-related risks and opportunities and the energy transition7

AASB S2 CLIMATE-RELATED DISCLOSURES

About this publication9

Directors’ declaration.....9

FY26 Sustainability Report – key insights10

1. Governance11

2. Risk management.....14

3. Strategy16

4. Metrics and targets23

NOTES AND ABBREVIATIONS

Appendix 1: Judgements, limitations and uncertainty.....26

Appendix 2: Scope 1 and Scope 2 GHG emissions methodology29

List of abbreviations31

Voluntary Disclosures



AEMO's role

As Australia's independent energy system and market operator and system planner, AEMO operates energy markets and power systems in real time, balancing supply and demand to help keep energy flowing to homes, businesses and communities across Australia. We also plan for the future, providing forecasting, planning and advice to support investment and decision-making and work closely with industry, consumers and governments to help ensure systems remain secure, reliable and affordable.

Australia's energy landscape is undergoing rapid and unprecedented change. The transition is being driven by the retirement of ageing coal-fired generation and a corresponding shift in the power supply mix, alongside more frequent extreme weather events, technological advancements, evolving cyber security risks, increased consumer participation, growing energy demand, and greater interdependence between gas and electricity markets.

To make sure Australians continue to have access to secure and reliable energy in the years to come, we undertake several key activities as system and market operator to enable Australia's energy future.

AEMO develops and publishes the biennial *Integrated System Plan* (ISP), our long-term roadmap for how the National Electricity Market (NEM) needs to evolve to meet Australia's growing electricity needs. Developed under the National Electricity Rules, the ISP provides a practical roadmap for investment, policy and planning decisions by setting out the least-cost way to support secure and reliable electricity supply as coal retires and electricity consumption doubles, while meeting government policy through to 2050. This plan now gives greater consideration of interdependences between electricity and gas, and between electricity transmission and distribution.

As part of AEMO's system planning function, we undertake reliability assessment through key publications including the Western Australia and NEM Electricity Statements of Opportunities (ESOO) and the Western Australian and East Coast Gas Market Gas Statements of Opportunities (GSOO). These publications provide a long-term outlook to support industry, investors and governments plan for the future by identifying how electricity and gas demand is changing and the infrastructure needed to maintain reliable supplies over the next decade.

AEMO undertakes key transition point planning, highlighting the actions needed to maintain system security as coal generation withdraws from the energy mix. The *Transition Plan for System Security* outlines system security needs in the coming 10 years to support the transition in the NEM. In Western Australia's Wholesale Electricity Market (WEM), the South West Interconnected System (SWIS) Engineering Roadmap sets out and tracks priority engineering actions focused on keeping the SWIS secure at times of high renewables output.

AEMO focuses on expediting priority investment in new infrastructure for the NEM through an efficient connections and onboarding process. In collaboration with industry, we integrate improvements to the process to support the movement of more projects through application, contracts and construction, registration and full commissioning phases.

As system and market operator, AEMO runs the energy systems and supporting markets. To support this key function, we work with governments, industry, market bodies and consumer representatives to inform, deliver and embed the system and market reforms essential to Australia's energy needs. AEMO participates in government and market body policy reviews and has programs focused on delivering reforms in the NEM, WEM, and gas markets, to make sure the markets, rules and operating frameworks that underpin AEMO's operations continue to support reliability, security and investment as technologies and consumer behaviours change and as new system needs emerge.

With consumers playing an increasingly active role, a major focus is ensuring the market can accommodate growing levels of consumer energy resources, batteries and flexible demand. Through the National Consumer Energy Resources Roadmap, work is progressing on interoperability, technical standards, data frameworks and coordination arrangements needed to support a high-consumer energy resources (CER) future. AEMO is supporting the rollout of Project Jupiter, a three-year program designed to enable large-scale integration of distributed energy resources (DER) across Western Australia's main energy system, the SWIS. Delivered in partnership with Western Power, Synergy and Energy Policy WA, and supported by Australian Renewable Energy Agency (ARENA) funding, Project Jupiter is supporting the accelerated integration of rooftop solar, home and community batteries into the SWIS through virtual power plants (VPPs).

AEMO is also continuing to support the delivery of new energy infrastructure through our subsidiary AusEnergy Services Limited (ASL), working with governments to secure investment in the generation, storage and firming capacity needed for future energy systems including through ASL's role in Capacity Investment Scheme (CIS) tenders, the New South Wales Electricity Infrastructure Roadmap, and the South Australian Firm Energy Reliability Mechanism.

Climate-related risks and opportunities and the energy transition

Australia's energy system is being reshaped by both climate change and the transition to a lower-emissions economy, changing how energy is generated, transported, consumed and managed across electricity and gas systems.

Climate-related physical risks arise from changes in weather and climate conditions, including more frequent and intense heatwaves, storms, flooding and other extreme events. These impacts can affect energy infrastructure, operations and patterns of energy supply and demand. They can also directly affect AEMO's operations through disruption to workplaces, technology and communications infrastructure, and the critical suppliers and service providers on which AEMO relies.

Climate-related transition risks arise from the economic, technological, policy and regulatory changes associated with decarbonisation. For the energy sector, these changes include the retirement of coal-fired generation, increasing electrification of homes and businesses, the growth of renewable energy and storage, evolving consumer expectations, and ongoing market and regulatory reform. For AEMO, these developments influence the capabilities, systems and resources required to operate energy systems and markets and support an orderly transition.

As renewable generation contributes a larger share of supply, maintaining system security, reliability and affordability requires continued investment in transmission, storage, firming resources, forecasting capabilities and new operational approaches.

Accordingly, climate-related risks have implications both for the energy systems and markets AEMO operates and for the resilience of AEMO's own operations. They influence how AEMO plans for future energy needs, operates systems and markets, engages with stakeholders, and maintains critical organisational capabilities.

AEMO's approach to climate-related risks and opportunities is integrated into our broader corporate strategy, risk management and operational activities. Rather than being managed separately, climate-related considerations inform how we prioritise work, allocate resources and invest in the capabilities needed to maintain resilient operations and support secure, reliable and affordable energy for consumers.

The remainder of this report contains AEMO's climate-related financial disclosures prepared in accordance with the Australian Accounting Standards Board's (AASB's) *AASB S2 Climate-related Disclosures*, including information about the climate-related risks that could reasonably be expected to affect our prospects, including through impacts on our value chain and operations, and the actions we take to manage those risks and strengthen the organisation's resilience to them.

AASB S2

Climate-related Disclosures



About this publication

This report represents a complete set of climate-related disclosures for the Australian Energy Market Operator Limited (AEMO) and its subsidiary, AusEnergy Services Ltd (ASL), for the financial year ending 30 June 2026¹.

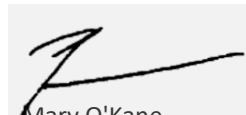
AEMO's climate-related disclosures have been prepared in accordance with *AASB S2 Climate-related Disclosures (AASB S2)*, an Australian Sustainability Reporting Standard issued by the Australian Accounting Standards Board (AASB) and made mandatory for applicable entities under the *Corporations Act 2001* (Cth). This report has been prepared for the same consolidated reporting entity and Reporting Period as AEMO's Consolidated Financial Statements (please refer to "Note 28: Basis of Preparation" in the financial statements).

Directors' declaration

The directors declare that, in the directors' opinion, AEMO has taken reasonable steps to ensure the substantive provisions of this sustainability report, are in accordance with the *Corporations Act 2001* (the Act), including:

- section 296C of the Act (compliance with Australian Sustainability Reporting Standard *AASB S2 Climate-related Disclosures*); and
- section 296D of the Act (climate statement disclosures).

Signed in accordance with a resolution of the directors made pursuant to section 296A(7) of the Act.



Mary O'Kane

AEMO Chair

On behalf of the Board

17 September 2026

¹ Transmission Company Victoria was transferred to VicGrid, and therefore divested from AEMO Group, on 1 November 2025.

FY26 Sustainability Report – key insights

AEMO is committed to continuously improving our approach to our organisational climate-related strategy and reporting. This includes engaging with stakeholders, refining methodologies and data sources as guidance and industry practices evolve, enhancing measurement and reporting processes, and strengthening the governance, systems, capabilities and resources that support effective management of our climate-related risks and opportunities.

This report presents the climate-related risks and opportunities that could reasonably be expected to materially impact AEMO's prospects over the short, medium and long term, including:

- the strategies used to manage and mitigate these risks, and how AEMO's Management and Board are involved in these processes,
- how these risks and opportunities impact AEMO's strategic decision-making, and
- the governance processes used to monitor them.

AEMO has identified three prioritised climate-related risks that could reasonably be expected to affect our prospects, including through effects on our business model and value chain. The first of these, a physical climate risk, relates to the *increasing frequency and severity of extreme weather events such as heatwaves, storms and flooding that may disrupt our facilities, systems and operations*. We manage this risk through business continuity arrangements, backup infrastructure, forecasting and operational planning capabilities, 24/7 control room functions and insurance, and consider the risk manageable without requiring significant changes to our business model.

Two transition risks have been identified: the insufficient evolution of market, policy and regulatory settings to support the energy transition and sub-optimal pace of deployment of low-carbon technologies to replace retiring energy assets. These risks may increase the complexity of operating and planning energy systems and markets and place pressure on AEMO's planning, forecasting and stakeholder engagement functions. We manage these risks through focusing on adapting and optimising our core activities, including sending investment signals through energy system planning, supporting market reform, proactively engaging with and advising our stakeholders and leveraging their expertise, scenario analysis and ongoing monitoring of energy infrastructure development.

Based on the scenario analysis and assumptions described in this report, AEMO has assessed, as at the reporting date, that the organisation's strategy and business model are resilient under both low- and high-emissions scenarios through to 2050, supported by established governance and risk management processes, operational capabilities and investment in adaptation and risk mitigation activities. While these risks are not expected to have a material financial impact on AEMO, they are expected to increase operational complexity, require continued investment in systems and capabilities and if not addressed, may result in implications for energy consumers and market participants.

As this is the first annual reporting period in which AEMO has applied AASB S2, we have applied the transition relief available under AASB S2 and elected to not disclose comparative information or Scope 3 emissions in this report.

Looking ahead

The impacts of climate change are likely to influence Australia's energy systems, markets and infrastructure throughout coming decades. AEMO's focus remains on evolving in line with the context in which it operates including enabling the transition to renewable energy connected by transmission and distribution, firmed with storage and backed up by gas and adapting to climate risk to ensure secure, reliable and affordable energy for Australian consumers now and into the future.

1. Governance

AEMO is committed to operating ethically, effectively, and in line with best practice in corporate governance, supporting our purpose of ensuring secure, reliable, and affordable energy and enabling the energy transition in the long-term interests of consumers. AEMO is governed by a Board of Directors responsible for the performance of AEMO's statutory functions, having regard to the applicable market objectives, and within a detailed framework of energy laws and rules.

The identification, assessment and management of risk is fundamental to AEMO's role and is embedded in how we operate, make decisions and deliver our responsibilities. In Financial Year 2025 (FY25), AEMO undertook an integrated risk transformation program aimed at strengthening risk management foundations and embedding risk intelligence across AEMO's operating model. As the complexity of the energy transition has increased, alongside a changing risk landscape and the evolution of AEMO's functions and responsibilities, our risk management approach has continued to adapt to support the proactive identification, assessment and management of risk.

Climate-related risks are managed within AEMO's broader Enterprise Risk Management Framework (ERMF), and are subject to established governance, oversight and reporting arrangements. This includes capturing risks within our Governance, Risk and Compliance (GRC) platform, assigning appropriate internal risk owners to develop and manage associated mitigation strategies and controls, and reporting on the current status of the risks to Management and the Board through the relevant oversight committees as appropriate.

1.1 Board oversight of climate-related risks and opportunities

AEMO's Board directs the strategic goals and independent operations of Australia's electricity and gas systems and markets. It is responsible for approving corporate strategy, overseeing market performance, ensuring legal compliance, and overseeing and monitoring risks and opportunities including those related to climate. The Board oversees AEMO's contribution in supporting the energy transition through performing our functions to support the achievement of governments' emissions reductions targets (such as the Australian Government's legislated target of net zero emissions by 2050) in accordance with national energy objectives, as well as our internal climate risk and emissions management strategy.

The AEMO Board Charter defines the roles and responsibilities of the Board, which include but are not limited to identification of prioritised climate-related risks and opportunities, consideration of the implications of climate-related risks and opportunities on our corporate strategy and major transactions, and oversight of any targets related to climate-related risks and opportunities and progress towards those targets. As part of its approval of AEMO's Financial Year 2026 (FY26) annual reporting, the Board considered and approved these mandatory climate disclosures, including our climate-related risks. The Board will also consider, as part of its approval process related to future strategy planning and major transactions, the implications of climate-related risks on our corporate strategy. As at the end of FY26, the Board had not set any targets related to climate-related risks and opportunities and climate risk-related performance metrics are not currently included within remuneration policies.

The Finance, Risk and Audit Committee (FRAC) supports and advises the Board in the discharge of its corporate governance and oversight responsibilities, including the effectiveness of AEMO's risk management, compliance, audit and internal control frameworks. AEMO's FRAC Charter has been updated to reference that the FRAC reviews climate-related disclosures included in the Company's annual reporting suite. In March 2026, the FRAC recommended the proposed climate-related

risks identified by Management for Board approval to be integrated into AEMO's climate-related disclosures and included within our FY26 annual reporting suite.

In FY26 the Board was informed of climate-related matters on three occasions, through consultation led by our Sustainability Lead with the FRAC. Updates were provided via Board and FRAC papers and have included briefings on AEMO's climate-related risks and status updates on our sustainability program of work.

The climate-related risks were recorded in AEMO's GRC system in FY26. These risks were reviewed twice by the Executive Leadership Team (ELT) and FRAC, with consideration given to the appropriateness of the risks, the risk assessment process that supported their identification, and next steps regarding the development of a mitigation strategy for each risk.

1.2 Management's role in oversight of climate-related risks and opportunities

The Finance & Governance functions of AEMO are responsible for maintaining and continuously enhancing AEMO's financial, risk and governance frameworks, including financial planning and performance, legal and regulatory compliance, corporate governance, and enterprise risk management.

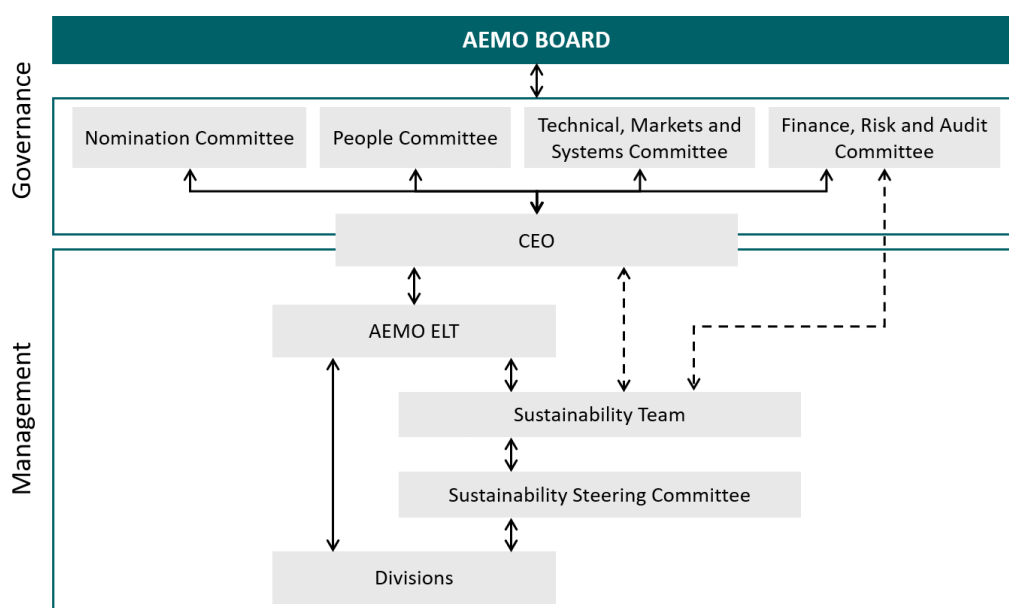
AEMO has dedicated sustainability expertise and a Sustainability team that sits within the Finance division and leads AEMO's sustainability strategy, reporting obligations and associated program of work. The function supports the identification and management of sustainability-related risks and opportunities, coordinates compliance with sustainability reporting requirements, and provides oversight of initiatives that advance AEMO's sustainability objectives.

The Sustainability Steering Committee (SteerCo) offers strategic guidance to the ELT and FRAC. The SteerCo, which includes Executive and senior leadership representation from AEMO's seven divisions, is also responsible for:

- reporting the progress of our sustainability program of work,
- identification and oversight of climate-related risks and opportunities, and
- advising the ELT and FRAC on climate-related matters, including those related to AASB S2 compliance.

In FY26 the SteerCo considered climate-related matters on two occasions.

Figure 1: The Sustainability Steering Committee communicates with and advises AEMO's Sustainability team, which in turn communicates with the ELT and FRAC regarding sustainability-related issues, risks, relevant legislation and supporting strategy



In FY26, the SteerCo considered the organisation's AASB S2 requirements and reporting readiness, climate-related risks and governance, greenhouse gas (GHG) emissions inventory, and climate scenario analysis (including financial impacts). The Sustainability Lead coordinates and leads the SteerCo and is responsible for briefing the ELT and FRAC on items discussed and recommendations made by the SteerCo, as well as ensuring these recommendations are considered and, if appropriate, implemented through the Sustainability Program. The Sustainability Lead is also accountable for engaging relevant internal and external stakeholders to obtain the input needed to deliver AEMO's sustainability strategy and related activities.

AEMO's ELT is responsible for oversight of the organisation's approach to identifying, monitoring and mitigating its climate-related risks. At least annually, the ELT participates in a climate risk assessment, whereby our existing climate risks are revisited to determine whether there have been changes to the organisation's remit, composition or strategic approach that necessitate amendment to these risks. Once these climate risks are approved, ELT members responsible for the divisions that the risks sit within are tasked with identifying the appropriate divisional representative to manage the risk, as well as overseeing the development of an appropriate and effective risk mitigation strategy and ensuring the resources required to manage the risk are understood and allocated.

Management oversees climate-related risks and opportunities through the organisation's broader enterprise risk management process. The ERMF provides a systematic method to assess, treat and monitor risks and opportunities, and has been applied to AEMO's climate-related risks and opportunities. The ERMF is aligned with the principles and guidelines set out in ISO 31000:2018 Risk Management – Guidelines. Oversight is further supported through the application of the Three Lines Model, which clarifies accountabilities for risk management, oversight and assurance across the organisation.

1.3 Skills and training

Directors self-assess skills, competence and experience against AEMO's Board Skills Matrix on a periodic basis, including to support the Director appointment and reappointment processes. This is completed every two years or as required. Sustainability experience and expertise, which includes climate-related matters, is considered in the assessment of our Board skills composition and succession planning processes.

Climate-related topics are a core focus area for the Board. Within the past 12 months, training for the Board and FRAC regarding relevant climate and sustainability matters, including AASB S2 requirements, was provided via advisory papers and presentations delivered by the Sustainability team. Additionally, training modules were developed and delivered by the Sustainability team to AEMO personnel, including to Directors and FRAC members. We are currently assessing additional training needs of the Board related to AASB S2 and other matters related to sustainability.

2. Risk management

AEMO's approach to identifying and prioritising climate-related risks and opportunities is integrated in the organisation's broader enterprise risk management process.

2.1 Risk and opportunity identification and assessment

Climate-related risks and opportunities are identified by analysing AEMO's business operations and mandate, and by assessing how key dependencies – such as resources and relationships – may be affected by a changing climate. Climate risks and opportunities are identified based on their potential to reasonably impact our business operations and value chain, including our ability to achieve the organisation's strategic objectives.

AEMO's value chain comprises upstream resources and relationships, core operational activities, and downstream outcomes. Upstream resources and relationships include governments, regulators, industry and market bodies and participants, particularly those who own the energy generation assets, transmission and distribution networks, data and technology infrastructure. AEMO's core activities involve managing energy systems and markets, and planning and enabling the energy system of the future. These activities support downstream outcomes for Australian consumers, businesses and industry by helping to provide affordable, secure and reliable energy and enabling informed decision-making across the energy sector.

Beyond the climate-related risks already captured in AEMO's risk registers and documentation, an external consultant was engaged to help identify and assess additional climate-related risks and opportunities. This process involved the following steps:

- a desktop review of existing internal risk documentation,
- benchmarking of climate risks and opportunities against external peers and the energy sector, and
- interviews and workshops conducted with our senior leaders, Sustainability SteerCo members and the ELT.

2.2 Prioritisation and management of climate-related risks and opportunities

Climate-related risks and opportunities are assessed and prioritised using both an inherent risk rating and a significance rating. The inherent rating is determined in accordance with AEMO's ERMF. In addition, AEMO applies a significance rating that assesses the potential effects of climate-related risks and opportunities on AEMO's financial position and prospects, stakeholders, and the broader energy sector. This supplementary assessment supports the prioritisation of climate-related risks and opportunities by considering factors relevant to the AASB S2 requirements, including our value chain and financial prospects.

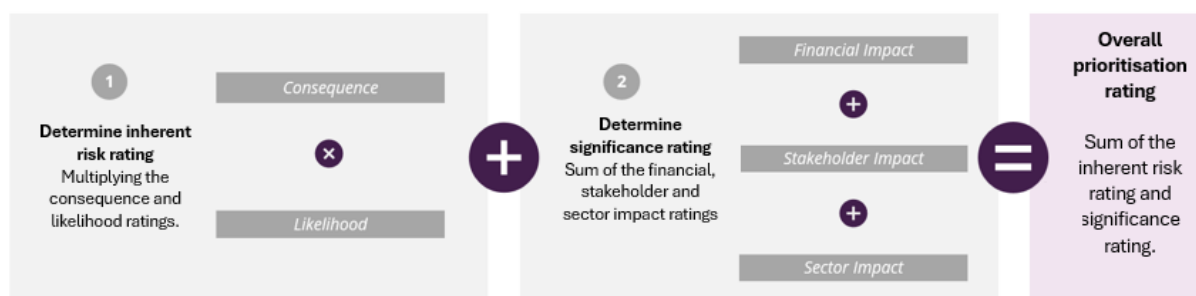
Throughout the assessment and prioritisation process, AEMO considers whether climate-related risks and opportunities are physical or transition-related, the effectiveness of existing controls, the residual risk or opportunity that remains after considering controls that are in place, and the time horizon in which the risk or opportunity may materialise.

The two assessment ratings are applied as follows:

- **Inherent risk rating** – determines the inherent level of risk or opportunity using AEMO's Risk Matrix, which applies a five-point scale to assess consequence (Immaterial, Minor, Moderate, Major, Extreme) and likelihood (Rare, Unlikely, Possible, Likely, Almost Certain). The Risk Matrix is also used to assess opportunities, with the meaning of each scale inverted to reflect the potential magnitude and likelihood of the benefit.

- **Significance Rating** – assesses the potential effects of climate-related risks or opportunities on AEMO’s prospects (including cashflows, access to finance, and the cost of capital), stakeholders and the broader sector. Each impact category (Financial, Stakeholder and Sector) is rated on a 5-point scale using predetermined criteria informed by qualitative factors such as operational adjustments, member sentiment and government policy. The ratings for each impact category are aggregated to provide an overall significance rating.

Figure 2: Our climate risk and opportunity prioritisation approach, consisting of the inherent risk rating and significance rating



2.3 Integration with risk management processes

Climate-related risks and opportunities are identified, analysed, evaluated and monitored through AEMO’s broader approach to risk management. Risks are evaluated against our Risk Matrix using the approach outlined in the ERMF, while the significance rating provides an additional input into the assessment and prioritisation of climate-related risks and opportunities. Climate-related opportunities are prioritised in line with other business opportunities as part of the strategy-setting and review process.

Climate-related risks and opportunities which are reasonably expected to affect AEMO’s prospects are integrated into our GRC system. Each risk is assigned a Risk Owner who is accountable for ensuring that the risk is managed appropriately, and each control is assigned a Control Owner who is responsible for ensuring that controls are operating effectively. The risk is reviewed regularly by the Risk Owner (with support from the Risk Team), to consider any internal or external factors that could impact the risk, and to confirm that the controls are operating effectively (in consultation with the Control Owner). The GRC system enables AEMO to maintain a centralised view of climate-related risks, including controls and treatment actions, supporting ongoing monitoring and transparent reporting to management and governance forums as required.

2.4 Risk and opportunity monitoring

Monitoring and reporting of climate-related risks and opportunities are integrated into AEMO’s broader risk management activities. Risk Owners, supported by divisional Risk Champions and the Risk team, regularly monitor and review risks. Top divisional risks are reported quarterly to the Chief Executive Officer (CEO) as part of Quarterly Business Reviews, and top enterprise risks are reported quarterly to the ELT and FRAC. This process establishes a feedback loop that promotes accountability and oversight.

AEMO regularly reviews the tools and methodologies supporting its enterprise risk management process, including the Risk Management Policy and the ERMF, which are both reviewed every two years, at a minimum. In addition, our Internal Audit function oversees an annual program to provide assurance to Management and the Board, including undertaking self-assessments on critical controls for risk management to identify and address control weaknesses and deficiencies.

3. Strategy

3.1 Overview of climate strategy and resilience

An assessment of the impact of climate change on AEMO's operations and financial prospects has been undertaken under plausible low- and high-emissions climate futures over the short term (2030), medium term (2040), and long term (2050). These planning horizons align to those used in AEMO's ISP. While AEMO's corporate strategic planning horizon does not extend to 2050, the ISP's planning horizons were considered appropriate to assess the impact of climate change on AEMO. This was largely due to the ability to leverage established internal processes around scenario planning and analysis, as well as the alignment of this timeframe to the Australian Government's net zero by 2050 objective. As presented in sections 3.2 and 3.3, through this assessment we have determined that our strategy and business model remain resilient to the effects of climate change. This scenario analysis covers AEMO's operations and leased and owned assets.

The resilience assessment in this report is focused on AEMO's business operations, including the capabilities, systems, people, processes and assets that support delivery of our statutory and strategic roles. It does not assess the full resilience of all assets across Australia's energy network, which are owned and operated by other organisations. However, the assessment has considered how climate-related risks may affect AEMO's ability to perform its role as system and market operator and system planner, and how existing governance, planning, operational and stakeholder engagement processes support resilience.

While AEMO is considered resilient and not subject to material anticipated financial impacts, it is recognised that climate-related risks and opportunities have broader impacts on the energy sector which are not evaluated within this report. These may include costs incurred by AEMO that are recoverable from market participants under the energy laws and rules, such as the costs of system services procured by AEMO to maintain power system security and reliability during the energy transition. Climate change risks are expected to increase our operating costs, which are recovered through fees paid by market participants, and through other funding mechanisms, such as fees for service. These forecast cost increases are ultimately borne by market participants and consumers. Additionally, AEMO's role within the industry means that some costs associated with the mitigation of our climate risks are not separately identifiable from other general business expense drivers, as we already have in place business-as-usual activities that are focused on managing and mitigating these risks, however some of these activities are not conducted exclusively to address climate-related risks.

While AASB S2 is designed to provide information to the primary users of general-purpose financial reports (defined by AASB S2 as investors, lenders and other creditors), AEMO recognises that publications it produces also inform a broader range of stakeholders, including governments, market participants and consumers who are seeking insights into the resilience of the energy system. AEMO will continue to consider opportunities to expand future climate resilience assessments, including by aligning with scenarios explored through our major planning publications and by integrating relevant insights across our value chain.

3.2 Climate scenario analysis

Scenario analysis provides an opportunity for AEMO to assess the climate-related risks and opportunities that could reasonably be expected to affect the organisation's prospects and resilience to climate change. The insights generated through this analysis provide decision-useful information that informs our assessment of the potential financial impacts of the disclosed climate-related risks and opportunities, as well as our overall climate resilience assessment.

A quantitative climate scenario analysis was conducted in FY25 for AEMO's prioritised physical and transition risks encompassing the period between 2030 and 2050. Two climate scenarios were selected to build an understanding of the potential implications of both low- and high-emissions futures on each identified climate risk. The climate scenarios used in the analysis are summarised below. Further details on key assumptions, limitations and inherent uncertainties are provided in Appendix 1. AEMO will update the climate scenario analysis at least every three years, or earlier where required in response to organisational changes, the availability of new information, or at the request of the Board.

The selected scenarios are intended to address the *Corporations Act 2001* requirement to use both a low and high global warming scenario, as explained in the Revised Supplementary Explanatory Memorandum to the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024*².

Table 1: Summary of the key parameters of AEMO's climate scenario analysis

Global warming scenarios	Sources	Scenario characteristics
Low-emissions scenario	Physical: Intergovernmental Panel on Climate Change (IPCC), SSP1-2.6 (<i>Very likely warming range of ~1.3°C to 2.4°C by 2100</i>) Transition: Network for Greening the Financial System (NGFS) Net Zero 2050 & AEMO <i>Green Energy Exports</i>³ (~1.5°C warming)	Socio-economic narrative assumes low population growth with medium migration, reduced inequality with high gross domestic product (GDP) growth per capita and low material consumption. Globally coordinated effort to reduce emissions to net zero around 2050 globally and avert the worst effects of climate change in line with the Paris Agreement. Accelerated transition to renewables and electrification, and aggressive regulations limiting the extraction and use of fossil fuels in all major economies.
High-emissions scenario	Physical: IPCC AR6, SSP3-7.0 (<i>Very likely warming range of 2.8°C to 4.6°C by 2100</i>) Transition: NGFS Current Policies (~3°C warming) & AEMO <i>Progressive Change</i>⁴ (~2.6°C warming)	International cooperation on climate action is weak with fragmented and often conflicting policies. Regulations to reduce emissions are limited, national priorities take precedence over global commitments, leading to continued fossil fuel reliance. Economic growth is sluggish and highly uneven across regions. Trade barriers and protectionist policies hinder global markets. Many countries prioritise national security and self-sufficiency over sustainability, leading to inefficient resource use. Fossil fuels remain the dominant energy source, as there is limited support for renewable energy expansion. Energy efficiency improvements are slow, and technological advancements in low-carbon solutions are underfunded. High energy demand continues due to inefficient consumption patterns.

3.3 Climate risks and opportunities impacting the business

AEMO's first climate-related risk and opportunity assessment was conducted in FY25, and the assessment was refreshed in FY26. The assessment considered the potential impact of both physical and transition climate risks across our business model and value chain. AEMO did not identify any opportunities that are reasonably expected to affect our prospects,

² Under the IPCC AR6 scenarios, SSP1-1.9 is the only pathway that limits long-term warming to approximately 1.5°C. However, due to the limited availability of physical risk data for SSP1-1.9 within the climate risk modelling platforms used, AEMO has adopted SSP1-2.6 as a proxy for the low-warming scenario in its physical risk assessment. For the purposes of this analysis, the differences in projected physical climate outcomes between SSP1-1.9 and SSP1-2.6 over the assessment timeframe are not considered material, as the two pathways produce broadly comparable physical climate projections during this period. Further details on the methodology, judgements, and data sources underpinning the assessments are set out in Appendix 1.

³ Scenario analysis was conducted in H1 2025 using the ISP scenarios that were current at the time, including the *Green Energy Exports* scenario. This analysis was undertaken before development of the 2026 ISP and therefore does not reflect the scenarios adopted in the 2026 ISP. *Green Energy Exports* reflects a very rapid decarbonisation rate to support Australia's contribution to limit global temperature rise to 1.5°C, including strong electrification and a strong green energy export economy.

⁴ Scenario analysis was conducted in H1 2025 using the ISP scenarios that were current at the time, including the *Progressive Change* scenario. This analysis was undertaken before the development of the 2026 ISP and therefore does not reflect the scenarios adopted in the 2026 ISP. *Progressive Change* reflects Australia's current policies and commitments to decarbonisation (of the time), but more challenging economic conditions and supply chain constraints mean slower investment in utility-scale assets and CER.

therefore the rest of this section refers to climate risks only. Further information on the climate risk assessment is provided in sections 2.1 and 2.2.

The climate-related risks identified through the prioritisation process that could reasonably be expected to affect AEMO's prospects over the short, medium, and long term, as well as the current and anticipated impacts of these risks on our business model, are outlined in Table 2. The mitigation and adaptation efforts developed to manage these risks, as well as the time horizons in which these impacts are forecast to be experienced by AEMO, are also described in this table. While the impacts of climate change pose a broader set of risks to the energy system than what is identified in this table, these risks are outside of the scope of AEMO's AASB S2 reporting responsibilities and are instead summarised earlier in this report in the '*Climate-related risks and opportunities and the energy transition*' section.

Key financial levers through which climate-related risks could affect AEMO's financial position, financial performance and cash flows have been identified. The assessment considered the financial statement line items potentially affected by each risk, historical experience and existing management actions and mitigation measures. Where the estimated financial effects of a climate-related risk were below AEMO's quantitative materiality threshold or could not be separately identified within the financial statements, qualitative disclosures have been provided in place of quantitative information.

Table 2: AEMO's climate-related risks, and the current and anticipated impacts on our business model and value chain

Physical risk
The increasing frequency and intensity of acute weather events, and their variability across geographies, may challenge AEMO's ability to securely and reliably manage energy systems and markets, due to potential impacts on our internal business operations and the personnel, systems and sites that support these functions.
Risk driver
Increasing frequency and intensity of acute weather events, along with their geographical variability.
Current and anticipated effects on business model and value chain
The increasing frequency and intensity of acute weather events, and their variability across geographies, may challenge AEMO's ability to securely and reliably manage energy systems and markets, due to potential impacts on our internal business operations and the personnel, systems and sites that support these functions. Acute weather events such as cyclones, storms, extreme winds, extreme rain and flooding hazards may directly impact AEMO by damaging assets, impacting IT systems in affected buildings, blocking sites, causing reputational damage and increasing resource requirements to resolve. Chronic temperature rise may also lead to increased staff exposure to heat and increased energy demand for cooling. This risk is concentrated within AEMO's own operations.
Time horizons
Short to long term
Current financial effects
The buildings where we conduct our operations from are exposed to weather events throughout the year. During the Reporting Period, there was one instance of blocked access to our Brisbane office due to extreme wet weather. However, this did not impede critical operations, nor did we experience any material financial effects from this event. This risk is not expected to present a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next Reporting Period.
Anticipated financial effects
No material residual financial effects are anticipated on AEMO's financial position, financial performance and cash flows over the short, medium or long term as a result of acute physical risks to our assets.
To assess the anticipated financial impacts, a quantitative assessment was conducted based on projections for extreme heat and extreme rain together with current expenditure relating to controls in place to mitigate this risk across the short, medium and long-term. The measurable financial effects of extreme heat are anticipated to primarily be building maintenance expenses related to our owned asset in Sydney. The measurable financial effects of extreme rain are anticipated to be an increase in the insurance claims, premium, excess and building maintenance expenses related to this same asset. All other buildings and facilities under our control are leased, not owned, with financial impacts associated with this climate risk borne by these buildings' owners.

Physical risk

The expected increase in these expenses is immaterial to AEMO's financial position, financial performance and cash flows in all time horizons. To be material, this risk would be required to reach a level of cost escalation far beyond that indicated by climate projections, historical experience and reasonably supportable forecasts and assumptions. Other potential effects of this risk (such as increased energy demand for cooling or reputational damage) were not analysed quantitatively following a qualitative assessment of the historical experience and expected financial effects of these hazards, whereby they were deemed to be highly improbable, immaterial or not possible to estimate due to not being separately identifiable from other general business expense drivers.

Effect on strategy and decision-making (mitigation and adaptation strategies)

Extreme heat and rainfall events are projected to intensify across all AEMO's key operational locations, in line with anticipated trends of the geographies around Australia, posing a risk to our ability to maintain system security and reliability. These hazards are already occurring and indiscriminately affect all people and organisations in each location. Therefore, resources are and will continue to be allocated to manage and mitigate these risks as part of business-as-usual activities. Based on historical experience and insights from climate scenario analysis, we do not anticipate changes to be required to our business model or resource allocation, as we expect this risk is to be managed effectively within the capacity of ongoing processes and controls.

Examples of practices that AEMO has in place to help reduce the impact of extreme weather events on our assets include:

- insurance to cover our facilities related to extreme weather events,
- selecting buildings that have a high standard of back-up infrastructure, generators, Uninterruptible Power Supplies (UPS) and that are not located in a flood zone,
- Business Continuity Control Rooms (BCCRs) in multiple locations across Australia,
- property services labour,
- dedicated forecasting and operations planning capabilities that actively monitor and respond to the risks,
- targeted investments that improve our forecasting capabilities and planning horizon visibility, and
- dedicated 24-hour control room function that actively monitors, assesses and adjusts power system risks and requirements.

Climate resilience of the organisation's strategy and business model

Projections for extreme rain and extreme heat have limited variability across scenarios. Under the high-emissions scenario, highest temperature and days over 35°C as well as extreme rain frequency and intensity are projected to be higher than under the low-emissions scenario. Despite these outcomes, our strategy and business model is assessed to be resilient with impacts appropriately addressed through existing mitigation and adaptation strategies.

Transition risk – market

Existing market settings may be insufficient or not fit for purpose to facilitate the delivery of energy outcomes that meet current and emerging customer expectations.

Risk driver

The pace, direction and effectiveness of policy, regulatory and market reform in responding to the energy transition.

Current and anticipated effects on business model and value chain

Policy, regulatory and market frameworks across the energy markets in which AEMO operates may evolve in ways that impact or change our existing roles and functions. As new or revised policy settings are introduced, these changes may alter market design, participant obligations, investment signals and customer decisions across the broader energy sector. While these policy changes are intended to influence market-wide outcomes, they can impact or evolve the scope and complexity of AEMO's roles and functions, which may require consequential or ongoing adaptation of our systems, processes, capabilities and strategic decision-making. Similarly, the expectations of market participants, customers and other stakeholders may evolve rapidly. Existing market settings may become insufficient or no longer fit for purpose to support the delivery of energy outcomes that meet current and emerging customer and stakeholder expectations, resulting in potential risk to AEMO's reputation and social license. This risk is concentrated in our own operations, as well as across our upstream and downstream value chain affecting energy generators, distributors, retailers and consumers.

Time horizons

Short to long term

Transition risk – market

Current financial effects

During FY26 there was no material effect on AEMO's financial position, financial performance and cash flows as a result of this risk. This risk is not expected to present a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next Reporting Period.

Anticipated financial effects

No material financial effects are anticipated on AEMO's financial position, financial performance and cash flows over the short, medium or long term as a result of this market transition risk.

The assessment of the anticipated effects of this risk on our prospects considered how this risk may lead to increased operational expenses. Based on an assessment of historical experience, expected financial effects and cost of controls and mitigations, it was determined that any material anticipated financial effects of this risk were improbable and unable to be separately identifiable from other general business expense drivers in the short term. Even if the financial effects could be estimated, they would be immaterial. In the medium and long term, the measurement uncertainty involved in estimating the financial effects of this risk is so high that quantifying the effects would not be useful to the primary users of this report. No financial statement line items are expected to be materially affected based on available information.

Effect on strategy and decision-making (mitigation and adaptation strategies)

Existing market settings may require reform over time as stakeholders are likely to expect market arrangements to remain fit for purpose while supporting the accelerated energy transition in line with the low emissions scenario. This poses a risk to AEMO mostly in the short and medium term, when the rate of change of emissions in a low-emissions scenario is greatest and most different to the high-emissions scenario. Resources are and will continue to be allocated to manage and mitigate this risk as part of our business-as-usual activities. Based on historical experience and insights from climate scenario analysis, we do not anticipate changes to be required to our business model or resource allocation, as the changes are expected to remain within the capacity of ongoing processes and controls.

We have the following practices in place to help reduce the adverse impacts of market settings which are not developing adequately to support the energy transition:

- Internal governance processes to align reform priorities and key positions including where political or policy uncertainty requires clear internal alignment on AEMO's reform stance,
- clearly communicating emerging risks and investment opportunities through AEMO publications, supported by internal processes that capture operational and engineering insights,
- influencing regulatory and market reform discussions through senior participation on key panels, working groups and forums,
- leveraging formal and informal engagement in consultation processes where our expertise is relevant,
- pursuing alternative ways to influence regulatory and reform change, for example, making or supporting legislative change requests or direct government engagement, and
- educating through consultation and market design processes, building the case for change where appropriate by using our operational insight to raise operational risks and consequences for consumers.

Climate resilience of the organisation's strategy and business model

Projections for emissions and carbon price were used as proxies to indicate the prevalence (or lack thereof) of policies implemented to address climate change in the jurisdictions in which AEMO operates. These metrics have significant variation across scenarios. Under the low-emissions scenario there is a rapid evolution in emissions policies projected for the medium and long term towards near complete decarbonisation. In comparison, under a high-emissions scenario, emissions and carbon price trajectories remain consistent and reflective of current policies. These outcomes are an extension of the highly dynamic environment which AEMO has operated in previously, and at present, and thus is anticipated to remain resilient by continuing to maintain and uplift the preventative and corrective controls we have in place to help reduce the impact of insufficient market settings.

Transition risk – technology

New lower carbon technologies in Australia's energy systems are not developed quickly enough to meet jurisdictional decarbonisation and renewable energy targets, resulting in reliance on more carbon-intensive energy-producing technologies beyond current forecasts, and reputational risk.

Risk driver

Deviation between the rate of development of new lower carbon technologies in the NEM and that required to meet jurisdictional decarbonisation and renewable energy targets.

Transition risk – technology

Current and anticipated effects on business model and value chain

In performing our role as National Transmission Planner, AEMO prepares the ISP which identifies an optimal path for generation, storage and network investments in the NEM to meet both consumer needs and government policies, at least cost, to 2050. Successive ISPs have consistently identified that renewable energy connected with network, firmed with storage and backed up by gas is the least-cost pathway to maintain reliable supply of electricity to homes and businesses while also meeting government policies. The ISP identifies an optimal development path that informs decisions by investors and policymakers about the generation, storage and network infrastructure developments that would be best to replace retiring thermal generation and also assesses whether actionable transmission investments remain justified under alternative scenarios where delivery constraints slow the pace of transition. If delivery constraints did eventuate, meaning that the pace of transition were slower than assumed in a published ISP, AEMO would need to take this into account when identifying the optimal development path in future ISPs to reflect the observed constraints.

Insufficient investment in and deployment of lower carbon generation and enabling technologies would slow the replacement of retiring thermal generation with renewable energy. This would increase the risk that replacement generation, storage, firming resources and network infrastructure are not available when needed to replace retiring coal-fired generation ahead of their announced retirements. If replacement capacity was unable to enter in time to replace the energy and capacity lost from the announced retirements, and to support growing demand, this would present operational challenges to maintain reliable and secure supply. This would create strategic and operational challenges for AEMO and may increase the need for AEMO to procure reserve capacity or services or carry out other interventions to maintain power system security and reliability. If national emissions reduction and renewable energy targets were not achieved, AEMO might face negative stakeholder reputational impacts if stakeholders considered that AEMO's planning assumptions and development pathways did not adequately reflect plausible delivery constraints, which could reduce stakeholder confidence in AEMO's planning processes and strategic advice.

Time horizons

Short to medium term

Current financial effects

During FY26 there was no material effect on AEMO's financial position, financial performance and cash flows as a result of this risk. This risk is not expected to present a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next Reporting Period.

Anticipated financial effects

No material financial effects are anticipated on AEMO's financial position, financial performance and cash flows over the short, medium or long term as a result of this technology transition risk.

The assessment of the anticipated effects of this risk to AEMO's prospects considered how this risk may lead to increased costs relating to our workforce, management of our reputation and social licence and potential credit rating impacts. Based upon an assessment of historical experience and expected financial effects, any material anticipated financial effects of this risk were determined to be improbable and unable to be separately identifiable from other general business expense drivers in the short-term. Even if the financial effects could be estimated, they would be immaterial. In the medium and long term, the measurement uncertainty involved in estimating the financial effects of this risk is so high that quantifying the effects would not be useful to the primary users of the report. No financial statement line items are expected to be materially affected based on available information.

Effect on strategy and decision-making (mitigation and adaptation strategies)

The strategic and operational challenges created by this risk primarily relate to the higher degree of effort required in planning and delivery of system development pathways. AEMO may also face increased scrutiny from stakeholders leading to reputational risk. Since these risks relate to AEMO's purpose and core functions, resources are and will continue to be allocated to manage and mitigate this risk as part of business-as-usual activities. AEMO does not anticipate changes to the business model or resource allocation, as this risk is expected to be managed effectively within the capacity of ongoing processes and controls.

AEMO has the following practices in place to help reduce the impact of insufficient development of new lower carbon technologies:

- engagement with governments and industry to align on investment signals and policy levers and to build trust and investor confidence,
 - stakeholder consultation activities supporting our planning functions,
 - sensitivity analysis on technology deployment scenarios to validate investment needs,
 - tracking progress of connection pipeline through the Connection Scorecard and Connections Reform Initiative (CRI) metrics,
 - tracking progress of Early Assessment Framework,
 - tracking progress and share insights of Type 2 trials,
 - transparent communication of risks and constraints in our publications, and
 - corrective messaging to stakeholders and media when delays occur.
-

Transition risk – technology

Climate resilience of the organisation’s strategy and business model

The scenario analysis explored the timing and extent of this risk through assessment of projected development rates for key low-carbon technologies, including wind and solar, against national targets. The analysis found that the risk of insufficient low-carbon generation development must be managed regardless of climate scenario. In low-emissions scenarios, the share of renewable generation increases significantly, narrowing or exceeding the gap to renewable energy targets, while outcomes vary across high-emissions scenarios. Historical rates of low-carbon generation development are broadly maintained in the short term to 2030 under high-emissions scenarios. Low-emissions scenarios require substantially higher levels of additional generation capacity than observed in the recent past, particularly for wind, where deployment rates may need to increase several-fold.

Targets and policies for emissions reduction, renewable energy, storage and electrification – along with a need to replace ageing coal-fired generation – is accelerating change across the energy sector, requiring AEMO to address the associated strategic and operational challenges involved in planning and operating a secure and reliable energy system.

Despite differences in projection of development rates across climate models, AEMO manages the risk through existing business-as-usual planning and forecasting activities, including scenario-based analysis, sensitivity testing, and transparent communication through statutory publications, as well as by continuing to monitor changes and developments in lower-carbon technologies and their implications for the energy system.

3.4 Climate resilience assessment

The climate scenario analysis outlined in Section 3.2 indicates that our strategy and business model remain resilient under both low- and high-emissions futures. While the pace of the energy transition, evolving climate policy settings and increasing physical climate hazards may influence our operating environment, we consider these risks manageable through our existing and planned monitoring, mitigation and adaptation activities.

This assessment reflects our experience operating in a highly dynamic environment, supported by established processes for monitoring technological, market and policy developments. We will continue to monitor emerging climate-related risks and opportunities and adapt our planning, operations and decision-making as required to support resilience across a range of future climate outcomes.

AEMO’s governance arrangements, controls and operational capabilities support our ability to respond and adapt to climate-related impacts over the short, medium and long term. Access to on-demand financial facilities provides flexibility to respond to risks identified through scenario analysis, including redeploying, repurposing, upgrading or decommissioning assets where required. We also invest in mitigation and adaption measures as part of our business-as-usual activities (refer Table 2), which further strengthen our climate resilience.

4. Metrics and targets

The disclosures in this section demonstrate AEMO’s performance in relation to managing and mitigating our climate-related risks.

4.1 Greenhouse gas metrics

Measurement approach

AEMO calculates Scope 1 and Scope 2 greenhouse gas (GHG) emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol) and National Greenhouse and Energy Reporting (Measurement) Determination 2008. Emissions are reported on a consolidated Group basis and include subsidiaries and investments over which we have operational control. Under the operational control approach, entities account for 100% of the GHG emissions from operations over which they have the authority to introduce and implement operating policies. This approach enables the organisation to focus on the activities in areas of potential greatest influence and emissions reduction. As at 30 June 2026, AEMO’s emissions inventory was not disaggregated between the group and its investees.

Table 3: Absolute gross greenhouse gas metrics

Emissions	Metric tonnes of carbon dioxide equivalent (CO ₂ -e) FY26
Total Gross Scope 1	22,809
(i) Victorian Declared Transmission System (DTS) emissions	22,777
(ii) Other emissions	32

Emissions	Metric tonnes of CO ₂ -e FY26
Total Gross Scope 2 – location based	2,716

The Victorian Declared Transmission System (DTS) supplies natural gas to most of the connected households and businesses in Victoria, as well as to communities in New South Wales between Moama and Albury. Gas is transported from the Longford and Lang Lang gas plants in the east, to and from Culcairn in the north (connecting to the New South Wales gas transmission system) and Port Campbell in the west (connecting to the Otway and Athena gas production facilities, the Iona Underground Gas Storage [UGS] facility, and to South Australia via the Port Campbell to Adelaide Pipeline [PCA]).

AEMO operates the DTS in accordance with the desired market outcome to minimise threats to system security. The desired market outcome is achieved by operating equipment (such as gas compressors) to transport the gas to demand zones. AEMO also provides information about gas supply and demand, system constraints, capability, and development proposals, to assist in the efficient planning and development of gas markets and facilities. The DTS service provider, APA Group, owns and maintains DTS assets.

The Clean Energy Regulator determined in 2013 that AEMO has ‘operational control’ (as defined in section 55(1)(b) of the *National Greenhouse and Energy Reporting Act 2007* (NGER Act) of the DTS and is therefore responsible for reporting emissions associated with its operation.

AEMO’s gross Scope 1 emissions would have been 32 tonnes of carbon dioxide equivalent (CO₂-e) in FY26 had emissions associated with the DTS been excluded.

4.2 Methodology for the calculation of GHG emissions

AEMO's GHG emissions are calculated using methodologies consistent with the following:

- Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (GHG Protocol),
- GHG Protocol: Scope 2 Guidance (An amendment to the GHG Protocol Corporate Standard) (Scope 2 Guidance),
- National Greenhouse and Energy Reporting (NGER) Scheme⁵, and
- where relevant, Intergovernmental Panel on Climate Change (IPCC) Guidelines for National GHG Inventories.

Where site-specific emissions factors are unavailable, default regional or national factors are applied, and any assumptions or approximations are clearly recorded to maintain transparency, accuracy, and consistency in the GHG inventory.

Table 4: Scope 1 methodology

Scope 1	Activity data	Data source	Data type	Emission factor source
Diesel	Diesel Consumption (litres [L])	Generator Consumption report	Primary & Estimated	Department of Climate Change, Energy the Environment and Water (DCCEE – Australia)
Natural gas	Fuel Gas Usage (gigajoules [GJ])	Declared Wholesale Gas Market (DWGM) Operational Gas Usage report	Primary	National Greenhouse and Energy Reporting (Measurement) Determination 2008. (Schedule 1, Part 2).
Refrigerants	Refrigerant Type and Amount (kilograms [kg])	Refrigerant Asset Register	Primary	IPCC Global Warming Potential Values

Table 5: Scope 2 methodology

Scope 2	Activity data	Data source	Data type	Emission factor source
Purchased electricity	Electricity consumption (kilowatt hours [kWh]) Leased or owned floorspace (square metres [SQM])	Utility invoices AEMO Site Register	Primary & Estimated	DCCEE – Australia
Purchased heating and cooling	Electricity consumption (kWh) Leased or owned floorspace (SQM)	Utility invoices AEMO Site Register	Estimated	

See Appendix 1 for further details on methodology, input and assumptions, estimates, limitations and uncertainty.

4.3 Vulnerability to climate-related risks

Physical

Vulnerability to physical climate risks was assessed by considering the exposure of AEMO's sole owned asset to relevant climate hazards (using climate scenario analysis data), the asset's sensitivity to those hazards, and the effectiveness of existing response mechanisms (adaptive capacity). While the asset is exposed to a given hazard, established mitigation measures and adaptive responses reduce its overall vulnerability. Based on this assessment, our asset with the greatest potential financial exposure was assessed as having low vulnerability to physical climate risks. This assessment is consistent

⁵ AEMO has early-adopted the Australian Sustainability Reporting Standards AASB S2025-1 *Amendments to Greenhouse Gas Emissions Disclosures* to utilise the calculation methodology as specified by the NGER Measurement Determination to measure the DTS emission.

with the financial impact assessment (see Table 2 in the Strategy section), which concluded that the acute physical climate-related risk is currently immaterial and is expected to remain immaterial over the short, medium and long term.

Transition

AEMO's market and technology transition risks were assessed as having a low vulnerability based on their exposure, sensitivity and adaptive capacity. These risks were assessed qualitatively as part of our climate-related financial impact assessment. This reflects the conclusion that the anticipated financial effects are immaterial, improbable and not separately identifiable within the financial statements. The organisation allocates resources to manage and mitigate these risks as part of business-as-usual activities and expect to continue doing so as the energy transition progresses. Further information is provided in Table 2 in the Strategy section.

4.4 Capital deployment

AEMO deploys capital to manage climate-related risks and opportunities as part of our business-as-usual operation of Australia's electricity and gas systems and wholesale markets. Capital deployed to operating and managing the national energy system therefore supports management of climate-related risks and opportunities across the enterprise, however, is not separately identifiable in the Reporting Period.

4.5 Internal carbon price

AEMO does not apply an internal carbon price within our strategic decision-making. We will continue to assess whether to implement an internal carbon price in the future.

4.6 Remuneration

AEMO does not currently include climate-related metrics in the determination of executive remuneration.

4.7 Climate-related targets

AEMO does not currently publish climate-related targets or a climate transition plan and does not use carbon offsets to offset our Scope 1 and Scope 2 emissions. In FY27, a decarbonisation strategy will be developed, which will inform future considerations regarding emissions reduction targets and transition planning. It is anticipated that insights from this work will be shared in future disclosures.

Notes to the Sustainability Report

This section sets out additional information relating to methodologies, judgements, data sources and key assumptions applied in the preparation of the disclosures presented in this Sustainability Report.

Appendix 1: Judgements, limitations and uncertainty

The Group's climate resilience assessment is informed by scenario analysis, which involves inherent limitations and uncertainties and is not intended to predict future outcomes. The analysis relies on forward-looking assumptions that are subject to uncertainty which increases over longer time horizons, and actual outcomes may differ materially from those presented. AEMO has exercised judgement in the process of identifying material information to report on climate-related risks and opportunities (CRROs) and setting thresholds for materiality. Additional key areas of judgements, limitations and uncertainty in assessing climate resilience are outlined below.

Key judgements

The areas in which judgements have been applied are outlined below.

Table 6: Key judgements

Areas of judgement	Description	Reference
Business model and value chain	Management exercised judgement in focusing on the potential effects of CRROs on AEMO's financial prospects – as is the focus of AASB S2 – rather than the financial implications on the broader energy market from these CRROs. While CRROs considered our business operations and value chain, the impact of CRROs was focused on our operations, to isolate the potential effects on AEMO. The broader impacts of climate on the energy market are assessed in other AEMO documents, such as the ISP, <i>Inputs, Assumptions and Scenarios Report</i> (IASR), ESOO and GSOO.	Sections 2.1, 3.1
Climate scenario analysis and resilience assessment	- Management exercised judgement in selecting the climate scenarios and determining the level of analysis undertaken (for example, quantitative versus qualitative) in alignment with the skills, capabilities and resources available. - Management exercised judgement in identifying and assessing the adequacy of controls and mitigation measures in place in relation to the disclosed CRROs. - These judgements influenced the climate-related risks disclosed and the assessment of organisational resilience.	Sections 3.2, 3.3 and 3.4
Current and anticipated financial effects	- Management exercised judgement in assessing whether CRROs could have a material financial impact on the Group, including in circumstances where financial effects were below AEMO's materiality threshold, could not be separately identified, or were subject to significant uncertainty. - Management exercised judgement in determining the anticipated effects of CRROs, particularly on the balance sheet, profit and loss and cash flow line items expected to be affected by each risk. The anticipated effects were assessed based upon AEMO's best estimate of market conditions going forward. - These judgements also influenced the assessment of vulnerability.	Section 3.3
GHG emissions boundary and estimation	AEMO adopted an operational control boundary and used estimates where primary data was not available. These judgements may impact assertions relating to the completeness, accuracy and comparability of the emissions disclosure.	Section 4.1 and 4.2

Key assumptions and limitations

Table 7: Key assumptions and limitations

Areas of judgement	Description	Reference
Climate scenario analysis and resilience assessment	- The physical and transition scenario analysis focused on the operational (office) locations of AEMO in Australia and select off-site infrastructure which operations utilise in alignment with the requirements of AASB S2. Current asset locations were assumed to remain unchanged over the assessment period through 2050. - Regional climate projections were assumed to provide indicative exposure despite potential differences from local microclimates. - Downscaled physical climate model data is not available for all metrics, and peer-reviewed literature sources were used as an alternative where possible. - While model outputs represent broad macroeconomic and policy trends, simplifying representation of real-world conditions, and exhibit variability across models, they were assumed to provide indicative exposure. - Many climate transition drivers, including investor behaviour, technological developments and consumer behaviour, are not directly produced as outputs from climate models and were inferred from the next best climate metric as an alternative. - Forward-looking outcomes remain uncertain and may evolve due to future policy, technology and climate developments.	Sections 3.2, 3.3 and 3.4
Current and anticipated financial effects	- Projections were based on current business strategy, operating conditions and information available at the reporting date. - Existing controls remain available and in place across the assessment period. Particularly, it was assumed that insurance coverage continues to include property damage. However, insurance costs attributable specifically to weather-related risks cannot be separately identified from overall insurance premiums. It was assumed that appropriate insurance coverage will continue to be maintained and is available at a reasonable cost. - It was assumed that financial effects grow proportionally with scenario impacts. The effect of concurrent risks, compounding risks, or tipping points were not considered based on availability of data and the lack of a commonly agreed upon approach for considering these effects in literature.	Section 3.3
GHG emissions boundary and estimation	- Electricity consumption at sites where invoice data was not available was allocated by using electricity consumption per square metre calculation based on floorspace. - Billing periods were aligned to the FY26 Reporting Period on a pro rata daily basis where invoices spanned multiple financial years. - Estimation techniques were applied where data gaps existed, including the use of floorspace-based intensity factors and heating, ventilation, and air conditioning (HVAC) spend intensity factors. Further detail on estimation approaches is provided in the sections below. - Reporting Period extrapolation was applied where data was only available for part of FY26. The extent to which each site's data was extrapolated differed depending on the amount of activity data available at 30 June 2026. See Estimation methodology for further information. - Emission factors reflect grid average intensities and study data that lag actual conditions in the Reporting Period.	Section 4.1 and 4.2

Significant areas of uncertainty

The Group has used climate scenario analysis to evaluate key areas of uncertainty:

- Insurance – AEMO utilises insurance to manage its risk exposure and maintain resilience, particularly to physical climate risks. It was assumed that insurance coverage for damage to our owned assets and leased locations will remain available across the short, medium, and long term. However, future changes in the availability, affordability, and terms of insurance coverage remain uncertain.

- Government policies and macroeconomic trends – there is uncertainty regarding how climate policy settings, regulatory responses, and broader macroeconomic conditions may evolve over time, which could influence AEMO’s climate risk mitigation strategy and associated financial impacts.
- Energy transition and technology – there is uncertainty regarding the pace of the energy transition and the development, availability, and adoption of renewable and low-emissions technologies, which may affect AEMO’s ability to perform its role as National Transmission Planner.
- Physical climate risk – the frequency, severity, timing, and geographic distribution of extreme weather events remain inherently uncertain and may affect AEMO’s owned and leased assets.

Appendix 2: Scope 1 and Scope 2 GHG emissions methodology

Sources of guidance

The Group's GHG emissions have been measured in accordance with the following risk standards:

- the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard,
- the GHG Protocol Scope 2 Guidance, An amendment to the GHG Protocol, Corporate standard, and
- National Greenhouse and Energy Reporting (NGER) Scheme.

Reporting period

GHG emissions are reported for the period 1 July 2025 to 30 June 2026, consistent with the Group's financial Reporting Period. Activity data was compiled to 30 June 2026.

Consolidation approach and boundary determination

The Group has applied the operational control approach as defined by the GHG Protocol. Under the operational control approach, a company accounts for 100% of the GHG emissions from operations over which it has the full authority to introduce and implement its operating policies at the operation. This criterion is consistent with the current accounting and reporting practice of many companies that report on emissions from facilities, which they operate.

Table 8: Boundary assessment and treatment

Entity	Relationship to AEMO	Boundary assessment	Treatment of emissions
Australian Energy Market Operator Limited (AEMO)	Reporting entity (100%)	Reporting entity	Included in Scope 1 and 2
AusEnergy Services Limited (ASL)	Controlled subsidiary (70% controlling interest and voting power)	Operational control held; consolidated for financial reporting	Included in Scope 1 and 2
Transmission Company Victoria Pty Ltd*	Controlled subsidiary (100% controlling interest and voting power)	Operational control held; consolidated for financial reporting	Included in Scope 1 and 2
Zema Scholarship Fund	AEMO is sole trustee	Operational control held; consolidated for financial reporting	Included in Scope 1 and 2

* Transmission Company Victoria was transferred to VicGrid, and therefore divested from AEMO Group, on 1 November 2025.

Operational boundary and emission sources

Table 9: Emissions boundary and sources

Scope	Emission source	Emission boundary
Scope 1	Stationary Fuels (Natural Gas)	Included in the Victorian DTS emissions. Required to report those emissions associated with combustion of natural gas by the Victorian DTS operating facility.
Scope 1	Stationary Fuels (diesel oil)	Included. Diesel oil usage has been identified within the Group's operational boundary across owned and leased sites.
Scope 1	Transport Fuels	Excluded. The Group does not operate company-owned or leased vehicles.
Scope 1	Refrigerant Leakage	Included. Fugitive emissions associated with landlord-operated HVAC systems within leased premises have been estimated using floorspace-based intensity factors, reflecting indirect exposure to refrigerant leakage within occupied spaces.
Scope 2	Purchased electricity	Included. Electricity consumption across the Group's leased office portfolio is accounted for as Scope 2 emissions.
Scope 2	Purchased heating and cooling	Included. Electricity consumption relating to heating and cooling services supplied by landlords to leased premises are included as Scope 2 emissions.

Estimation methodology

AEMO applied emission factors that best represent its activities as the basis for measuring GHG emissions. All emissions factors used are CO₂e factors. Emission factors were sourced from publicly available, internationally recognised datasets and applied using the location-based method wherever possible. Sources used are detailed in Section 4.2 Methodology for the calculation of GHG emissions.

Scope 1 Refrigerants

100% of the AEMO's Scope 1 refrigerant emissions have been calculated using refrigerant amount activity data from leased and owned facilities refrigerant lists and published leakage and intensity factors.

Scope 1 Diesel

100% of the Group's Scope 1 diesel emissions have been calculated using diesel generator amount activity data from leased and owned facilities.

Scope 2 Purchased Electricity

Electricity consumption is more directly attributable to tenant operations, and therefore a higher proportion of emissions was based on actual activity data obtained from invoices or meter readings.

Table 10: Emissions data type

Data Type	Percent of emissions source tCO ₂ -e
Activity data (kWh)	99.4%
Estimated (uplift to full-year coverage)	0.4%
Estimated based on floorspace	0.2%

Scope 2 Purchased heating and cooling

100% of the AEMO's purchased heating and cooling emissions have been calculated using estimated activity data from spend on HVAC and intensity factors. Purchased heating and cooling (for example, centralised HVAC systems) are typically landlord-controlled within multi-tenanted buildings. As a result, AEMO has limited access to metered consumption data for these services.

Controls, verifications and assurance

GHG data is collected by AEMO's Sustainability team with inputs from other internal teams and subject to internal review, year-on-year review and analysis, period-on-period variance analysis by location, and review of the consolidated calculation by Management. The calculation workpapers, including location-level data sources and estimation bases, are retained to support the disclosed figures. The Group's Scope 1 and Scope 2 GHG emissions have been subject to independent limited assurance. See PwC Independent Limited Assurance Report.

List of abbreviations

Abbreviation	Definition
AASB	Australian Accounting Standards Board
AEMO	Australian Energy Market Operator Limited
ARENA	Australian Renewable Energy Agency
ASL	AusEnergy Services Limited
BCCR	Business Continuity Control Room
CEO	Chief Executive Officer
CER	consumer energy resources
CIS	Capacity Investment Scheme
DCCEEW	Department of Climate Change, Energy, the Environment and Water
DER	distributed energy resources
DTS	Declared Transmission System
ELT	Executive Leadership Team
ERMF	Enterprise Risk Management Framework
ESOO	<i>Electricity Statement of Opportunities</i>
FRAC	Finance, Risk and Audit Committee
GHG	greenhouse gas
GJ	gigajoule/s
GRC	Governance, Risk and Compliance
GSOO	<i>Gas Statement of Opportunities</i>
IPCC	Intergovernmental Panel on Climate Change
ISP	<i>Integrated System Plan</i>
Kg	kilogram/s
kWh	kilowatt hour/s
L	litre/s
NEM	National Electricity Market
NGER Act	<i>National Greenhouse and Energy Reporting Act 2007</i>
NGER Scheme	National Greenhouse and Energy Reporting
NGFS	Network for Greening the Financial System
PCA	Port Campbell to Adelaide Pipeline
SQM	square metre/s
SteerCo	Sustainability Steering Committee
SWIS	South West Interconnected System
UGS	underground gas storage
VPP	virtual power plant
WEM	Wholesale Electricity Market



Independent Auditor's Review Report on specified Sustainability Disclosures

To the Members of Australian Energy Market Operator Limited

Review Conclusion

We have conducted a review of the following specified Sustainability Disclosures in the Sustainability Report of Australian Energy Market Operator Limited (the Company) and its controlled entities (together, the Group) for the year ended 30 June 2026 as required by Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* issued by the Auditing and Assurance Standards Board (AASB):

Specified Sustainability Disclosures	Reporting requirement of Australian Sustainability Reporting Standard AASB S2 <i>Climate-related Disclosures</i> (AASB S2) (including related general disclosures required by Appendix D)	Location in Sustainability Report
Governance	Paragraph 6	Governance disclosure presented on pages 11 to 14 of the report.
Strategy (risks and opportunities)	Subparagraphs 9(a), 10(a) and 10(b)	The climate-related physical and transition risks presented in Table 2 on pages 19 to 23 of the report.
Scope 1 and 2 emissions	Subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v)	The following emissions disclosures in Table 3 on page 24 of the report: • Scope 1 emissions – 22,809 tCO₂-e • Scope 2 emissions (location-based) – 2,716 tCO₂-e The additional information presented in Table 4 on Scope 1 Methodology, Table 5 on Scope 2 Methodology, and Tables 6 and 7 on GHG emissions boundary and estimation.

The requirements of AASB S2 identified in the table above form the criteria relevant to the specified Sustainability Disclosures and apply under Division 1 of Part 2M.3 of the *Corporations Act 2001* (the Act).

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We have not become aware of any matter in the course of our review that makes us believe that the Sustainability Disclosures specified in the table above do not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001*.

Basis for Conclusion

Our review has been conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) issued by the AUASB. Our review includes obtaining limited assurance about whether the specified Sustainability Disclosures are free from material misstatement.

In applying the relevant criteria, we note that subsection 296C(1) of the Act includes a requirement to comply with AASB S2.

Our conclusion is based on the procedures we have performed and the evidence we have obtained in accordance with ASSA 5000. The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the 'Summary of the Work Performed' section of our report below.

Our responsibilities under ASSA 5000 are further described in the Auditor's Responsibilities section of this report.

We are independent of the Company in accordance with the applicable ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to June 2024) (the Code), together with the ethical requirements in the Act, that are relevant to our review of the specified Sustainability Disclosures. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm 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.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.



Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the Sustainability Report for the year ended 30 June 2026, but does not include the specified Sustainability Disclosures and our auditor's report thereon.

Our conclusion on the specified Sustainability Disclosures does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the specified Sustainability Disclosures, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the specified Sustainability Disclosures, or our knowledge obtained when conducting the review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the specified Sustainability Disclosures

The directors of the Company are responsible for:

- The preparation of the specified Sustainability Disclosures in accordance with the Act; and
- Designing, implementing and maintaining such internal control necessary to enable the preparation of the specified Sustainability Disclosures, in accordance with the Act that are free from material misstatement, whether due to fraud or error.

Inherent Limitations in preparing the specified Sustainability Disclosures

Sustainability information may be subject to more inherent limitations than financial information, given both its nature and the methods used for determining, calculating, and estimating such information. Different acceptable methods have varying precision and can affect the comparability of sustainability information across entities and over time.

In addition, greenhouse gas emissions quantification is subject to inherent uncertainty, which arises because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.



The specified Sustainability Disclosures in relation to Strategy (risks and opportunities) have been prepared using assumptions about future events, and management's actions, that may not occur.

Auditor's Responsibilities

Our objectives are to plan and perform the review to obtain limited assurance about whether the specified Sustainability Disclosures are free from material misstatement, whether due to fraud or error, and to issue a review report that includes our 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 specified Sustainability Disclosures.

As part of a review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We 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 review is a limited assurance engagement and involves performing procedures to obtain evidence about the specified Sustainability Disclosures. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error. In conducting our review, we:

- Inspected the specified Sustainability Disclosures and assessed the completeness and accuracy of these disclosures against the relevant disclosure requirements of AASB S2 and with reference to the knowledge and evidence obtained during the assurance engagement;
- Performed enquiries of management regarding the methodologies, processes and controls for capturing, collating, calculating and reporting the specified Sustainability Disclosures and assessed their alignment with AASB S2 and applicable method and measurement approaches;



- Inspected and assessed, on a sample basis, charters, and minutes of meetings regarding the monitoring, management and oversight of climate-related matters, and other underlying evidence supporting the climate-related financial disclosures on governance;
- Performed enquiries of management regarding the approach taken by the Group to:
 - Identify climate-related risks and opportunities;
 - Identify material information for disclosure with regards to the Strategy (risks and opportunities) disclosures;
- Performed enquiries of management and examined underlying evidence to assess the completeness and accuracy of the establishment of the organisational boundary, and sources of emissions, in the context of the specified Sustainability Disclosures.
- Performed enquiries of management regarding the assumptions, conversion factors and greenhouse gas emission factors applied within the calculations of the Scope 1 and 2 emissions;
- Applied analytical procedures to evaluate the Scope 1 and 2 emissions and the underlying activity data, and;
- Performed testing over the calculations of the Scope 1 and 2 emissions, including testing the activity data utilised within the calculations to third-party records and other relevant underlying information, on a sample basis

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Scott Thompson'.

Scott Thompson
Partner

Melbourne
17 September 2026