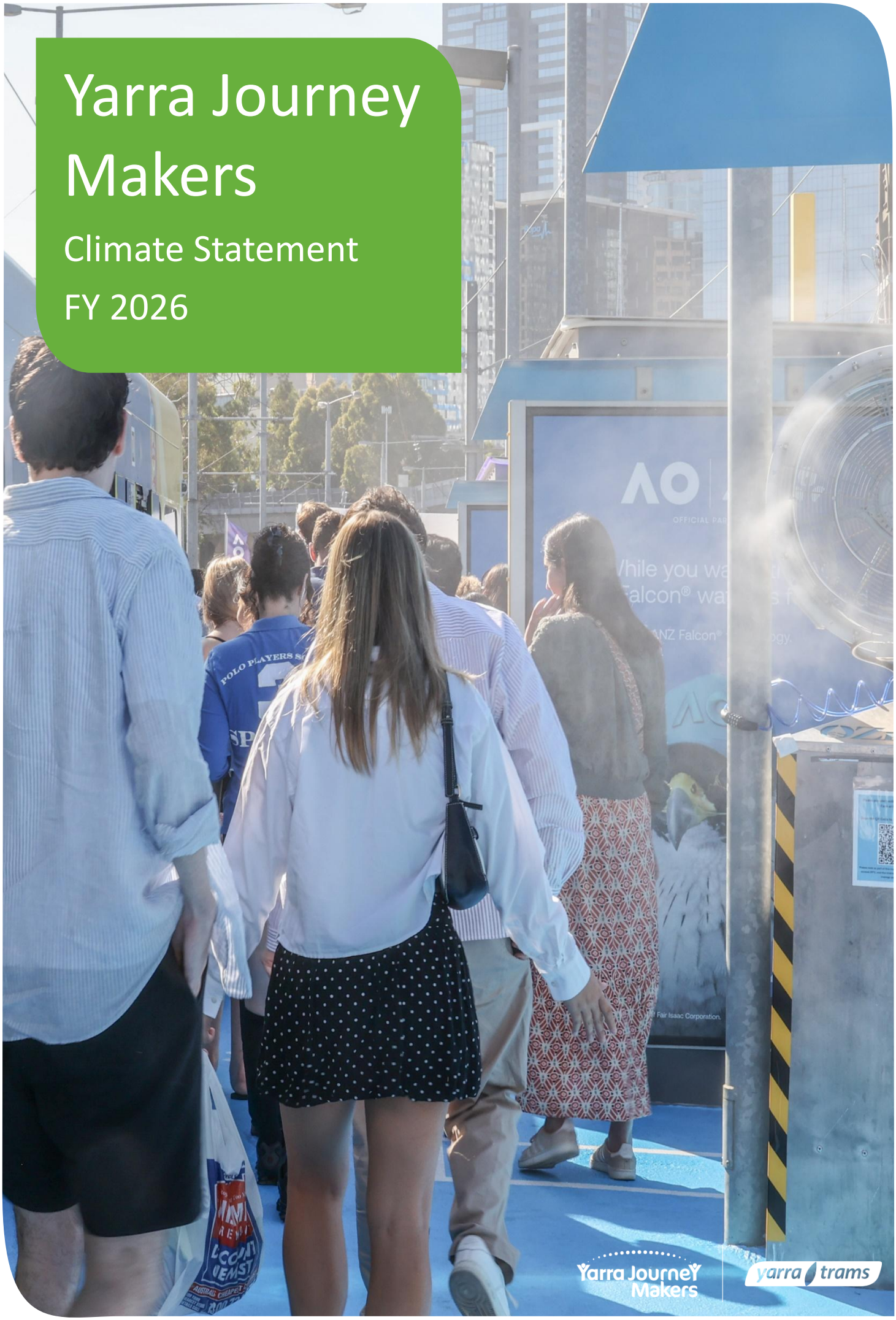
Yarra Journey Makers

Climate Statement

FY 2026



Cover photo: YJM's provision of water misters at tram stops for the Australian Open

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Acknowledgement of Country

Yarra Trams acknowledges the Wurundjeri Woi Wurrung and Bunurong Peoples of the Kulin Nation, Traditional Custodians of the land on which we journey.

We pay our respects to their Elders past and present, honour their enduring care for Country, and commit to every journey with respect, care and connection.

Director’s declaration

This report contains a complete set of climate-related financial disclosures for Yarra Journey Makers Pty Ltd (YJM) for the year ended 30 June 2026, relating to YJM’s financial statements for the same period.

These climate-related financial disclosures have been prepared in accordance with AASB S2 *Climate-related Disclosures,* which is the mandatory Australian Sustainability Reporting Standard that has been issued by the Australian Accounting Standards Board.

This report was authorised for issue in accordance with a resolution of company directors on 16 September 2026.

In the opinion of the directors, YJM has taken all reasonable steps to ensure that the disclosures in this climate statement are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of YJM’s climate-related financial disclosures as at 30 June 2026, and of its performance for the year ended on that date, and
- Complying with Australian Accounting Standard AASB S2 *Climate-related Disclosures.*

Signed on behalf of the YJM Board of Directors.

16 September 2026

Introduction

Yarra Trams is operated by Yarra Journey Makers Pty Ltd (YJM), a joint venture of Transdev Australasia and John Holland Group. YJM is a Company limited by shares, incorporated and domiciled in Australia. The shareholders of YJM are Transdev Trams (Victoria) Pty Ltd (51%) and John Holland Trams (Victoria) Pty Ltd (49%). The ultimate parent Company of Transdev Trams (Victoria) Pty Ltd is Transdev Group SA which is incorporated in France. The ultimate parent Company of John Holland Trams (Victoria) Pty Ltd is China Communications Construction Company Limited which is incorporated in China.

YJM works with the Victorian State Government, the Department of Transport and Planning (DTP) and other transport agencies and operators to provide a fully integrated transport service for the people of Melbourne.

YJM is pleased to present its inaugural Climate Statement, prepared in accordance with the Australian Sustainability Reporting Standard AASB S2 *Climate-related Financial Disclosures*, as part of our sustainability reporting obligations under the Corporations Act.

These climate-related financial disclosures have been prepared for the same reporting entity, with the same organisational boundary, as YJM's annual financial statements.

Scope

The Melbourne tram network includes 24 routes, 250km of double track, more than 500 trams, over 1,600 stops and ten depots.

YJM is responsible for the operation and maintenance of Melbourne's tram network, as outlined under the Metropolitan Rail 5 (MR5) Franchise Agreement with the State Government (Franchise Agreement). Activities undertaken by Yarra Trams comprise of the provision and operation of tram services and associated support services including maintenance of tram fleet, systems, track and power infrastructure, construction activities, and project management.

YJM commenced operating the Yarra Trams network from 1 December 2024. Under the Franchise Agreement, YJM is the operator of Yarra Trams for an initial term of 9 years to 30 November 2033 with a possible three-year or six-year extension to 2039. Tram infrastructure, fleet and buildings are leased via the State Government. While YJM does not own these assets, it is responsible for day-to-day operations. Consistent with this, YJM applies an operational control approach to define the organisational and operational boundary for climate-related disclosures. This approach underpins our management of climate-related matters by focusing on activities and decisions over which YJM has direct operational authority.

Under the Greenhouse Gas (GHG) Protocol, emissions arising from activities over which an entity has operational control are included within Scope 1 and Scope 2, irrespective of asset ownership. Accordingly, emissions generated through YJM's operation of the tram network are included within YJM's emissions inventory. This boundary is consistent with YJM's existing reporting under the National Greenhouse and Energy Reporting (NGER) scheme.

Forward looking statements

This Climate Disclosure Report contains forward-looking statements, including statements relating to YJM's expectations, assumptions, objectives, targets, strategies, plans, and assessments in relation to climate-related risks and opportunities.

Forward-looking statements are based on information available to YJM at the date of this report and on assumptions that management considers reasonable at that time. These statements are subject to inherent risks, uncertainties, limitations, and changes in circumstances, many of which are beyond YJM's control, and which may cause actual outcomes, results, or events to differ materially from those expressed or implied. Factors that may affect outcomes include, but are not limited to, changes in climate science and data, physical and transition

climate-related risks, regulatory and policy developments, market and economic conditions, technological developments, modelling assumptions, data availability and reliability, and changes to YJM's operating, funding, and contractual environment.

Forward-looking statements are not guarantees of future performance. Except as required by applicable law or regulation, YJM does not undertake to update or revise any forward-looking statements to reflect events or circumstances arising after the date of this report.

Acronyms

Acronym	Represents
AASB	Australian Accounting Standards Board.
S2	S2 *Climate-related Financial Disclosures*
ASRS	Australian Sustainability Reporting Standard
AR6	Sixth Assessment Report
Board	Board of Directors
BSSSC	Board Safety and Sustainability Sub-Committee
CDWG	Climate Disclosure Working Group
CHSSO	Chief Health, Safety & Sustainability Officer
Climate Statement	Yarra Journey Makers' response to obligations under the Australian Sustainability Reporting Standards (ASRS), specifically aligned with ASRS S2
CRROs	Climate-Related Risks and Opportunities
DCCEEW	Department of Climate Change, Energy, the Environment and Water
DEECA	Department of Energy, Environment and Climate Action
DTP	Department of Transport and Planning
E&S	Environment and Sustainability
EMS	Environmental Management System
ERM	Enterprise Risk Management system
ESMP	Environment and Sustainability Management Plan
FTP	Fleet Transition Plan
HFC	Hydrofluorocarbon
HVAC	Heating, ventilation, and air conditioning
LGC	Large-Scale Generation Certificate
MR5 Franchise Agreement	Metropolitan Rail 5 (MR5) Franchise Agreement
NESP	National Environmental Science Program
ICE	Internal Combustion Engine
IPCC	Intergovernmental Panel on Climate Change
OPR	Operational Performance Regime
PPP	Public–Private Partnership model
RCP	Representative Concentration Pathways
SEC	State Electricity Commission
SLT	Senior Leadership Team
SSP	Shared Socio-economic Pathways

t CO_2-e	Tonnes of carbon dioxide equivalent
ULP	Unleaded Petrol
YJM	Yarra Journey Makers

1. Governance

Our processes and procedures for monitoring and overseeing climate-related risks and opportunities.

1.1 Board-level oversight of climate-related risks and opportunities

1.1.1 YJM Board of Directors

The YJM Board of Directors (Board) holds the ultimate responsibility for oversight of material climate-related risks and opportunities (CRROs) to which YJM is exposed. Specifically, the Board:

- Oversees the identification, assessment, and management of material climate-related risks and opportunities;
- Ensures climate-related considerations are integrated into strategy, major decisions, and risk management;
- Is kept informed of YJM's progress towards climate-related metrics and targets (as detailed in Section 4. of this Climate Statement);
- Reviews and approves YJM's annual submission of the Climate Statement and associated audit report; and
- Undertakes training and skills development in relation to climate-related risks and opportunities as required to discharge its duties effectively.

This complements activities within the Board's existing remit, such as approval and monitoring of financial reporting, and making decisions about the Company's strategic direction. This remit is reflected in section 12 of the YJM Board Charter, along with the requirement to minute all major decisions made at Board meetings in section 9. The Board's role in monitoring progress and achievement of climate-related metrics and targets is formalised in Section 5.3 of YJM's Environmental Management System (EMS).

The Board directly receives advice on climate matters via the Board Safety and Sustainability Sub-Committee (BSSSC) as part of meeting minutes and board reporting papers, prior to each quarterly board meeting.

1.1.2 Board Safety and Sustainability Sub-Committee (BSSSC)

The BSSSC is responsible for reviewing and monitoring material CRROs relevant to YJM and providing oversight of organisational compliance with AASB S2 legislation. The BSSSC meets, at a minimum, quarterly, and has a standing agenda item to review health, safety and sustainability performance, which includes a discussion on climate-related metrics, targets, risks and opportunities (as appropriate), and provide strategic direction and advice for YJM's response. The BSSSC includes at least two YJM Board Directors, providing direct Board crossover, enabling integrated climate oversight across both bodies.

In fulfilling its advisory role, the BSSSC considers CRROs within the scope of its oversight of safety, environmental and risk management matters, and provides guidance to the Board on relevant implications for YJM.

BSSSC advice is reported up to the YJM Board via BSSSC meeting minutes which provide an update on the status and progress of climate matters, including CRROs and progress against climate-related metrics and targets.

The duties of the BSSSC regarding governance, management, and oversight of CRROs are also formalised in Section 8.1 of the sub-committee's Terms of Reference. Their formal remit includes:

- Reviewing and monitoring material climate-related risks and opportunities relevant to YJM in alignment with legislative disclosure requirements;

- Receiving, at such intervals as the Committee may determine, details on the outcomes of climate change risk assessments carried out within YJM, including quantitative estimates of financial impacts from climate-related risks and opportunities;
- Receiving regular reports from the Senior Leadership Team (SLT) and/or delegates on material climate-related metrics, targets, risks and opportunities, and providing guidance to the YJM Board of Directors on how to respond via relevant strategies, policies, and initiatives; and
- Reviewing the management-approved submission of the Climate Statement, prior to provision to the YJM Board for final review and approval.

1.1.3 Skills and training

YJM utilises a skills matrix to identify strengths or gaps in Board-level competencies, to ensure that the Board's composition represents the optimum skill set for effective business governance.

Prior to commencing operation of the MR5 Franchise (the Franchise) in December 2024, Board members reviewed a range of potentially relevant competency areas to determine those of greatest importance for inclusion in the directors' skills matrix. Potentially relevant skills reviewed included Risk Management, Financial Acumen, Health and Safety, and Environment, Social and Governance (ESG).

Although ESG competencies, including climate, were not included in the initial iteration of the skills matrix, YJM committed to providing climate change training to the SLT and Board at least every three years, as required under Section 5.8 of YJM's Environment & Sustainability Management Plan (2025 – 2033). When designed and delivered, this training will include the skills required to navigate the relevant policy and regulatory landscape for addressing climate change, including director duties.

The directors' skills matrix will be assessed on a regular basis throughout the Franchise, including as directors change and the business becomes more mature with the operation of the Franchise.

1.1.4 Remuneration

YJM's performance against climate-related metrics and targets is not currently included in remuneration policies at the Board or SLT level.

YJM intends to review and assess the relevance to incorporate climate-related considerations into SLT remuneration in subsequent reporting periods. The Board would oversee the design and review of any future metrics to determine if there is a need to link targets to remuneration.

For the current reporting period, 0% of Board or SLT remuneration was linked to climate-related considerations.

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

1.2.1 Senior Leadership Team / Sustainability and Safety First! Committee

The Senior Leadership Team (SLT), comprised of the CEO, Chiefs and Executive Directors, are responsible for overseeing climate-related risks and opportunities at the management level. This remit is formalised through SLT membership within YJM's dedicated 'Sustainability and Safety First! Committee', chaired by the Chief Health, Safety, and Sustainability Officer (CHSSO), and attended by all Chief and Executive level roles reporting to YJM's Chief Executive Officer (CEO).

The Sustainability and Safety First! Committee meets monthly to discuss safety performance and review significant safety, security and sustainability matters. Risk, including climate change risks and opportunities, is included as a standing agenda item. In relation to the management of CRROs, Sustainability and Safety First! Committee's remit includes:

- Ensuring YJM has adequate and available resources to support the identification, and assessment of CRROs, and prepare YJM's annual Climate Statement;

- Managing and prioritising CRROs relevant to YJM, and providing regular updates to the BSSSC;
- Monitoring progress against climate-related metrics and targets;
- Validation of climate-related metrics and targets, in accordance with the Environmental Management System; and
- Monitoring organisational compliance with AASB S2 legislation (alongside other legislative compliance obligations).

1.2.2 Chief Health, Safety and Sustainability Officer

The CHSSO is responsible for raising climate-related matters for discussion with other members of the SLT during the monthly Sustainability and Safety First! Committee meetings, and, as a member of the BSSSC, the CHSSO also serves as a vital management-level link to Board-level governance of CRROs. In addition, the CHSSO is responsible for ensuring that the SLT, BSSSC, and the YJM Board have the appropriate skills and competencies to enable them to carry out their duties regarding CRROs.

The CHSSO is ultimately responsible for the identification and assessment of material CRROs that are relevant to YJM, and has oversight of the facilitation, completion, and submission of YJM's annual Climate Statement. At the operational level, practical tasks to achieve these responsibilities are delegated to the Environment and Sustainability team within the CHSSO's reporting line, led by the Director, Environment and Sustainability.

The CHSSO also serves as the Executive Sponsor of YJM's Climate Disclosure Working Group.

1.2.3 Environment and Sustainability Team

The Environment and Sustainability (E&S) team facilitates the annual CRRO assessment and engages with managers across Yarra Trams to embed climate-related risk controls. The E&S team are responsible for leading the preparation of YJM's annual Climate Statement in alignment with AASB S2, including chairing the dedicated Climate Disclosure Working Group.

The E&S team owns the annual review of the Environment & Sustainability Policy (which incorporates climate-related matters) and is instrumental in driving progress and pursuing initiatives to meet YJM's climate-related metrics and targets within the broader remit of environment and sustainability-related Key Performance Indicators (KPIs).

1.2.4 Climate Disclosure Working Group

The role of the Climate Disclosure Working Group (CDWG) is to provide direction and alignment to YJM objectives and regulatory requirements, including acting as an advisory body to the Senior Leadership Team (SLT) on climate-related financial reporting.

Terms of Reference for the CDWG define its responsibility for overseeing the implementation and coordination of activities required to meet annual disclosure obligations under AASB S2. Standing members of the CDWG are senior leaders who, through their managerial roles, support the E&S team in delivering climate reporting outcomes within their respective departments.

CDWG members act as a conduit for their respective business units and play a pivotal role in ensuring timely and accurate delivery of necessary quantitative and qualitative data to meet disclosure requirements. The CDWG scope includes all activities necessary to achieve compliance with AASB S2. This includes developing and maintaining robust processes for data collection, validation, and reporting across all relevant business units. The CDWG oversees the integration of climate-related financial information into organisational planning and risk management frameworks, ensuring consistency with AASB S2 requirements.

Additionally, the CDWG engages with internal stakeholders to align operational practices with disclosure objectives and coordinates with external parties, such as auditors and regulators, as required. Its remit also covers monitoring regulatory developments, assessing implications for future disclosures, and recommending enhancements to reporting systems and governance structures.

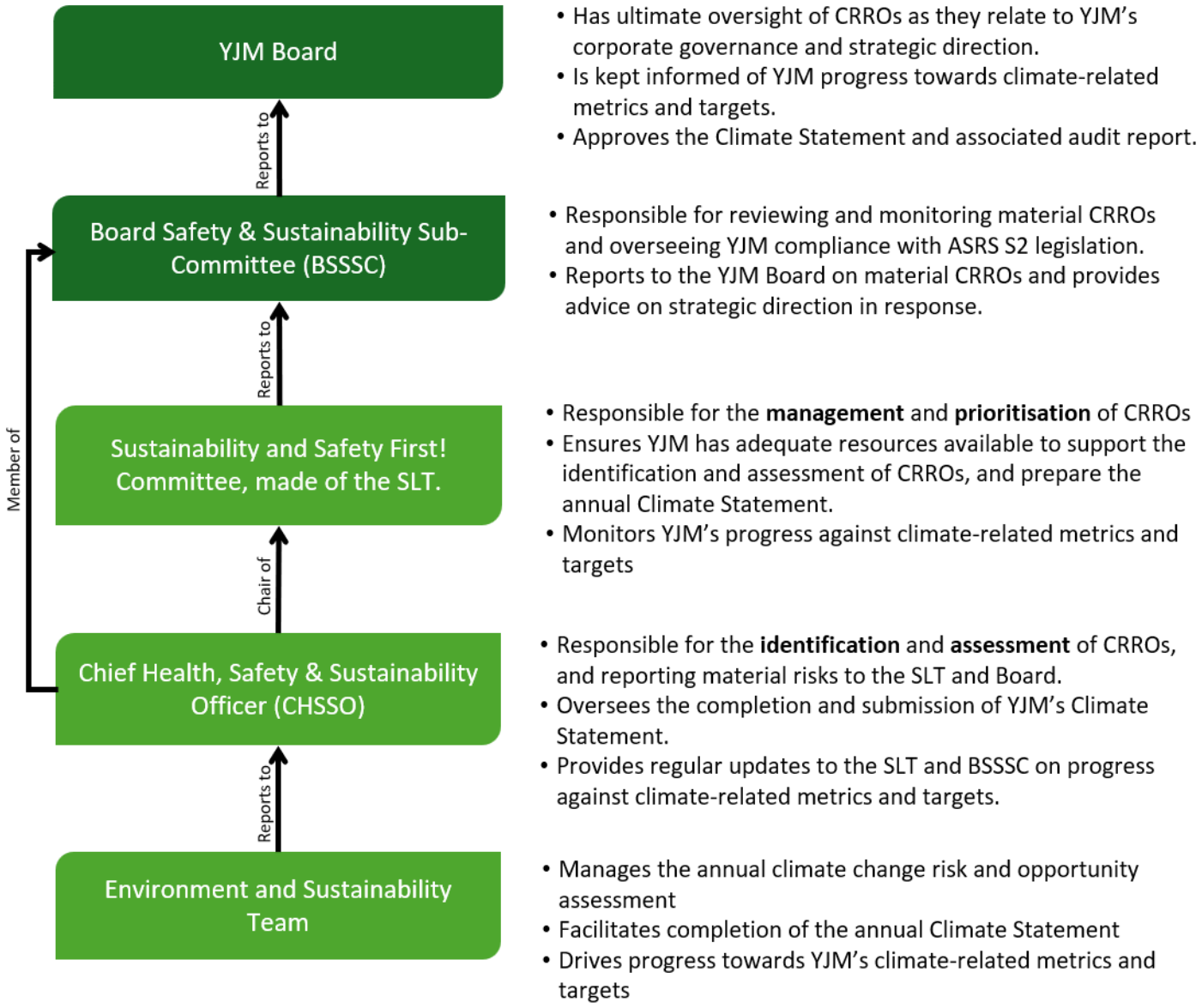

Figure 1: Summary of YJM's climate-related governance at the Board and Management levels.

1.2.5 Controls and procedures used by Management to support oversight of climate matters

Climate-related risks and opportunities are managed through YJM's Enterprise Risk Management (ERM) Framework, with the same process that governs other risks and opportunities. The ERM Manual defines this process, and requires consideration of external environmental drivers, including climate change, during risk and opportunity identification, and defines physical environment risk categories such as heat, flooding, air quality and resource use.

In this framework, management applies defined procedures and controls to support oversight, including the identification and documentation of risks, opportunities, and controls and actions in YJM's centralised risk register.

Enterprise risk management is embedded within YJM's broader management systems and integrated across internal functions:

- The ERM framework is integrated with the Safety Management System, ensuring compliance with all relevant safety, security and environmental regulations and legislation;
- Risks relating to assets, including rolling stock and infrastructure, are integrated in the Asset Management System, while risks arising from capital works and change initiatives are managed through the Project Management System, each aligned with ERM processes for identification and escalation.

In addition, the process for setting and monitoring environmental-related KPIs is defined in YJM's ISO14001-certified Environmental Management System (EMS). YJM's EMS establishes a process to set environmental objectives, including resilience to climate change. Proposed KPIs and objectives are coordinated by the Environment and Sustainability team, reviewed by the CHSSO and endorsed by the Sustainability and Safety First! Committee annually, with progress monitored via monthly business reporting to the SLT, Board and Department of Transport and Planning (DTP). Together, these procedures and controls support consistent identification, management and integration of climate-related risks and opportunities across the organisation.

Greenhouse gas emissions data is collected, processed and reported through established processes and controls aligned with the National Greenhouse and Energy Reporting Act 2007 (Cth) and YJM's National Greenhouse and Energy Reporting (NGER) Methodology. The NGER Methodology defines systems and procedures used to identify, measure and consolidate Scope 1 and Scope 2 emissions, including defined roles and accountabilities for data collection, internal review, quality assurance, external audit and Executive/Board approval. These processes are designed to support the accuracy and completeness of reported emissions metrics. A methodology and associated controls for Scope 3 emissions are currently under development, with implementation planned for FY27 AASB S2 reporting.

2. Strategy

Our strategy for managing climate-related risks and opportunities

2.1 Climate-related risks and opportunities at YJM

2.1.1 Climate change overview

The impacts of climate change can already be felt across Victoria, manifesting as increased frequency and intensity of storms and extreme weather events, more frequent hot days and heatwaves, reduced annual rainfall levels, as well as increased intensity of short-burst rainfall and flash flooding events. These climate hazards pose risks to YJM's people, assets, and business operations, as well as to the wider tram network and passengers. These risks arising from acute and chronic climatic events are classified as **physical risks**. The specific physical risk drivers that were considered for YJM's assessment of CRROs are outlined in Figure 2.

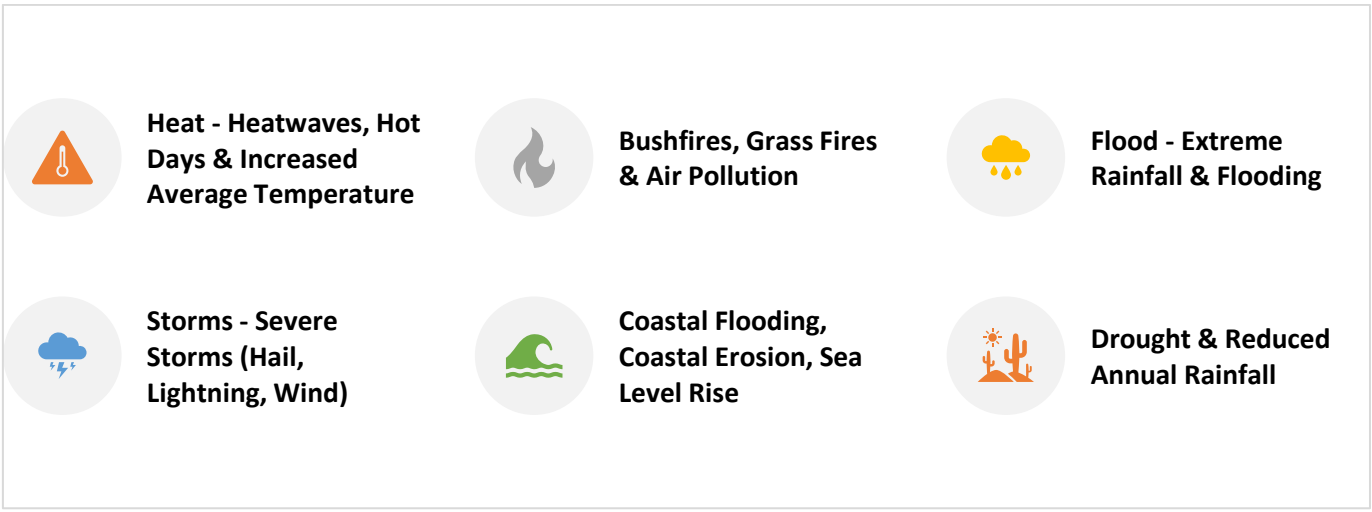

Figure 2 Physical drivers of climate risk considered in YJM's assessment

YJM is also susceptible to **transition risks** arising from the wider societal shift towards a low-carbon economy. These risks stem from transition drivers aimed at mitigating climate change, such as policy and regulatory changes, technological developments, market and consumer shifts, and reputational impacts. However, the transition to a low-carbon economy also presents climate-related opportunities for YJM. Similarly, innovative adaptation or mitigation measures aimed at physical climate drivers may also present climate-related opportunities for the organisation.

2.1.2 Overview of climate scenario analysis

Climate scenarios are descriptions of plausible futures that have been developed to help inform the assessment of the impacts of long-term changes in climate. Rather than being predictions, they provide a range of plausible outcomes based on assumptions related to future technology, economic activity, greenhouse gas emissions and socio-economic factors. The use of scenarios facilitates the identification of risks and opportunities under those plausible futures, and helps us understand how risk factors such as likelihood, consequence, exposure, and/or vulnerability may change under future scenarios.

The Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report (AR6) outlines five different scenarios that were developed to model future climate change based on varying socioeconomic, demographic, and technological developments, alongside levels of radiative forcing. These scenarios, dubbed 'shared socioeconomic pathways' (SSPs) outline ways the world might change in the future, including different types of

energy generation, rates of population growth, economic development and land uses. The scenarios range from a very low warming scenario (SSP1-1.9) to a very high warming scenario (SSP5-8.5). Figure 3 outlines the equivalent Representative Concentration Pathway (RCP) for each SSP, where available. RCPs are the scenarios used priorly in the IPCC's Fifth Assessment Report (AR5), with higher radiative forcing values indicating greater heat retention in the lower atmosphere as a result of higher concentrations of greenhouse gases.

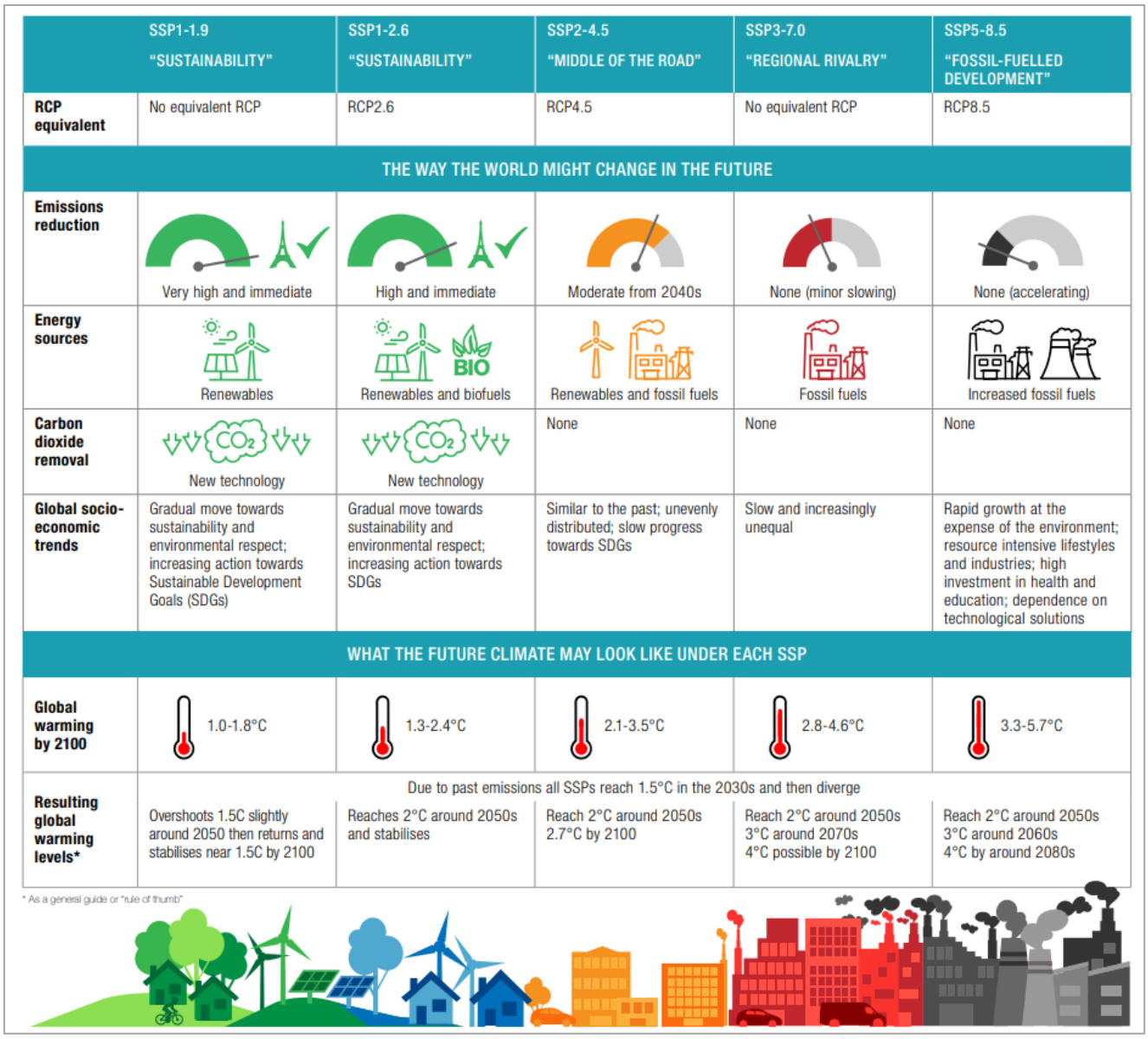

Figure 3 Shared Socioeconomic Pathways (SSPs), sourced from the National Environmental Science Program (NESP)

2.1.3 YJM's scenario analysis

Scenario analysis was undertaken in early 2026 as part of YJM's assessment of CRROs (detailed in section 2.2). The assessment utilised two different climate scenarios:

- **SSP1-2.6:** a lower global warming scenario where the global average temperature increase is limited to align with the latest international agreement on climate change, the 2015 Paris Agreement, whereby rapid global decarbonisation is achieved in the near term.
- **SSP3-7.0:** a higher global warming scenario where the temperature increase well exceeds 2°C, whereby climate impacts are more pronounced over the medium to long term.

For this assessment, SSP3-7.0 has been adopted as the primary physical risk scenario, and was selected to align with the Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEEW)'s *Draft National Climate Scenario Guidance*, and guidance provided by the Infrastructure Sustainability Council. For

transition risks, SSP1-2.6 has been selected as the primary low emissions scenario, consistent with the same national guidance published by DCCEEW. Detail about the chosen scenarios, including inputs and assumptions informing the analysis, are presented in Table 1.

Table 1 Overview of climate scenarios used for YJM's assessment of CRROs

IPCC Shared Socio-economic Pathway reference	SSP1-2.6 (lower emissions future)	SSP3-7.0 (higher emissions future)
Scenario narrative	• Represents a sustainability-focused world. • Strong international cooperation. • Adoption of efficient technologies. • Broader shift towards low-carbon development.	• World is characterised by regional conflicts and resurgent nationalism. • Economic development is slow with persistent inequality. • Low international priority for addressing environmental concerns, leading to degradation.
Emissions trajectory	Global CO_2 emissions peak early and then decline steadily, reaching net zero in the second half of the century. Pathway aligns with a low-emissions trajectory consistent with limiting global warming to around 2°C by the 2050s, after which it stabilises.	Higher emissions future with global CO_2 emissions reductions moderate from 2040s. Global warming levels reach between 2°C around the 2050s, 3°C around the 2070s and 4°C by 2100.
Scenario assumptions (Victorian context)	• Net zero emissions targeted by 2045. • Interim emissions reduction targets. 45%-50% by 2030 and 75%-80% by 2035. • 50% of all new light vehicle sales in Victoria are Zero Emissions Vehicles (ZEVs) by 2030.	• Victoria's commitment to reaching net zero emissions is delayed or removed. • The operating life of coal-fired power stations is extended. • Energy sources are predominantly reliant on fossil fuels.
	• Average annual GDP growth for Australia remains at 2.2% through to 2040. • Victoria's population continues strong growth at 1.4% annually, reaching 8.2 million by 2035 and 10 million by 2046–2051. • Daily tram trips are forecast to almost double by 2046.	
Sources of key information to inform scenarios (non-exhaustive)	Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (2022) *Mitigation of Climate Change* Riahi et al. (2017) *The Shared Socioeconomic Pathways and their energy, land use, and greenhouse gas emissions implications: An overview,* Global Environmental Change, vol42, pp.153-168 Australian Government Treasury (2023), *2023 Intergenerational Report* State Electricity Commission (SEC) (2025), *Media Release – 27 May 2025* Department of Energy, Environment and Climate Action (DEECA) (2026), Victoria's Zero Emissions Vehicle Roadmap Department of Transport and Planning (DTP) (2023), *Victoria in Future: The official Victorian state government projection of populations and households* DEECA (2024), *Cheaper, Cleaner, Renewable: Our Plan for Victoria's Electricity Future*	
Climate data and projections that informed assessment	Climate change projections published by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and DEECA via Victoria's Future Climate Tool (VFCT), drawing on data published in *Victoria's Climate Science Report* (2019 and 2024 versions). Bushfire-related projections sourced from the Electricity Sector Climate Information project published by Climate Change in Australia. Planning overlays pertaining to bushfire hazard and flood extents, applied to the tram network to identify locations or sections of greater hazard exposure.	

2.2 Assessing YJM's climate-related risks and opportunities

2.2.1 Approach

YJM's climate-related risk and opportunity assessment undertaken in 2026 was designed to align with the requirements of the AASB S2 legislation, drawing on YJM's existing Enterprise Risk Management approach as well as *AS5334-2013 Climate Change Adaptation for Settlements and Infrastructure: A risk-based approach*. The time horizons for the assessment are as follows:

- **Short-term (to 2033)** - Aligns with the initial completion date of the MR5 Franchise Agreement;
- **Medium-term (to 2039)** - Aligns with the maximum potential extension of the MR5 Franchise Agreement;
- **Long-term (to 2054)** - Aligns with the projected completion date of the subsequent franchise period, representing the entity's long-term strategic outlook for its assets and liabilities.

YJM's existing risk assessment template was modified to enhance the suitability for assessment of CRROs, specifically: allowing for CRROs to be designated as direct or indirect, arising from physical or climate drivers, and assessed over multiple future time horizons. CRROs were assessed using YJM's standard risk and opportunity matrices from the ERM framework, applying consequence and likelihood scores to arrive at an overall risk rating (refer to Section 3 for further information on YJM's risk management processes).

A preliminary list of CRROs were identified based on a desktop review of existing climate change assessments undertaken for the Yarra Trams' network and operations. These were tested with internal and external stakeholders over a series of risk and opportunity assessment workshops to further refine key CRROs, identify additional risks and opportunities, confirm existing controls, and identify potential indirect risks with cascading impacts for relevant stakeholders. The identified CRROs were assessed considering relevant climate scenarios and associated climate data, and short-, medium-, and long-term time horizons to evaluate their potential likelihood, consequence, and materiality over time.

The assessment identified a total of 14 physical and 23 transition risks and opportunities. Relevant stakeholders were engaged to identify mitigation, adaptation, transition and strategic actions to manage priority or strategic physical and transition risks and opportunities and assess residual risk. A shortlist of seven priority risks and opportunities was identified to undergo financial assessment to understand their climate-related financial impacts. The threshold for selecting the risks and opportunities for financial assessment was informed by several factors:

- risks or opportunities rated as 'high' in any of the assessed timeframes (i.e., short-, medium-, or long-term);
- stakeholder feedback from the workshops identifying the risk or opportunity as a priority; and
- YJM's role in managing the risk or opportunity.

Table 2 presents YJM's priority risks and opportunities for the reporting period. Quantitative assessment was completed based on data availability. Where data was unavailable, a qualitative assessment was conducted, noting that this represents YJM's first attempt to quantify anticipated financial effects of CRROs[1].

Table 2: Priority risks and opportunities for financial assessment

Type	(Risk ID) Description	Assessment type	
		Quantitative	Qualitative
Physical risk	**(P1)** Extreme heat events leading to health impacts to passengers and staff including outside on the network, on trams and within depots and workplaces.	✓	
	(P3) Extreme heat events leading to alterations to services including changes to timetables or cancellation of W class services (Route 35 City Circle) in response to extreme heat conditions.	✓	
	(P4) Extreme heat events causing failure of assets leading to disruption to services. Asset failure may include track signals, communication systems and mechanical failure on trams.	✓	
	(P7)* Extreme weather (wind, lightning, rain) causing obstruction of tracks leading to disruption of services. Obstructions may result from storm damage to		✓

[1] *AASB S2 Paragraph 18(a): "In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort"*

	overheads / pantographs, fallen branches or debris on tracks or inundation of tracks.		
	(P11) Extreme weather (e.g. storm events (wind, lightning, rain), heat and drought) causing the need for increased resource demands leading to higher operating costs.		✓
Transition risk	**(T6)*** Decarbonisation requirements in construction and materials markets, including those under Victoria's Recycled First Policy, drive the mandatory, potentially localised, use of low-carbon steel, concrete, GreenPower and other products for tram infrastructure upgrades increasing capital and operational costs and creating supply constraints that delay projects and affect the timely delivery of infrastructure upgrades and maintenance.		✓
Transition opportunity	**(T17)** Transitioning the vehicle fleet to electric vehicles reduces fuel and maintenance costs, improves energy efficiency and lowers exposure to future fuel-price volatility, delivering long-term operational savings.	✓	

* Efforts were made to acquire data to support a quantitative assessment of these risks, however insufficient data was available for the assessment. For these risks a qualitative impact rating (i.e. severity rating) was applied as part of the climate risk and opportunity assessment.

2.2.2 Approach to financial quantification

Financial impacts were assessed for the priority physical and transition risks and opportunities (see Section 2.5). Methodology development was informed by the relevant risk and opportunity causes, consequences and associated climate and cost data available. Where data was insufficient to support quantification, risks were rated on a qualitative basis applying the ERM risk framework.

The financial impacts were evaluated individually for each transition risk and opportunity to reflect their distinct drivers and assumptions and exposure pathways.

Financial impacts of physical risks were first quantified for a baseline scenario, using historical and existing conditions and financial data, and not accounting for any future climate change or climate scenarios.

For physical risks where heat was the key climate hazard that impacts the risk occurrence, historical temperature data was sourced from the Bureau of Meteorology to establish a baseline annual frequency of extreme heat events over a 10-year historical average. For physical risks where quantification is not directly dependent on heat event frequency, the baseline was established using YJM cost data from the period between December 2024 and April 2026, reflecting estimated expenditure above business-as-usual conditions attributable to extreme weather events, including heat, storms and rainfall.

The quantitative financial assessment over future timeframes for physical risks focused primarily on the impacts of extreme heat events increasing in frequency and intensity over time due to climate change. Impacts of increases in the frequency or intensity of hazards such as rainfall, storm and bushfires are *not* accounted for in the quantitative financial assessment. This is because climate projection data for these hazards in Victoria is not currently available at a granularity required to support financial quantification at the network level. In addition, impacts from these climate hazards do not occur uniformly across the network which increases the complexity of modelling these risks.

For physical risks where extreme heat is the primary driver, sensitivity testing was undertaken in addition to the baseline using climate projections derived from Representative Concentration Pathway (RCP) scenarios (refer Box 1). Sensitivity testing allows the assessment to explore how YJM's financial exposure may change as heat event frequency increases over time.

Two scenarios were considered for the purposes of sensitivity testing:

- RCP4.5 (intermediate scenario) represents a future where global emissions peak around 2040 and then decline due to moderate mitigation efforts. RCP4.5 is an equivalent emissions pathway to SSP4.5;
- RCP8.5 (very high emissions scenario) represents a future with minimal intervention to reduce emissions. It is acknowledged that this is above the emissions pathway of SSP3-7.0, for which there is no equivalent RCP scenario.

Box 1: Sensitivity analysis: RCPs vs SSPs

It is acknowledged that Shared Socioeconomic Pathways (SSPs) were utilised for the *scenario analysis* component of YJM's climate risk and opportunity assessment (refer Section 2.1.2), in alignment with the Sixth Assessment Report (AR6) most recently published by the IPCC.

However, for the purposes of sensitivity testing for financial quantification, climate projections for Representative Concentration Pathways (RCPs) have been utilised, which align with the previous Fifth Assessment Report (AR5) issued by the IPCC. This is because YJM's financial modelling of material climate risks relies on climate projections that estimate the average number of days per year where different temperature thresholds (30°C, 35°C and 40°C) are expected to be exceeded over different future timeframes, as a means of determining how frequency of risk occurrence and associated financial impacts may increase over time. This is also important to align with YJM's operational weather severity categories pertaining to extreme heat, defined as follows:

- **Moderate Alert:** Days with maximum temperature between 30°C and 35°C;
- **Severe Alert:** Days with maximum temperature between 36°C and 38°C;
- **Black Alert:** Days with maximum temperature at or above 39°C.

Victorian climate projections specific to increased frequency of different temperature threshold exceedances are not available for SSPs within Victoria's Future Climate Tool (VCFT) 2024, but are available using the 2019 version of the VFCT which applies RCPs. As such, RCPs have been applied for the sensitivity testing component of YJM's financial quantification of priority climate risks.

2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model

AASB S2 paragraphs 13a & 13b.

2.3.1 YJM's business model

Established solely for the purpose of delivering the Franchise, YJM's business model is defined by its single-purpose mandate to operate and maintain the tram network in accordance with the Franchise Agreement. This business model frames the organisation's exposure to climate-related risks and opportunities.

Under the Franchise Agreement, YJM is responsible for the day-to-day operation, maintenance, workforce management, customer service and performance of the tram network. The tram infrastructure itself is publicly owned by VicTrack, while rolling stock and network assets are leased to YJM through the Department of Transport and Planning (DTP), which also sets service standards, fares and performance requirements. This structure reflects a performance-based public-private partnership model (PPP), aligning private sector delivery with government policy, safety and customer experience objectives.

2.3.2 YJM's value chain

Climate-related risks and opportunities within a performance-based PPP model tend to concentrate in parts of the value chain where operational accountability is high, asset control is limited, or external dependencies are significant. For YJM, these concentrations reflect the structure of the Franchise Agreement, the single-purpose business model, and the reliance on public assets, external systems and customer-facing performance outcomes. Table 3 below summarises where these risks concentrate and the drivers of exposure across the operating environment.

Table 3: Risk concentrations across YJM's value chain

Value Chain Area	Why Risk Concentrates Here	Primary Exposure in PPP Business Model

Operational performance	Climate events disrupt service delivery, directly affecting punctuality, reliability and customer satisfaction - core drivers of contractual performance outcomes.	YJM
Assets	Climate impacts accelerate deterioration of public assets YJM relies on but does not control, creating service-continuity and resilience pressures.	YJM + VicTrack + DTP
Supply chain	Climate-related disruptions to global supply chains affect availability of critical components and materials, influencing maintenance schedules and cost profiles.	YJM + global suppliers
Workforce	Extreme weather affects workforce safety, availability and fatigue, with direct implications for operational continuity and contractual performance.	YJM
Government & Regulators	Evolving climate, emissions and disclosure requirements increase compliance obligations within a fixed contractual framework, heightening transition exposure.	YJM + DTP
Utilities	Tram operations depend on external systems (power, roads, drainage). Failures in these systems disrupt services regardless of YJM readiness.	YJM + external agencies
Passengers	Climate conditions influence passenger safety, comfort, travel behaviour and satisfaction - all of which shape performance outcomes and reputational exposure.	YJM + passengers + DTP

2.3.3 YJM's funding model

YJM is subject to a unique funding model whereby the Franchisee receives two categories of government subsidies: a base subsidy and escrow subsidy in accordance with the Franchise Agreement. The base subsidy covers the costs of tram operations and includes funding for scheduled rolling stock maintenance activities. The escrow subsidy is recoverable from the State as eligible expenditure on Infrastructure, OCMS, and Rolling Stock Condition Works is incurred. These subsidies are referenced in Note 1 of the Financial Statements, and are important to understand in the context of disclosing CRROs with material financial impact to YJM. Other sources of revenue, not materially impacted by climate are also detailed in Note 1 of the Financial Statements.

2.4 Materiality threshold

The impact of CRROs were assessed using the severity ratings from YJM's Enterprise Risk Management matrix, for both financial risks (losses) and financial opportunities (cost savings). The severity rating matrix is presented in Table 4 and Table 5.

Table 4 Financial risk consequences from YJM Enterprise Risk Management framework

Severity rating	1	2	3	4	5
	Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
Financial risk	<$300,000 p/a loss	$300,000-$600,000 p/a loss	$600,000-$1.5 million p/a loss	$1.5 million-$3 million p/a loss	>$3 million p/a loss

Table 5 Financial opportunity consequences from YJM Enterprise Risk Management framework

Severity rating	1	2	3	4	5
	Insignificant	**Minor**	**Moderate**	**Major**	**Exceptional**
Financial opportunity	Cost saving of up to $50,000	Cost saving of between $50k to $500k	Cost saving of between $500k to $2 million	Cost saving of between $2 million to $4 million	Cost saving of greater than $4 million

Quantification was undertaken for all priority risks where feasible (refer Table 2). If the financial severity rating for a priority risk or opportunity were "Moderate" or higher, the financial severity was deemed material in the scale of YJM's business operations and financial position, and therefore included for disclosure in YJM's FY26 Climate Statement. Financial losses less than $600,000 per annum, or financial cost savings less than $500,000 per annum, were deemed immaterial and are not disclosed. This represents a conservative, mid-point threshold, which has been determined through engagement with the Climate Disclosures Working Group, and aligns with the prioritisation thresholds applied throughout the CRRO assessment process when determining priority risks and opportunities.

Although the CRRO assessment was undertaken with consideration of the Yarra Trams network as a whole, it is important to clarify that financial effects of material CRROs have been quantified in terms of impacts to YJM, as the Franchisee and reporting entity. This is the same organisational boundary that forms the basis of YJM's annual financial statements, and has been applied to this Climate Statement, as required by AASB S2.

Financial impacts are presented for a 'base year' representing the financial exposure of the baseline in current (2026) dollar terms, in addition to the three timeframes: short-, medium- and long-term as defined in Section 2.2.1. Impacts in future timeframes are presented using current and projected dollar values whereby consumer price index (CPI) at a rate of 2.5% increase per annum has been applied.

2.5 FY25-26 climate-related risks and opportunities

2.5.1 Financial impacts on Operational Performance Regime payment

The Franchise Agreement between YJM and DTP contains an Operational Performance Regime (OPR), which is an incentive and abatement regime for YJM's adherence to, or deviation from, the required level of service regarding reliability and punctuality of tram services. The analysis incorporates the OPR incentive and abatement regime under the MR5 Franchise Agreement model, with Ratchet Period 3 thresholds applied from FY2027 onwards.

The OPR incentive payment operates as an overarching contractual performance mechanism that responds to the same operational disruptions underlying the physical risks identified in this assessment such as asset failures, access restrictions and obstructed tracks caused by extreme rainfall, heat events, storm events and bushfires. Changes to operational performance, service alterations, disruptions or cancellations impact monthly OPR reliability and punctuality results, meaning OPR abatement exposure is not an isolated risk, rather a financial consequence that can be triggered concurrently with, and compounded by, many of the identified risks.

Specifically, the climate-related risks considered when quantifying potential future impacts from OPR payment abatement included:

- **Risk P1:** Extreme heat events leading to health impacts to passengers and staff including outside on the network, on trams and within depots and workplaces;
- **Risk P3:** Extreme heat events leading to alterations to services including changes to timetables or cancellation of W class services (Route 35 City Circle) in response to extreme heat conditions;
- **Risk P4:** Extreme heat events causing failure of assets leading to disruption to services. Asset failure may include track signals, communication systems and mechanical failure on trams.

It is noted that OPR is impacted by other heat-related risks that are not classified as priority CRROs.

Additionally, the sensitivity testing details the financial exposure increases under RCP pathways for heat only. Impacts of increases in the frequency or intensity of hazards such as rainfall, storm and bushfires is not accounted for due to data resolution available. As such, the potential financial impacts to YJM from climate-driven abatements to the OPR payment were quantified separately and subjected to the same sensitivity testing as the CRROs.

Table 6 presents exposure before CPI escalation to demonstrate the impact of climate on OPR alone. Differences in the Baseline row between the base year and future time frames can be attributed to the ratchet mechanism the MR5 Franchise Agreement model whereby the contractual performance target changes between FY26 and FY27,

and remains stable thereafter. Given CPI is built into the OPR payment formulas under the Franchise Agreement, the impact of climate on OPR is also presented with CPI escalation (Table 7).

OPR abatement attributable to climate related impacts in FY26 was $773,849.

OPR abatement for climate related risks in FY26 exceeded the baseline due to an above-average number of extreme heat days, with several events occurring on days where performance attracted greater financial consequences under the OPR incentive and abatement regime.

Table 6 OPR Financial assessment results across timeframes (excluding CPI escalation)

	Base year (2026 dollar terms)	Short-term 2033 (2026 dollar terms)	Medium-term 2039 (2026 dollar terms)	Long-term 2054 (2026 dollar terms)
Baseline	**$233,509**	**$569,798**	**$569,798**	**$569,798**
RCP 4.5 sensitivity		$856,790	$886,228	$964,844
RCP 8.5 sensitivity		$885,998	$950,468	$1,105,746

Table 7 OPR Financial assessment results across timeframes (including CPI escalation)

	Base year (2026 dollar terms)	Short-term 2033 (2033 dollar terms)	Medium-term 2039 (2039 dollar terms)	Long-term 2054 (2054 dollar terms)
Baseline	**$233,509**	**$677,311**	**$785,473**	**$1,137,599**
RCP 4.5 sensitivity		$1,018,454	$1,221,675	$1,926,306
RCP 8.5 sensitivity		$1,053,173	$1,310,231	$2,207,616

Based on the financial assessment excluding CPI, abatement of OPR payment generates a 'Moderate' financial impact for YJM in the short-, medium-term and long-term. When CPI is included, the financial impact in the long-term increases to 'Major' (refer to financial severity ratings in Table 4**Error! Reference source not found.**).

2.5.1.1 Current and anticipated adaptation/ mitigation efforts

YJM maintains a streamlined set of controls to reduce exposure to OPR impacts during extreme weather, centred on strong seasonal preparedness, readiness and contingency planning. Key measures include extensive summer preparedness activities and the seasonal summer timetable, which together improve operational efficiency and reduce heat-related service disruption. Fleet resilience is being strengthened through the staged introduction of 100 new G-Class trams by 2029 with modern HVAC systems, and a targeted HVAC upgrade program for the D-Class fleet to mitigate heat-driven reliability and comfort impacts. These enterprise-level controls are complemented by additional operational and maintenance mitigations embedded within YJM's risk-specific responses for P1 (Table 8), P3 (Table 9) and P4 (Table 10), ensuring preventative actions and rapid response capability remain aligned to the drivers of OPR exposure across the network.

2.5.2 Financial impacts of CRROs

Table 8

(ID) Title	(P1) Extreme heat events leading to health impacts to passengers and staff including outside on the network, on trams and within depots and workplaces.
Climate driver	Physical risk
Current and anticipated financial impact	<u>Qualitative analysis</u> Extreme heat poses health and safety risks to YJM's employees and passengers, resulting in consequences such as reduced operational performance from workforce absenteeism, loss of productivity, greater instances of fatigue-related incidents, as well as reputational damage and increased business costs relating to injury/illness Workcover claims. The number of extreme heat days per year is expected to increase as a result of climate change, amplifying the likelihood and consequence of this risk in future timeframes. <u>Quantitative analysis</u>

	Quantified impacts of this risk include overtime costs incurred. Based on the financial assessment, this climate-related risk generates an '**Insignificant**' financial impact for YJM across all timeframes, and both sensitivity testing scenarios (refer to financial severity ratings in Table 4**Error! Reference source not found.**). ***Note:*** *This quantification analysis excludes OPR to avoid double counting (as OPR is considered globally in the OPR payment abatement risk (see Section 2.5.1)).* The financial impact of this risk in FY26 was approximately $90,000.
Current and anticipated adaptation/ mitigation efforts	Current: • Working in Heat or Inclement Weather Procedure • Frontline heat management plan • Fatigue management procedures • Seasonal rosters • Installing greening structures at tram platforms, prioritising high-exposure and high-patronage stops. Additional adaptation and mitigation controls identified through the CRRO assessment will be reviewed by risk owners for assessment and potential acceptance, ensuring they are integrated into our ongoing approach to managing CRROs.
Location of impact within YJM's business and/or value chain	The impacts of this risk are concentrated in the following areas within YJM's value chain (refer Table 3): • Workforce • Passengers • Operational performance (as a result of impacts to workforce).
Effects on business strategy and decision-making	YJM has a strong focus on seasonal preparedness, including reducing the impacts on people and passengers, which is already embedded into existing work plans and is funded via the existing budget.

Table 9

(ID) Title	**(P3) Extreme heat events leading to alterations to services including changes to timetables or cancellation of W class services (Route 35 City Circle) in response to extreme heat conditions.**
Climate driver	Physical risk
Current and anticipated financial impact	<u>Qualitative analysis</u> During extreme heat events, operational performance may be impacted by heat-related fleet availability. Additionally, services delivered by W class trams can be altered or cancelled to prioritise delivery of other services across the network, and/or to reduce risk to employee and passenger comfort and safety due to lack of air conditioning in these heritage trams. The consequences of this risk to YJM include reputation impacts and performance penalties, whilst the community is impacted by reduced access to heritage-related tourism and reduced transport services. Frequency and intensity of heat events are projected to be amplified in the short-, medium-, and long-term, increasing the profile of this risk over time. <u>Quantitative analysis</u> The impacts of this risk have been quantified based on YJM's exposure to financial penalty under the Route 35 Reliability Adjustment schedule within the Franchise Agreement. This is determined as a dollar value abatement per total kilometre shortfall of non-service delivery attributed to heat events.

	Based on the financial assessment, this climate-related risk generates an '**Insignificant**' financial impact for YJM across all timeframes, and both sensitivity testing scenarios (refer to financial severity ratings in Table 4). ***Note:*** *This quantification analysis excludes OPR to avoid double counting (as OPR is considered globally in the OPR payment abatement risk (see Section 2.5.1)).* The financial impact of this risk in FY26 was $10,580.
Current and anticipated adaptation/ mitigation efforts	Current: • Extreme weather response procedure and timetables • Disruption communications via social media and Tram tracker app • Assessment of additional air-conditioned areas for staff recovery. Additional adaptation and mitigation controls identified through the CRRO assessment will be reviewed by risk owners for assessment and potential acceptance, ensuring they are integrated into our ongoing approach to managing CRROs.
Location of impact within YJM's business and/or value chain	The impacts of this risk are concentrated in the following areas within YJM's value chain (refer Table 3): • Operational Performance • Assets • Passengers • Workforce.
Effects on business strategy and decision-making	YJM has a strong focus on readiness and contingency planning to deliver services during extreme weather events, including implementation of a seasonal timetable during summer period to improve operational efficiency. The W-class tram's status as a heritage asset significantly limits the adaptation options available to mitigate heat-related service impacts while preserving its heritage value, meaning that although service alterations or cancellations during extreme heat events carry minimal direct financial consequence, they still create reputational considerations for YJM as heat events increase over time.

Table 10

(ID) Title	**(P4) Extreme heat events causing failure of assets leading to disruption to services. Asset failure may include track signals, communication systems and mechanical failure on trams.**
Climate driver	Physical risk
Current and anticipated financial impact	<u>Qualitative analysis</u> Extreme heat events can cause malfunctions or failure of critical electrical and mechanical components of the tram network, resulting in service disruptions. This can occur due to exceedances of designed operating temperatures, or due to components being exposed to high temperatures over an extended period resulting in premature asset deterioration. Consequences of this risk include delays and cancellations to services, with flow-on impacts to customer satisfaction and YJM's reputation. Climate change is expected to amplify the frequency and severity of heat events in the short-, medium- and long-term, increasing the risk of asset failure. <u>Quantitative analysis</u> Financial impacts of this risk have been quantified based on operational response costs associated with service alterations, including costs of deploying bus replacement services to maintain network operations.

	Based on the financial assessment, this climate-related risk generates an '**Insignificant**' financial impact for YJM across all timeframes, and both sensitivity testing scenarios (refer to financial severity ratings in Table 4). ***Note:*** *This quantification analysis excludes OPR to avoid double counting (as OPR is considered globally in the OPR payment abatement risk (see Section 2.5.1)).* The financial impact of this risk in FY26 is estimated at $19,614.
Current and anticipated adaptation/ mitigation efforts	Current: • Technical Maintenance Plans • Disruption communications via social media and Tram tracker app • Deployment of bus-replacement-tram services to maintain service operability. • Internal weather prediction capability enabling live alerts and predictive planning • Review and ensure design standards and specifications include consideration of climate change over asset operating life. Additional adaptation and mitigation controls identified through the CRRO assessment will be reviewed by risk owners for assessment and potential acceptance, ensuring they are integrated into our ongoing approach to managing CRROs.
Location of impact within YJM's business and/or value chain	The impacts of this risk are concentrated in the following areas within YJM's value chain (refer Table 3): • Assets • Operational Performance • Passengers.
Effects on business strategy and decision-making	YJM has a strong focus on readiness and contingency planning to deliver services during extreme weather events. Seasonal preparedness is already embedded into existing work plans and is funded via the existing budget within the fixed franchise sum.

Table 11

(ID) Title	**(P7) Extreme weather (wind, lightning, rain) causing obstruction of tracks leading to disruption of services. Obstructions may result from storm damage to overheads / pantographs, fallen branches or debris on tracks or inundation of tracks.**
Climate driver	Physical risk
Current and anticipated financial impact	<u>Qualitative analysis</u> Track obstructions can result in delays, alterations, or cancellations to tram services, resulting in potential reputational consequences for YJM stemming from disruptions to customer journeys. Additional impacts for YJM include greater maintenance requirements, and/or investment into rectification of damaged assets. Extreme weather-related track obstructions are expected to increase over time, with short-term impacts presenting as occasional but noticeable service disruptions, medium-term impacts becoming more regular and resource-intensive as weather volatility grows, and long-term impacts evolving into broader resilience challenges as severe conditions drive sustained operational pressure, heightened by vulnerability to failures in external systems that disrupt services regardless of YJM's readiness. <u>Quantitative analysis</u> Efforts were made to acquire data to support a quantitative assessment of these risks, however insufficient data was available to perform a quantitative assessment.
Current and anticipated	Current: • Extreme Weather Response Procedure

adaptation/ mitigation efforts	• Track Cleaning (including proactive clearing when wet weather is predicted) • Technical Maintenance Plans • Vegetation Management Plans. Additional adaptation and mitigation controls identified through the CRRO assessment will be reviewed by risk owners for assessment and potential acceptance, ensuring they are integrated into our ongoing approach to managing CRROs.
Location of impact within YJM's business and/or value chain	The impacts of this risk are concentrated in the following areas within YJM's value chain (refer Table 3): • Assets • Operational Performance • Passengers.
Effects on business strategy and decision-making	YJM has flexibility within maintenance budgets funded via Government Subsidies to reallocate funding toward preventative works in response to forecast weather conditions. As a result, these costs are manageable within current budget settings and do not present a short-term financial concern.

Table 12

(ID) Title	**(P11) Extreme weather (e.g. storm events (wind, lightning, rain), heat and drought) causing the need for increased resource demands leading to higher operating costs.**
Climate driver	Physical risk
Current and anticipated financial impact	<u>Qualitative analysis</u> The consequences of this risk are requirements for additional expenditure associated with inspection, maintenance, repair and restoration activities undertaken to reduce the likelihood and severity of asset failure from extreme weather events. Specifically, implications may include increased demand for inspection of known 'hot spots'; increased energy demand for cooling; increased inspection and maintenance requirements, and repair and restoration activities; increased reliance on mains water supply; increased vegetation maintenance activities in response to drought conditions; and increased cracking in pavements. Financial impacts are predominantly driven by maintenance activities that prevent, mitigate and respond to the impacts of extreme weather events. This includes costs incurred up to the insurance excess threshold ($500,000 per event) where asset damage occurs as a result of an extreme weather event. Expenditure on these activities can be considered a *control* rather than a direct consequence of the risk and therefore associated costs are considered in Section 4.2.2. <u>Quantitative analysis</u> Efforts were made to acquire data to support a quantitative assessment of these risks, however insufficient data was available to perform a quantitative assessment.
Current and anticipated adaptation/ mitigation efforts	Current: • Technical maintenance plans • Design standards • Active monitoring of areas with known 'hot spots' • Conduct scenario testing of concurrent or extended hazard events • Insurance coverage to limit financial exposure.

	Additional adaptation and mitigation controls identified through the CRRO assessment will be reviewed by risk owners for assessment and potential acceptance, ensuring they are integrated into our ongoing approach to managing CRROs.
Location of impact within YJM's business and/or value chain	The impacts of this risk are concentrated in the following areas within YJM's value chain (refer Table 3): • Workforce • Assets • Utilities.
Effects on business strategy and decision-making	YJM's current insurance coverage directly reduces its climate-risk exposure by shifting a portion of potential loss from extreme-weather events to insurers. YJM has flexibility within maintenance budgets funded via Government Subsidies to reallocate funding toward preventative works in response to forecast weather conditions. As a result, these costs are manageable within current budget settings and do not present a short-term financial concern.

Table 13

(ID) Title	**(T6) Decarbonisation requirements in construction and materials markets, including those under Victoria's Recycled First Policy, drive the mandatory, potentially localised, use of low-carbon steel, concrete, GreenPower and other products for tram infrastructure upgrades increasing capital and operational costs and creating supply constraints that delay projects and affect the timely delivery of infrastructure upgrades and maintenance.**
Climate driver	Transition risk
Current and anticipated financial impact	<u>Qualitative analysis</u> Low-carbon steel, concrete, GreenPower and recycled-content products generally incur increased expenditure above business-as-usual materials. Increased assurance and contractor-management is required as the market for low-carbon and recycled materials continues to mature. The consequences of this risk are expected to increase over time, though the scale and direction of change remain uncertain. In the short term, implications may include cost premiums for low-carbon materials and intermittent supply constraints. Across the medium to long term, impacts may broaden as decarbonisation requirements tighten and become more consistently embedded in infrastructure delivery settings. This may result in more procurement and exposure to supply-chain volatility before markets mature and cost premiums begin to moderate. <u>Quantitative analysis</u> Efforts were made to acquire data to support a quantitative assessment of these risks, however insufficient data was available to perform a quantitative assessment.
Current and anticipated adaptation/ mitigation efforts	Current: • Implementation of Recycled First Policy objectives through YJM's Recycled First Plan • Sustainability requirements are embedded into YJM tender request templates • Sustainability requirements embedded into Final Operational Requirements and Final Impact Statement. Additional adaptation and mitigation controls identified through the CRRO assessment will be reviewed by risk owners for assessment and potential acceptance, ensuring they are integrated into our ongoing approach to managing CRROs.

Location of impact within YJM's business and/or value chain	The impacts of this risk are concentrated in the following areas within YJM's value chain (refer Table 3): • Supply chain • Government & Regulators.
Effects on business strategy and decision-making	Within the public–private partnership model (PPP), YJM undertakes work on both fixed budget and on a cost-plus basis. The different models create financial risk (through fixed-price work), and operational and administrative risk (through cost-plus work), meaning YJM must manage variable cost impacts, supply-chain volatility, and tightening decarbonisation requirements across two fundamentally different commercial environments. YJM is managing this through diversification in its supply chain, reducing reliance on single suppliers.

Table 14

(ID) Title	**(T17) Transitioning the vehicle fleet to electric vehicles reduces fuel and maintenance costs, improves energy efficiency and lowers exposure to future fuel-price volatility, delivering long-term operational savings.**
Climate driver	Transition Opportunity
Current and anticipated financial impact	<u>Qualitative analysis</u> At current, YJM is exposed to risks from fluctuating fuel prices due to the motor vehicle fleet being fully comprised of internal combustion engine (ICE) vehicles. This has impacts for operational expenditure, whilst also contributing to YJM's Scope 1 GHG emissions. There is an opportunity to reduce both cost and GHG emissions associated with YJM's vehicle fleet through transition to fully electric vehicles. Whilst this would have upfront cost implications in the short term, YJM would achieve cost savings in the medium and long term due to reduced spend on petrol and diesel. It is expected that the cost savings associated with EV transition becomes more favourable later in the transition period due to continued expected declines in EV prices. In addition, YJM would benefit from reduced GHG emissions, particularly where EVs are powered by purchased renewable energy and/or on-site solar generation. <u>Quantitative analysis</u> The financial impacts (both cost outlay and cost savings) of this opportunity were quantified based on YJM's Fleet Transition Plan, assuming that existing ICE vehicles are replaced with EVs during regular replacement cycles only if EVs have a lower total cost of ownership. Costs accounted for in the financial assessment include capital, operating, and maintenance costs of vehicles. Financial impacts have been assessed on a per annum basis over the transition period of FY26 to FY32 (as outlined in the Fleet Transition Plan), instead of using the short-, medium-, and long-term time horizons. This is because an assessment of the financial impact independently at any of the three time horizons would greatly underestimate the impact, noting that costs are only incurred between 2026 to 2032 (outside the first time horizon). Cost savings from this opportunity are expected to be '**Insignificant**' between the years of 2027-2029, increasing to 'Minor' cost savings from 2030-2032 (refer to financial severity ratings in Table 5). The financial benefit of this opportunity in FY26 is estimated at $0.

Current and anticipated adaptation/ mitigation efforts	Current: • Fleet Transition Plan (2023) / MR5 Fleet Strategy • EV trial program and installation of charging infrastructure at tram depots. Additional adaptation and mitigation controls identified through the CRRO assessment will be reviewed by risk owners for assessment and potential acceptance, ensuring they are integrated into our ongoing approach to managing CRROs.
Location of impact within YJM's business and/or value chain	The impacts of this opportunity are concentrated in the following areas within YJM's value chain: • Supply Chain • Assets.
Effects on business strategy and decision-making	Transitioning passenger vehicles to electric vehicles is mandated commitment within the Franchise Agreement and is supported by a defined delivery pathway funded within YJM's Government Subsidies.

2.5.3 Summary of CRRO impacts on YJM's FY26 financial position

Based on the FY26 CRRO assessment and financial quantification, YJM identified a direct climate-related financial impact of approximately $895,000, which was assessed as moderate in accordance with the criteria outlined in Section 2.4. The majority of this impact is attributed to reduced OPR revenue which is recognised within Government subsidy revenue per Note 2 of the financial statements.

When considered in the context of YJM's overall financial position, financial performance and cash flows, the impact is below the materiality threshold applied for financial statement reporting purposes. Accordingly, YJM has concluded that climate-related risks and opportunities do not have a material effect on the FY26 financial statements.

2.6 Embedding climate considerations into our business strategy and decision making

2.6.1 Responding to climate change through YJM's business strategy

Journey Plan 2025-2027 is YJM's strategy that sets the foundational vision for the first three years of the Franchise Agreement. It includes YJM's core values and is structured around five pillars (refer Figure 4). Climate change is considered indirectly through the YJM values: the "we care" value through care for the environment; the "we create" value through provision of seamless and inclusive journeys for all; and the Safety First value providing safe conditions for passengers and employees.

Figure 4: YJM's vision, values and five strategic pillars.

The Journey Plan 2025-2027, alongside strategic plans for each functional area, inform the overall Franchise Business Plan, which sets the roadmap for the Franchise. For the Health, Safety and Sustainability (HSS) functional area, the HSS Strategy outlines a three-year roadmap for the function, including the Environment & Sustainability roadmap (refer Figure 5). This outlines priority actions for YJM under the Environment, Social and Governance (ESG) pillars and supporting focus areas. Specifically, the focus areas of *Sustainable Resource Use, Build Resilience to Climate Change* and *Build Strong Governance* detail priority actions in relation to climate change. These include effectively managing resource use (water, energy and materials), building resilience of the tram network and the capacity to respond to current and future climate conditions, and creating a holistic and transparent approach to sustainability through the integration of sustainability thinking and practices into projects or assets governance structures, performance objectives and decision-making processes.

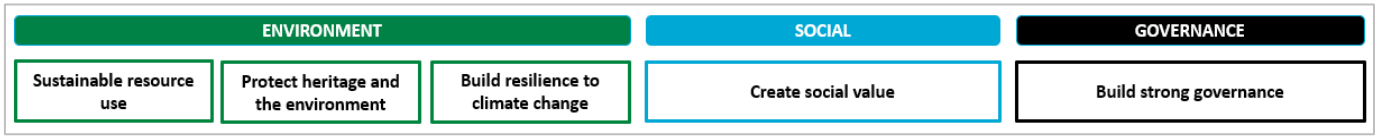

Figure 5: Key pillars of the Environment & Sustainability Roadmap, within the HSS Strategy

The Franchise Business Plan is reviewed and updated annually. Through this review and update process, YJM refreshes the assessment of organisational strengths, weaknesses, opportunities and threats, and identifies the priorities for the upcoming year. In parallel, the list of enterprise risks is updated. The Journey Plan itself, being a 3-year plan, is reviewed and reworked at that frequency, with potential adjustments in between if required.

The FY26 Franchise Business Plan revision identifies the risk that *climate change or seasonal weather changes cause extreme weather events and compromise our ability to meet operational requirements.* High-level mitigation measures are listed, focusing on readiness and contingency planning to deliver and respond during extreme weather events.

2.6.2 Climate change & YJM's business model

Established solely for the purpose of delivering the Franchise, YJM's business model is defined by its single-purpose mandate to operate and maintain the tram network in accordance with the Franchise Agreement. YJM is bound to deliver on the ambition stated within the Franchise Agreement, including targets specified in Section 4.3 of this Climate Statement (Infrastructure Sustainability (IS) rating, electric vehicle transition) and contractual performance closely aligned to service reliability and punctuality.

2.6.3 Responding to climate change through business planning

YJM has a strong focus on readiness and contingency planning to deliver services during extreme weather events. Both seasonal preparedness activities and reactive infrastructure maintenance in response to extreme weather events are funded via the existing budget within the fixed franchise sum. Similarly, the funding required to deliver on the initiatives (Infrastructure Sustainability (IS) rating, electric vehicle (EV) transition) stated within the Franchise Agreement has been budgeted for within the Franchise. To support the delivery of the IS Rating, YJM has developed the Infrastructure Sustainability Rating Plan, detailing the actions required to achieve the rating targets. An *MR5 Fleet Strategy* is currently being prepared, including actions related to delivery of the EV transition. YJM has not developed a climate-related transition plan.

2.6.4 Impacts of climate change on funding and decision-making

To deliver adaptation and mitigation initiatives beyond what is included within the Franchise Agreement, YJM is reliant on existing resources and where capital is required, either through DTP or by opportunistically seeking grants through funding agencies such as the Victorian Government's *Greener Government Building Fund*.

There is currently no structured process on how CRROs drive strategic decision making. YJM will continue to monitor the impacts of climate change on our operations and continue to refine our understanding and measurement of the economic impacts, ensuring this information is factored into future franchise extensions or new franchise bids.

2.7 Climate resilience

YJM has assessed the resilience of its strategy and business model to climate change, taking into consideration the CRROs identified for the organisation under a lower-warming pathway aligned with rapid global decarbonisation (SSP1-2.6), and a higher-warming pathway where physical climate impacts intensify over time (SSP3-7.0). Applied through YJM's scenario analysis process, these scenarios provided insight into how climate change may influence operational performance, financial exposure and long-term franchise viability. Mitigation measures focused on readiness and contingency planning to maintain service delivery during extreme weather events, a key performance-based franchise driver, are incorporated through YJM's annual Franchise Business Plan.

YJM's capacity to adjust and adapt its strategy and business model to climate-related impacts has been assessed qualitatively and quantitatively through the scenario analysis process.

The most material direct financial impacts arise from extreme weather events including storms, wind, heavy rainfall and heatwaves, placing pressure on operational performance requirements (OPR) through service disruption. The financial impact on OPR has been quantified, including with sensitivity for heat impacts, however, due to uncertainty in the frequency and intensity of extreme storms, wind and heavy rainfall events, these impacts have not yet been quantified. YJM recognises that storms, wind and heavy rainfall-related OPR impacts represent an emerging gap likely to increase over time.

Indirect climate-related financial impacts arise through increased maintenance required to prevent deterioration in OPR during extreme weather conditions. Examples include intensified drain cleaning ahead of storm events, targeted vegetation management and pre-emptive inspections of critical electrical and track assets. YJM has flexibility within maintenance budgets to reallocate funding toward preventative works in response to forecast weather conditions. Additionally, increased reactive maintenance such as repairs, occurs following extreme weather events. These costs are manageable within current budget settings and do not present a short-term financial concern. While they do not directly affect YJM's financial position, they influence service continuity, operational risk exposure and the broader resilience of the tram network.

Overall, YJM's adaptive capacity is supported by the flexibility of its operating model, the ability to modify maintenance delivery and operational practices, the availability of insurance, and established business continuity measures focused on extreme weather planning and response. These enable YJM to respond to both lower-warming and higher-warming futures by adjusting operational planning, resourcing and preventative maintenance activities as climate conditions evolve.

Capital investment and major asset transition decisions are predominantly DTP-driven and governed by the Franchise Agreement, which constrains direct unilateral action, but also provides access to DTP-funded adaptation and mitigation initiatives.

Within the Franchise model, YJM retains strategic levers relevant to long-term resilience: determining whether to accept a franchise extension under prevailing terms or negotiating adjustments to reduce exposure to climate-related financial risk. These considerations equally apply should YJM choose to bid for a subsequent franchise.

Taken together, these factors indicate that YJM's business model is resilient in the short-term under both climate scenarios, while highlighting the need for continued monitoring of emerging financial impacts as climate conditions intensify over time.

While the outcomes of the assessment reflect current understanding it is acknowledged that there could be unknown risks and uncertainties that could cause outcomes to differ.

3. Risk Management

Our approach to managing climate-related risks and opportunities at YJM

3.1 Managing our climate-related risks and opportunities

YJM uses a structured, organisation-wide enterprise risk management (ERM) process, overseen by the Director, Legal, Risk & Compliance and aligned with *ISO 31000 Risk Management - Guidelines, Principles and Framework*. This process supports the consistent identification, assessment, management and monitoring of risks and opportunities across operational and enterprise activities.

At present, climate-related risks are considered as amplifiers to existing operational and enterprise risks identified for YJM. For example, extreme weather events may increase asset failure, service disruptions or increase employee safety risks, while transition risks such as regulatory or policy changes may impact compliance obligations, costs and long-term planning assumptions. To improve how YJM assesses climate-related risks, YJM has undertaken a further assessment (refer Section 2.2) which has resulted in a standalone risk register explicitly for CRROs. YJM is working to integrate these newly identified risks into the centralised risk register for ongoing management alongside enterprise and corporate risk. As part of these improvements, YJM will design and embed a process for ongoing consideration of both transition-related and physical CRROs, including changes in regulation, evolving stakeholder expectations, climate impacts, environmental performance, resource use, and shifts in the external operating environment.

Risks and opportunities are identified through established assessment processes, in accordance with the ERM. While there is no set frequency in which new risks and opportunities must be identified, the process involves collaborative workshops that include a structured assessment, along with the analysis of emerging issues and triggers, enabling risks and opportunities (including CRROs) to be identified on an ad-hoc basis. Identified risks and opportunities are recorded in the centralised risk register together with their causes, consequences, controls, risk ratings and associated treatment actions.

Risks and opportunities are assessed having regard to their nature, likelihood, consequence and the effectiveness of existing controls, using qualitative or quantitative assessment methods as appropriate. They are evaluated against defined risk and opportunity criteria and appetite to determine if they are within acceptable thresholds or require further treatment. Where additional action is required, treatment plans are developed and implemented to avoid, reduce, transfer, share or retain risks and opportunities within approved tolerance levels, with clear accountabilities, action owners and review timeframes recorded in the central risk register.

All risks and opportunities are subject to ongoing monitoring and periodic review, with review frequency determined by their risk rating and supported by defined governance, escalation and reporting arrangements. This enables management and governance forums to oversee changes in risk exposure, assess the effectiveness of controls and treatment actions, and identify new or emerging risks and opportunities.

By integrating CRROs into YJM's overall ERM and decision-making processes, YJM will strengthen governance oversight while enabling continuous improvement in risk management practices. As this is YJM's first climate-related disclosure, the process for managing risks and opportunities has not changed.

An overview of YJM's risk management process is provided in Figure 6.

Specific Board and Management accountabilities related to the governance of CRROs are available in Section 1, and data sources relevant to informing YJM's CRRO assessment are available in Section 2.1.2 of this Climate Statement.

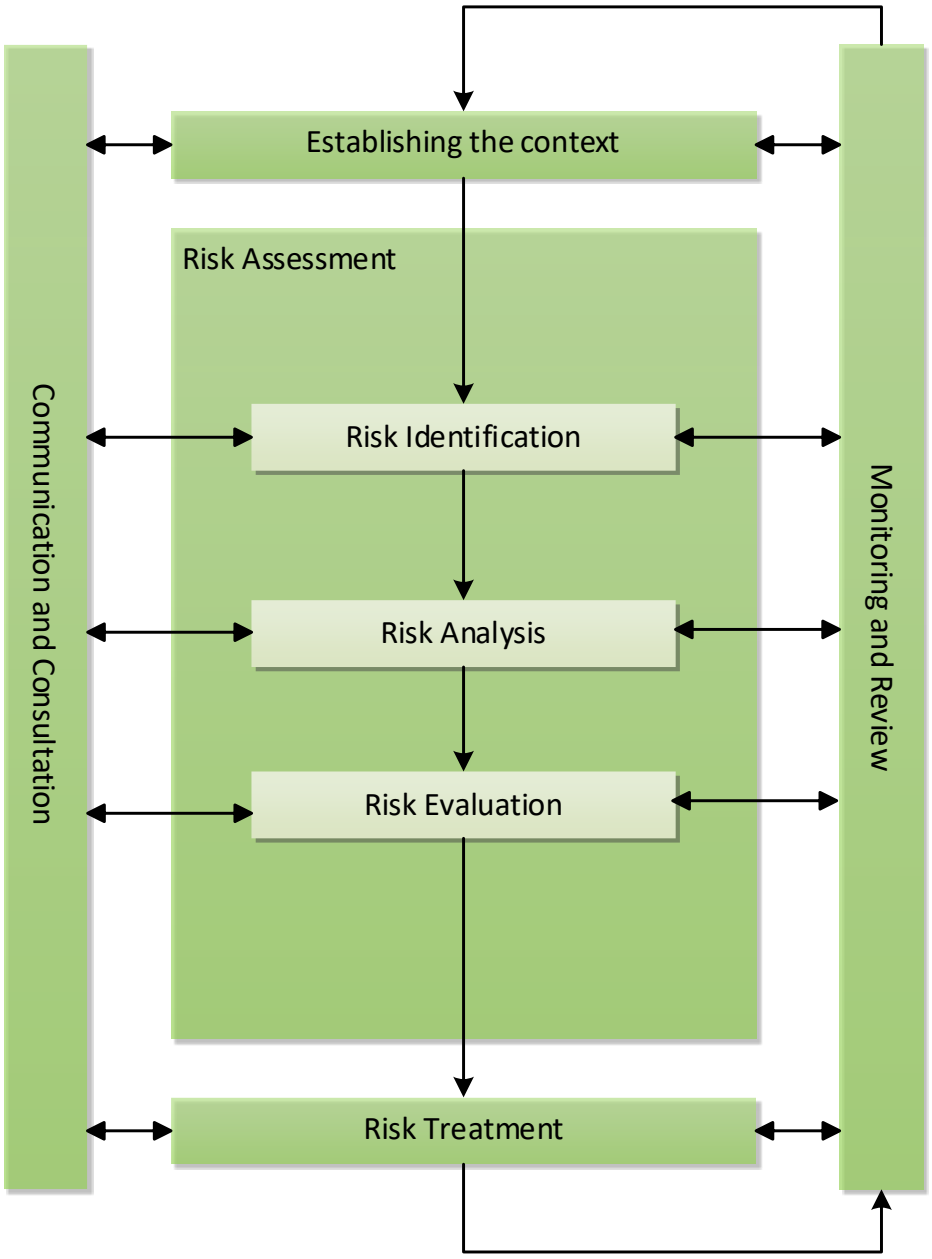

Figure 6: Overview of YJM's risk management process.

4. Metrics and targets

Our performance and progress towards achieving climate-related targets at YJM

4.1 Our greenhouse gas emission footprint for FY26

4.1.1 Measurement approach for GHG calculations

YJM reports under the National Greenhouse and Energy Reporting (NGER) scheme, as a subsidiary of Transdev Australasia Pty Ltd (TDA) which is a registered corporation under the *NGER Act 2007 (Cth)*. As such, our Scope 1 and 2 greenhouse gas (GHG) emissions for the FY26 reporting period are calculated using the methodology and emission factors outlined in the NGER Measurement Determination 2008[2,3].

YJM has set its reporting boundary for Scope 1, 2, and 3 GHG measurements using the operational control approach. The facilities, assets, and business activities deemed to be within YJM's operational boundaries include:

- Operation and maintenance of trams and tram stops across the network;
- Operation and maintenance of tram tracks, overhead supply wires, and signals;
- E-Gate Infrastructure Facility;
- Tram Depots located in the Melbourne metropolitan area;
- Substations used to power the tram; network
- Tram Hub head office; and
- YJM's vehicle fleet.

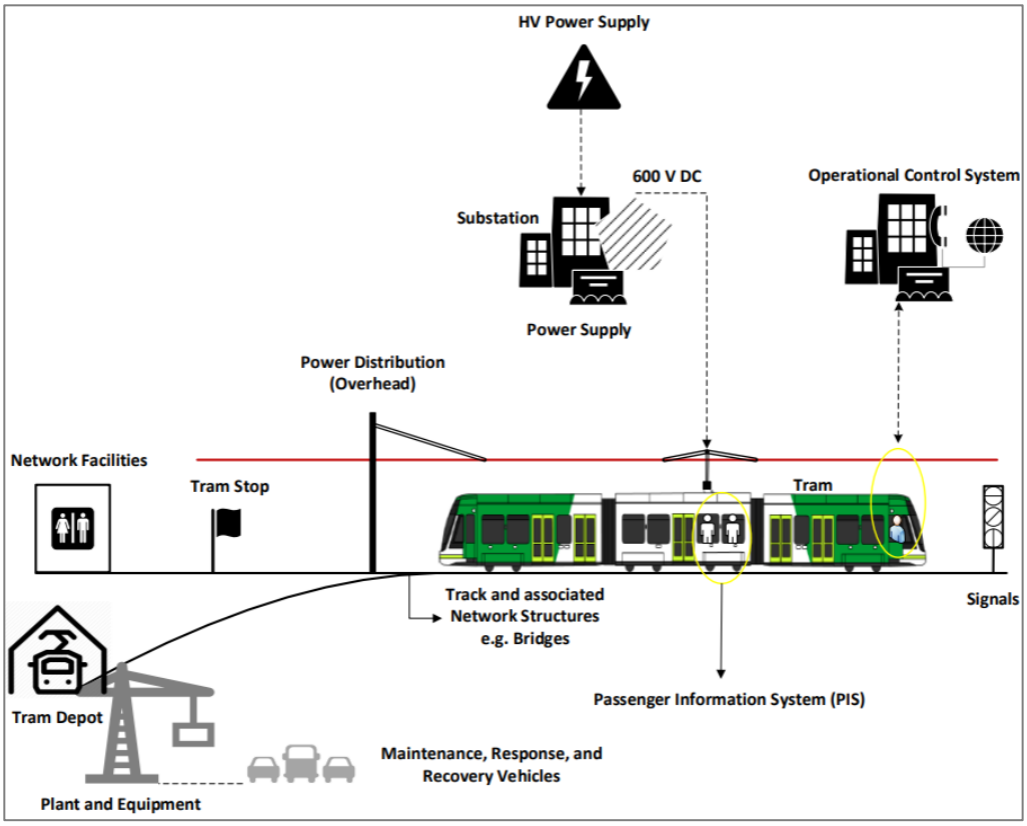

Figure 7: Visual representation of YJM's operational boundary

4.1.2 Scope 1 and 2 emissions

Table 15: YJM's Scope 1 and 2 GHG emissions for the reporting period

[2] *NGER Measurement Determination 2008 (Compilation No. 20, November 2025).*

[3] *YJM has elected to use the jurisdictional relief available under AASB S2 and report greenhouse gas emissions using the NGER methodology, reflecting its Australian regulatory reporting requirements and ensuring consistency with statutory emissions reporting.*

Scope	Emissions FY26 (tCO_2e)	Emission data source and calculation approach
Scope 1	2,763.86	Scope 1 emissions represent direct emissions from unleaded petrol (ULP) and diesel fuels consumed in company-owned vehicles, natural gas used on-site, the Scope 1 component of grease and lubricants used in stationary and mobile combustion, and fugitive emissions from HVAC and circuit breaker systems. Emissions are calculated using activity data inputs such as fuel consumption, purchased volumes and stock on hand, as well as estimated equipment leakage rates. These inputs are multiplied by the relevant emissions factors. *Note(s):* • *While Hydrofluorocarbons (HFCs) are not mandated for reporting under the Urban Bus Transport (including Tramway) category (ANZSIC code 4622) in the NGER Measurement Determination, YJM has classified them as a material emission source, accounting for approximately 50% of total Scope 1 emissions in the reporting period.* • *Approximate values were used to calculate Sulfur Hexafluoride (SF_6) due to high-voltage substation access requirements.* • *Portable BBQs used at tram depots for employee activities are excluded due to their immateriality and difficulty in determining usage.* • *On-site natural gas emissions were calculated using a combination of supplier billing data and estimated consumption for unbilled periods within the reporting year.*
Scope 2 (location-based)	71,258.74	Scope 2 includes indirect emissions associated with purchased electricity to operate the tram network, and to power YJM's facilities, tram depots, substations, and equipment. Emissions are calculated through usage data available on supplier invoices and multiplied by the relevant emissions factors.

Emissions are disclosed on a gross basis, in metric tonnes of carbon dioxide equivalent (tCO_2-e), and exclude the impact of Large-Scale Generation Certificates (LGCs) surrendered by the Victorian Department of Energy, Environment and Climate Action (DEECA) under the Victorian Government's Solar Trams program.

Under the Solar Trams program, the high-voltage electricity required to operate Yarra Trams' fleet is effectively supplied using 100% renewable energy. This is achieved by the Victorian Government purchasing and surrendering LGCs sourced from regional solar farms, including Bannerton Solar Park near Robinvale and Numurkah Solar Farm near Shepparton.

YJM purchases electricity in the normal course of operations and is reimbursed by the State for both high and low-voltage components, with DEECA applying LGCs to offset the high-voltage associated emissions.

YJM has no associates, joint ventures, unconsolidated subsidiaries or other investees outside the consolidated accounting group.

4.1.3 Scope 3 emissions

Scope 3 emissions are indirect emissions from YJM's value chain. YJM acknowledges the importance of Scope 3 emissions in understanding climate-related risks and opportunities across the value chain. However, consistent with the transitional provisions under AASB S2, YJM seeks to apply relief from mandatory Scope 3 emissions disclosure for the current FY26 reporting period.

To support preparation of our FY27 Climate Statement, in FY26, YJM reviewed upstream and downstream value-chain activities to identify relevant sources of Scope 3 GHG emissions and classified these sources in accordance

with the fifteen categories set out in the Greenhouse Gas Protocol's *Corporate Value Chain (Scope 3) Accounting and Reporting Standard* (2011). YJM has determined that only 9 of these categories are relevant, as outlined below.

Table 16: YJM's material Scope 3 categories to be reported in the FY27 Climate Statement.

GHG Protocol Category	Description of emission generating activities
1. Purchased goods and services	Embodied emissions in all products and services purchased by YJM in the reporting year.
2. Capital goods	Embodied emissions in the production/manufacturing of capital goods purchased directly by YJM during the reporting period.
3. Fuel and energy-related activities	Indirect emissions resulting from YJM's consumption of fuel and electricity.
4. Upstream transportation and distribution	Freight or cargo emissions that arise from the transportation of purchased goods from suppliers to YJM.
5. Waste generated in operations	Emissions resulting from the disposal of waste and wastewater generated due to YJM's business operations.
6. Business travel	Emissions from business-related flights, taxis, and car travel undertaken by staff in vehicles not owned/operated by YJM.
7. Employee commuting	Emissions generated by employees transiting to and from their place of work.
8. Upstream leased assets	Emissions arising from the operations of the base-building and common areas of leased assets. Emissions associated with the operation of leased toilet facilities across the network.
13. Downstream leased assets	Emissions from the operation of assets owned by YJM that were leased to/occupied by third-party tenants during the reporting period.

4.2 Climate-related metrics

4.2.1 Vulnerability to climate change

YJM's vulnerability to climate-related risks and opportunities is primarily concentrated in its operational activities rather than its asset base, reflecting its position as a public transport operator in a PPP structure (refer Section 2.3).

Regarding climate-related transition risks, YJM has limited direct asset exposure, as it does not own the tram network's infrastructure or rolling stock, and risks such as emissions-related capital costs are largely owned by the asset owner. However, YJM's business activities remain inherently vulnerable to transition risk impacts from evolving climate policies, value chain cost increases, and changing regulatory and disclosure requirements.

Similarly, YJM's direct asset-level exposure to physical climate risks is limited due to the external ownership of infrastructure and rolling stock, meaning risks such as damage from extreme weather are primarily borne by the asset owners. Nonetheless, YJM's operational responsibilities mean its business activities are significantly vulnerable to physical risks, whereby hazards such as extreme heat, flooding and storms can directly impact service reliability, maintenance requirements, employee and passenger safety, and passenger experience. As a result, physical risks are concentrated in operational delivery and stem from reliance on climate-sensitive infrastructure and systems.

YJM's climate-related opportunities are also primarily reflected in its business activities, with only limited alignment at the asset level due to external ownership, and typically focused on targeted improvements such as passenger comfort, urban greening and energy efficiency in passenger vehicles, facilities and rolling stock. More

broadly, YJM's core activities as a public transport operator are aligned with climate-related opportunities, including supporting a passenger shift to lower-emissions public transport, contributing to more efficient and sustainable urban mobility, and enabling the State Government to deliver on their transport and decarbonisation policies.

Across all these areas, metrics regarding the amount and proportion of YJM direct-assets and/or business activities that are vulnerable to climate risks, or aligned with climate opportunities, cannot be meaningfully quantified for the reporting period without undue cost or effort[4]. This is due to YJM's limited asset ownership, the interdependent nature of risks across the value chain, and the PPP model in which CRROs are distributed across multiple parties (see Section 2.3).

4.2.2 Capital deployment

In FY26, YJM deployed $896,061 of expenditure towards identification, assessment, and management of climate-related risks and opportunities. Detail of expenditure is summarised below, noting YJM does not differentiate between capital and operating costs.

- AASB S2 and climate risk and opportunity consulting;
- Heat relief and summer packs for employees;
- Early extreme weather warning systems and hardware;
- Installation of electric vehicle charging stations;
- Bus replacements for extreme weather events;
- Energy metering on trams; and
- Tram stop misting fan trial during intense summer heat.

Outside of the above expenditure, there was $36,823,994 of capital deployed in FY26 to fund YJM's planned and reactive maintenance for facilities, power and overhead, and track and civil infrastructure. In addition, there was $1,318,837 of capital deployed in FY26 to fund heating, ventilation and cooling systems for tram rolling stock. A portion of these costs is climate-driven expenditure in preparation for, or in response to, extreme weather events. However, information currently available within YJM is not sufficient to disaggregate the portion of capital deployment that is climate-related, compared to business as usual.

4.2.3 Other financial metrics

YJM does not apply a carbon price to internal decision making. Executive remuneration at YJM is not directly linked to organisational performance against climate-related considerations – refer to Section 1.1.4 in the Governance section for further detail.

4.3 Climate-related targets

The Franchise Agreement contains climate-related initiatives and associated targets that are agreed upon by YJM and DTP. The intent of these targets is to drive action on climate change adaptation, mitigation and resilience, and demonstrate progress towards sustainability through operation of Melbourne's metropolitan tram network. For YJM's inaugural Climate Statement, the organisation is disclosing the formal, long-term climate-related targets outlined in the Franchise Agreement. These targets represent mandated commitments and are supported by defined delivery pathways within the MR5 operating model.

- **Target:** Replace all passenger motor vehicles within the YJM fleet with electric vehicles by 1 December 2033 (refer Table 17);

[4] *AASB S2 Paragraph 30: "In preparing disclosures to meet the requirements in paragraph 29(b)–(d), an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort."*

- **Target:** Achieve a certified Infrastructure Sustainability (IS) Operations Rating of at least 50 ("Excellent") by November 2029, and improve on this rating by November 2032 (refer Table 18).

Table 17: Passenger vehicle electrification target

Target	Replace all passenger motor vehicles within the YJM fleet with electric vehicles by 1 December 2033
Objective	To reduce YJM's Scope 1 emissions from diesel and petrol consumption.
Scope	Applies to all passenger motor vehicles used in the Franchise (approximately 60 vehicles in current reporting period)
Target type	Absolute target
Baseline period	FY2024: 0% of YJM passenger motor vehicle fleet is electric
Milestones or interim targets	No interim targets
Target setting and validation	No external validation, however, progress is reported to the Department of Transport via Monthly Reporting.
Metrics for monitoring progress	Percentage (%) of YJM passenger motor vehicles that are electric
Progress in current reporting year (FY2026)	Currently there are no electric vehicles in the Yarra Trams fleet. EV charging infrastructure has been installed at Glenhuntly, Brunswick and Maidstone Depots to support the transition.

Table 18: Infrastructure Sustainability (IS) Rating target

Target	Achieve a certified Infrastructure Sustainability (IS) Operations Rating of at least 50 ("Excellent") by November 2029, and improve on this rating by November 2032.
Objective	To continuously improve YJM's sustainability performance as operators of Melbourne's metropolitan tram network. The IS Operations Rating is a comprehensive rating system for evaluating economic, social and environmental performance of infrastructure assets. The rating scheme provides YJM with a protocol for assessing and benchmarking the sustainability performance of its network, evaluated across fifteen categories. The categories relevant to climate are: • Management Systems: strategic integration, reporting and risk management • Procurement & Purchasing: embedding sustainability in procurement decisions • Energy & Carbon: operational and embodied emissions, energy efficiency, and renewables • Climate Change Adaptation: climate risk assessment and resilience integration • Materials: low-carbon materials and embodied carbon reduction • Waste: landfill diversion • Water: efficient water use and alternative water sources. Points are awarded under each of these categories for implementation of sustainability practices, or achievement of sustainability outcomes, at different levels. Points achieved for each category are combined into an overall score, awarded on a 110-point scale.
Target type	Absolute target
Baseline period	2024 – no rating at Franchise commencement.
Milestones or interim targets	• A certified rating of at least 25 ("Commended") by 30 November 2026 (First rating) • A certified rating of at least 50 ("Excellent") by 30 November 2029 (Second rating) • A certified rating higher than the second rating by 30 November 2032 (Third rating)
Target setting and validation	The rating is independently verified through the process established by the Infrastructure Sustainability Council (ISC), using v1.2 of the IS Operations rating tool.

Metrics for monitoring progress	IS score achieved at each milestone.
Progress in current reporting year (FY2026)	The first rating is due in November 2026, with evidence to be submitted to ISC for validation in the first month of the new financial year (July 2026). During FY2026, YJM established an IS Plan that sets clear score ambition for each of the three ratings, including category-level expectations and the actions required to achieve them. YJM is systematically compiling evidence to demonstrate performance ahead of the first formal submission to ISC.

Progress against these targets is monitored by YJM management and the Board through established processes, as outlined in Section 1. Additionally, updates are provided to the Department of Transport and Planning via monthly franchise reporting.

YJM tracks a broader set of environmental performance indicators through the Environment and Sustainability Management Plan, including energy use, greenhouse gas emissions, water and waste. These are currently managed as operational KPIs rather than long-term climate targets and are therefore not included in this disclosure.

Currently YJM's targets are not informed by international agreements on Climate Change. YJM intends to explore the development of a longer-term greenhouse gas reduction target (Scope 1 and Scope 2), aligned with the Victorian Government's legislated net zero targets[5]. YJM intends to disclose any progress made towards this development in future Climate Statements.

[5] *https://www.climatechange.vic.gov.au/climate-action-targets*

5. Next steps and priorities

YJM's action plan towards improved climate risk management and disclosure

This inaugural Climate Statement marks an important milestone in YJM's climate reporting journey. While it provides a baseline for understanding our climate-related risks, opportunities and emissions profile, it also serves as the foundation for ongoing action and continuous improvement.

Following the publication of this FY26 Climate Statement, YJM will focus on implementing the initiatives, governance enhancements and data improvements necessary to strengthen our climate resilience, support emissions reduction efforts, and meet evolving stakeholder and regulatory expectations.

The actions outlined in Table 19 represent our key priorities for the coming years as we continue to embed climate considerations into decision-making across the business.

Table 19: Ongoing actions

Description	Relevant section
Actions for Governance	
Deliver climate change training to the SLT and Board at least every three years.	1.1.3
Review and assess the relevance to incorporate climate-related considerations into SLT remuneration in subsequent reporting periods.	1.1.4
Actions for Strategy	
Asset and risk owners to assess additional adaptation and mitigation measures for implementation, as the identified in the CRRO assessment.	2.5.2
Actions for Risk Management	
Integrate CRROs into enterprise risk management framework and embed processes for the ongoing assessment and monitoring of physical and transition CRROs.	3.1
Actions for Metrics & Targets	
Work towards disclosure of category-level Scope 3 emissions in FY27.	4.1.3
Progress passenger vehicle electrification target by trialling electric vehicles.	4.3
Explore the development of a longer-term greenhouse gas reduction target (Scope 1 and Scope 2), aligned with the Victorian Government's legislated net zero targets.	4.3

6. AASB S2 disclosure index

6.1 Governance

AASB S2 reference	Climate Statement reference	AASB S2 reference	Climate Statement reference
6ai	1.1.1 YJM Board of Directors, 1.1.2 Board Safety and Sustainability Sub-Committee	6av	1.2.5 Controls and procedures used by Management to support oversight of climate matters, 1.1.4 Remuneration
6aii	1.1.3 Skills and training	6bi	1.2.2 Chief Health, Safety and Sustainability Officer
6aiii	1.1.1 YJM Board of Directors, 1.1.2 Board Safety and Sustainability Sub-Committee	6bii	1.2.5 Controls and procedures used by Management to support oversight of climate matters
6aiv	1.1.2 Board Safety and Sustainability Sub-Committee		

6.2 Strategy

AASB S2 reference	Climate Statement reference	AASB S2 reference	Climate Statement reference
9a	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model	16a	2.7 Climate resilience
9b	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model	16b	2.7 Climate resilience
9c	4.3 Climate-related targets	16ci	2.7 Climate resilience
9d	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model	16cii	2.7 Climate resilience
9e	2.5 FY25-26 climate-related risks and opportunities	16d	2.7 Climate resilience
10a	2.1 Climate-related risks and opportunities at YJM	22ai	2.5.2 Financial impacts of CRROs
10b	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model	22aii	2.5.2 Financial impacts of CRROs
10c	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model	22aiii	2.5.2 Financial impacts of CRROs
10d	2.1.2 Overview of climate scenario analysis	22bi	2.2 Assessing YJM's climate-related risks and opportunities
13a	2.5 FY25-26 climate-related risks and opportunities	22bi (1)	2.2.2 Approach to financial quantification
13b	2.5 FY25-26 climate-related risks and opportunities	22bi (2)	2.2.2 Approach to financial quantification
14a	2.6 Embedding climate considerations into our business strategy and decision making	22bi (3)	2.2.2 Approach to financial quantification
14ai	2.6 Embedding climate considerations into our business strategy and decision making	22bi (4)	2.2.2 Approach to financial quantification
14aii	2.6 Embedding climate considerations into our business strategy and decision making	22bi (5)	2.2.2 Approach to financial quantification
14aiii	2.6 Embedding climate considerations into our business strategy and decision making	22bi (6)	2.1.2 Overview of climate scenario analysis
14aiv	2.6 Embedding climate considerations into our business strategy and decision making	22bi (7)	2.5 FY25-26 climate-related risks and opportunities
14b	2.6 Embedding climate considerations into our business strategy and decision making	22bii (1)	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model

14c	N/A	22bii (2)	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model
15a	2.5.2 Financial impacts of CRROs	22bii (3)	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model
15b	2.5.2 Financial impacts of CRROs	22bii (4)	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model
		22bii (5)	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model
		22biii	2.3 Understanding climate-related risks and opportunities in the context of YJM's business model, value chain, and funding model

6.3 Risk management

AASB S2 reference	Climate Statement reference	AASB S2 reference	Climate Statement reference
25ai	3.1 Managing our climate-related risks and opportunities	25av	3.1 Managing our climate-related risks and opportunities
25aii	3.1 Managing our climate-related risks and opportunities	25avi	3.1 Managing our climate-related risks and opportunities
25aiii	3.1 Managing our climate-related risks and opportunities	25b	3.1 Managing our climate-related risks and opportunities
25aiv	3.1 Managing our climate-related risks and opportunities	25c	3.1 Managing our climate-related risks and opportunities

6.4 Metrics and Targets

AASB S2 reference	Climate Statement reference	AASB S2 reference	Climate Statement reference
29ai (1)	4.1.2 Scope 1 and 2 emissions	33e	4.3 Climate-related targets
29ai (2)	4.1.2 Scope 1 and 2 emissions	33f	4.3 Climate-related targets
29ai (3)	4.1.3 Scope 3 emissions	33g	4.3 Climate-related targets
29aii	4.1.1 Measurement approach for GHG calculations	33h	4.3 Climate-related targets
29aiii (1)	4.1.1 Measurement approach for GHG calculations	34a	4.3 Climate-related targets
29aiii (2)	4.1.1 Measurement approach for GHG calculations	34b	4.3 Climate-related targets
29aiii (3)	4.1.1 Measurement approach for GHG calculations	34c	4.3 Climate-related targets
29aiv (1)	N/A	34d	4.3 Climate-related targets
29aiv (2)	N/A	35	4.3 Climate-related targets
29av	N/A	36a	N/A
29avi (1)	4.3 Climate-related targets	36b	N/A
29avi (2)	4.3 Climate-related targets	36c	N/A
29b	2.5.2 Financial impacts of CRROs	36d	N/A
29c	2.5.2 Financial impacts of CRROs	36ei	N/A
29d	2.5.2 Financial impacts of CRROs	36eii	N/A
29e	4.2.2 Capital deployment	36eiii	N/A
29fi	N/A		
29fii	N/A		
29gi	1.1.4 Remuneration		
29gii	N/A		
33a	4.3 Climate-related targets		
33b	4.3 Climate-related targets		
33c	4.3 Climate-related targets		
33d	4.3 Climate-related targets		