Australia’s Nationally Determined Contribution (NDC) will be a relevant assumption regarding an entity’s exposure to climate-related risks. However, the NDC is unlikely to be the only climate-related variable that may materially impact relevant accounting estimates, or financial prospects. (see Figure 1)

**Figure 1.** Climate risk and opportunity variables that may be relevant in determining the trajectory of the climate-related impact and their consequences for an entity’s financial position, performance or prospects.

Prepared with the assistance of University of Melbourne.

**Key Takeaway**

Accountants, auditors, managers and directors must develop the skills and expertise to integrate climate change assumptions into accounting, reporting and disclosure activities. This includes assumptions related to Australia’s NDC and economic transition risk. Variables and assumptions will need to be entity-specific as it is difficult to capture assumptions that will or will not apply to all.

For guidance on how to approach integration of climate change assumptions into accounting, reporting and disclosure activities, please see the report Australia’s international climate change commitments – Associated accounting assumptions and auditing of climate risk disclosures.