Climate-Related Financial Risk (Unaudited)

Climate change poses a unique threat to the U.S. General Services Administration's (GSA) ability to deliver on its mission. Extreme weather — like wildfires, extreme heat, hurricanes, and flooding — puts Federal buildings and property at risk. Supply chain disruptions, delivery delays, and cost increases affect GSA's ability to deliver services, products, and solutions to Federal customers.

To address these and other climate-related challenges, GSA developed the Climate Change Risk Management Plan. The plan lays out the detailed metrics, timeframes, and steps GSA is taking to manage fiscal and physical risks and secure Federal real property and supply chain investments.

GSA's Public Buildings Service (PBS), which is responsible for managing property under the jurisdiction, custody, or control of GSA, has adopted a two-pronged approach to understanding and mitigating risks to GSA-controlled property. First, guidance issued by PBS's Capital Investment and Leasing Program (CILP) includes a requirement to assess climate risk to support future-focused decision making and leverage current climate science and projections for long-term climatic change. GSA has applied this assessment to more than 100 GSA-controlled buildings and projects. For example, GSA developed and is using climate profiles in the design and delivery of all 26 of its Bipartisan Infrastructure Law-funded land port of entry modernization projects. Prospectus-level projects supported by Inflation Reduction Act funding are also reviewed.

Second, PBS will be using funding from the Inflation Reduction Act to advance risk management actions for the existing real property portfolio through PBS's Inventory Risk Mitigation and Resilience Program. Per the GSA's Climate Change Risk Management Plan, GSA will conduct site-specific technical engineering analyses for flood risk management. Additionally, GSA will modernize agency asset management and site acquisition guidance to reflect actionable climate science and provide training for asset managers and other GSA staff.

In addition to the two-pronged approach, PBS is developing capabilities to aggregate the exposure and sensitivity across the entire existing PBS real property portfolio. This will include observed and expected hazards due to extreme temperatures, water scarcity, wildfires, flooding, and extreme storm events.

GSA's Federal Acquisition Service (FAS) leverages Government-wide buying power and acquisition expertise to successfully deliver services, products, and solutions to Federal agencies. To manage and reduce supply chain issues caused by climate change, FAS identified five critical offerings with the greatest exposure and sensitivity to climate risks: telecommunications, motor vehicles and fleet, professional services, information technology (IT) hardware, and IT services. These critical offerings have been identified in GSA's Vulnerability Assessment Report, and the agency is in the process of updating the assessment following the International Organization for Standardization 14091: 2021 standard.

In addition to the updated assessments, FAS has developed a Climate Change Risk Management Checklist that the acquisition workforce can utilize to identify and manage climate change risks throughout the acquisition lifecycle. FAS has also integrated climate risks and adaptation considerations into the FAS Acquisition Council (FAC) review process. The FAC assesses external-facing acquisitions valued at $100 million or greater at various phases of the acquisition life cycle. The council provides recommendations to the acquisition teams in a collaborative effort to improve procurement outcomes. In FY 2023, climate risk and adaptation requirements were integrated into many Government-wide acquisition vehicles as a result of the FAC review process. The acquisitions require awarded contractors to identify climate-related risks that could negatively affect performance and to report on actions taken to address these risks. This process provides an umbrella of climate risk management coverage to GSA's customer agencies and seeks to protect their financial investments in these acquisitions.

GSA is taking steps to build a climate resilient supply chain by inviting all major Federal Supply Schedule contractors to voluntarily measure, track, and disclose their climate-related risks to the Carbon Disclosure Project (CDP), a not-for-profit charity, that runs the global disclosure system for companies to measure environmental risks and opportunities. Contractors that choose to participate will be asked about their organization's process for identifying, assessing, and responding to climate-related risks and opportunities; their climate-related risks with the potential to have a substantive financial or strategic impact on business; and if climate-related risks and opportunities influenced their organization's strategy and/or financial planning.

The impact of climate-related risks or opportunities on financial performance and financial position presents new challenges to incorporate climate-related risk assessments into the governance structure, business strategy, and financial planning of the agency. As part of risk management activities, parsing out specific climate-related resilience or adaptation costs are not part of GSA's financial account coding nor has guidance been provided on methods or standards. GSA is participating in the Federal Accounting Standards Advisory Board's Climate-Related Financial Reporting Task Force and the Office of Management and Budget's Assessment of Federal Financial Climate Risk Intergovernmental Working Group.

GSA will continue to identify and assess climate-related risk through an internal climate vulnerability assessment that will rely on actionable science from the latest National Climate Assessment. From GSA's Climate Change Risk Management Plan: 2022 Progress Report, all agencies, including GSA, provided an informal verbal progress report per request by the White House Council on Environmental Quality.

GSA has also recently released the FY 2023 Sustainability Status Report, which lays out the agency's priority strategies for sustainability, emissions mitigation, and portfolio performance metrics.