

FAS Climate Risk Management Plan Guidance & Resources for Suppliers

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1.0 Introduction

Climate change can threaten the federal supply chain by disrupting manufacturing, availability, and delivery of critical products and services to the federal government. Federal agencies are required by legislation, regulations, and the following Executive Orders (E.O.) to manage climate risks:

- [E.O. 14008 Tackling the Climate Crisis at Home and Abroad](#): Directs agencies to increase the federal government’s resilience against supply chain disruptions. Such disruptions put the nation’s manufacturing sector at risk, as well as consumer access to critical goods and services.
- [E.O. 14030 Climate-Related Financial Risk](#): Requires federal agencies to integrate climate-related financial risk into their respective agency’s procurement process.
- [E.O. 14057 Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability](#) (and the associated [implementing instructions](#)): Directs agencies to pursue procurement strategies that facilitate climate resilience and reduce greenhouse gas (GHG) emissions. It allows agencies to establish agency-specific standards, policies, and programs for sustainable acquisition that incentivize contractors to reduce emissions and climate risks.

This document provides federal suppliers with an overview of the climate risk-management process, discusses the steps to manage climate risk, and includes a sample climate risk management plan template that can be used to develop a climate risk management plan.

2.0 Climate Risk Management

Climate risk management refers to identifying, assessing, and responding to climate change risks. It analyzes observed and expected climate change impacts on an organization, and develops strategies to manage these risks.

2.1 Climate Risks

There are two types of climate risk: physical and transition.

Physical risks are events like more severe hurricanes, and shifts in climate patterns like higher temperatures for longer durations.

Managing physical risks:

- Reduces supply chain disruptions from extreme climate and weather events; and

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- Increases the successful delivery of mission-critical supplies and services to the federal government.

Transition risk can occur when the shift to a lower-carbon economy does not outpace GHG emissions or does not employ renewable energy quickly enough.

Managing transition risk:

- Reduces supply chain disruptions caused by climate and weather events when GHG emissions are reduced; and
- Stabilizes pricing volatility from abrupt and unexpected shifts in energy costs.

2.2 Climate Related Opportunities

Mitigating and adapting to climate change can produce climate related opportunities for organizations, resulting in:

- Resource efficiency and cost savings;
- Adoption of low-emission energy sources;
- Development of new products and services;
- Access to new markets; and
- Resilience across the supply chain.

2.3 Financial Impact Considerations

The financial impacts of climate-related issues on an organization are driven by climate-related risks and opportunities an organization is exposed to and its strategic and risk management decisions on managing those risks (i.e., mitigate, transfer, accept, or control).¹ Understanding the financial impact of climate-related risks and opportunities on an organization is key to making more informed financial decisions.

The Task Force on Climate-related Financial Disclosures (TCFD) provides examples of climate-related risks and associated potential financial impact, as well as examples of climate-related opportunities ([see Appendix 1](#)).

2.4 Climate Risk Management Process and Steps

The climate risk management process analyzes observed and expected impacts of climate change on the supply of products and services across multiple sectors, and develops strategies to mitigate and adapt to climate risk.

Step 1: Define Scope and Establish Context

¹ <https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>

Define the scope and establish context to customize the risk management process and enable an effective risk assessment and appropriate risk treatment options.

Steps 2-4: Conduct a Risk Assessment

A risk assessment studies the likelihood of events and their positive or negative consequences.² A risk assessment should be conducted systematically, iteratively, collaboratively, and include:

Risk Identification (Step 2)	Finding, recognizing, and describing risks that might prevent an organization from achieving its objectives. An organization can use a range of techniques for identifying uncertainties that may affect one or more objectives.
Risk Analysis (Step 3)	Comprehending the nature of risk and its characteristics, including the level of risk. Risk analysis can be accomplished with varying degrees of detail and complexity, depending on the purpose of the analysis, the availability and reliability of information, and the resources available.
Risk Evaluation (Step 4)	Supporting business objectives and decisions. Risk evaluation involves comparing results of the risk analysis with established criteria to determine where additional action is required.

Steps 5-6: Select and Implement Risk Treatment Options

Risk treatment involves:

Adaptation & Risk Treatment (Step 5)	Selecting the most appropriate risk treatment and balancing the benefits with achievements against costs, effort, or disadvantages of implementation.
Implementation (Step 6)	Specifying how the risk treatment will be implemented, so that arrangements are clear, and progress can be monitored.

Other Considerations:

- **Communicate**
 - Messaging to relevant stakeholders is needed to explain the climate-related risk, how decisions are made, and why certain actions are required.
- **Review and Monitor**
 - Reviewing and monitoring is needed to ensure and improve quality and effectiveness in design, implementation, and outcomes.
- **Document and Report**
 - The risk management process and its outcomes should be documented and reported through appropriate mechanisms.

² [Fifth National Climate Assessment, U.S. Global Change Research Program](#)

For more specific information on climate risk management, see [Appendix 1, Resources and References](#).

3.0 Climate Risk Management Plan Template³

<INSERT COMPANY NAME>

Climate Risk Management Plan Template

Document Control Sheet

Original Date Published: <INSERT DATE>

Owner	Approver

Revision Date Published: <INSERT DATE>

Owner	Approver

Introduction

1. Describe the scope of the climate risk management plan.

Scope:

Climate Change Risks and Opportunities

1. Describe the physical risks, transition risks, and opportunities associated with climate change.
2. Identify those areas of the business that are vulnerable to climate-related risks.

Risks and Opportunities:
Vulnerabilities:

Governance and Management

³ Note: The use of this template is optional and is being provided to assist in the development of a Climate Risk Management Plan. The information contained herein is not intended as, and shall not be understood or construed as being a contract requirement. The elements provided below are common elements of a Climate Risk Management Plan. Climate risk requirements may vary by contract, please refer to your contract for the specific climate risk management requirements applicable to your organization. In the event of a conflict between this template and a contract requirement, the contract controls.

1. Describe the governance structure and how it manages climate-related risks and opportunities.

Governance and Management:

Climate Risk Management Team and/or Key Points of Contact

1. Identify the climate risk management team responsible for identifying and managing climate risks, and provide an explanation of the roles and responsibilities of key personnel in the management of climate-related risks and opportunities.

The team should also include informed leadership with decision-making capacity within the organization, as well as support specialists and subject matter experts (SMEs) to assist with forming action plans and defining objectives.

Name & Title	Role(s)	Responsibilities	Contact Information

Risk Management

1. Describe the organization's process for identifying, assessing, and responding to climate-related risks for successful performance or delivery (migration of smoke from wildfires, increase in precipitation-driven flooding, extreme heat events, inundation due to sea level rise and storm surge, etc.).
2. Identify the risk management tools and techniques that will be used (i.e., mitigation and adaptation strategies to manage climate risks).
3. Describe in detail identified inherent climate-related risks that may have a substantive financial or strategic impact on your business.

Organizational Process:

Tools and Techniques:

Identified Inherent Climate-related Risks:

4. Provide information on your business continuity plan:
 - a. Describe your disaster contingency, continuity plans and response protocols for potential event-driven changes (e.g., hurricane, earthquake, flooding, wildfire, etc.) and chronic risks due to longer-term shifts in climate patterns (e.g., changes in precipitation, increased average temperature, and rising sea levels).
 - b. Describe which short term acute impacts to assets, products, and services would most significantly disrupt operations (e.g., degraded service, loss of service, equipment failure, loss of asset or other unacceptable outcomes).
 - c. Describe which gradual long-term cumulative impacts to assets, products, and services would most significantly disrupt operations (e.g., degraded service, loss of service, equipment failure, loss of asset or other unacceptable outcomes).

Business Continuity Plan:

- a. <Insert narrative>
- b. <Insert narrative>
- c. <Insert narrative>

5. Provide an explanation of the monitoring and review process for the risk management approach.

Approach:

Tools and Techniques:

Monitoring and Review Process:

Metrics and Targets

1. Identify key performance indicators (KPIs) that will be used to measure the success of the climate risk management plan.
2. Provide an explanation of the targets that the organization aims to achieve for each KPI.

Key Performance Indicators:

Targets:

Communication and Reporting

1. Describe the organization's communication and reporting approach for climate-related risks and opportunities.
2. Explain how the organization will engage with stakeholders on climate-related risks and opportunities.
3. Identify the reporting requirements for climate-related risks and opportunities.

Approach:

Engagement:

Reporting Requirements:

Next Steps

1. Provide a brief overview of the key points of your submission and explain the next steps for implementing the plan.

Key Points:

Next Steps for Implementation:

4.0 Appendix 1: Resources and References

4.1 Resources

Climate Disclosure Standards Board, 2021, TCFD Good Practice Handbook.

https://www.cdsb.net/sites/default/files/tcfd_good_practice_handbook_v5_pages.pdf

Climate Terms and Tools - GSA Sustainable Facilities Tool.

<https://sftool.gov/learn/about/639/climate-terms-tools>

Environmental Protection Agency (EPA) - Center for Corporate Climate Leadership.

<https://www.epa.gov/climateleadership>

Fifth National Climate Assessment, U.S. Global Change Research Program.

<https://www.globalchange.gov/our-work/fifth-national-climate-assessment>

GSA Sustainable Facilities Tool (SFTool).

SFTool Green Procurement Compilation (GPC).

<https://sftool.gov/greenprocurement>

SFTool Risk Reduction and Building Resilience, Climate Risk Management.

<https://sftool.gov/plan/430/climate-risk-management>

SFTool Risk Reduction and Building Resilience, Framework for Managing Climate Risks to Federal Agency Supply Chains.

<https://sftool.gov/plan/553/framework-managing-climate-risks-federal-agency-supply-chains>

Task Force on Climate-Related Financial Disclosure (TCFD). <https://www.fsb-tcfd.org/>

TCFD 2022 Status Report.

<https://assets.bbhub.io/company/sites/60/2022/10/2022-TCFD-Status-Report.pdf>

TCFD Knowledge Hub.

<https://www.tcfdhub.org/>

TCFD Recommendations, 2017, pp. 1–74.

<https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf>

4.2 References

1. ISO 14091:2021 (E), Adaptation to climate change — Guidelines on vulnerability, impacts and risk assessment
2. ISO 14090: 2019, Adaptation to climate change — Principles, requirements, and guidelines
3. ISO 31000: 2018 (E), Risk Management
4. ISO 14001: 2015 Environmental Management
5. “Recommendations.” Task Force on Climate-Related Financial Disclosures, www.fsb-tcfd.org/recommendations/