

Incorporating an Environmental, Social and Governance (ESG) Framework to Department of Defense (DoD) Sustainability Reporting and Planning

Noblis expertise in ESG strategy informs DoD efforts to effectively address expanding requirements and meet the national defense mission



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List of Acronyms

- CSR - Corporate Social Responsibility
- DoD - Department of Defense
- EO - Executive Order
- ESG - Environmental, Social and Governance
- FAR - Federal Acquisition Requirements
- GHG - Greenhouse Gas

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Introduction

Over the past two decades, it has become critical that both private sector businesses and government demonstrate their attention to environmental conservation by incorporating sustainable practices into their planning and infrastructure development plans. Environmental, Social and Governance (ESG) criteria are used to evaluate an organization's operations and Corporate Social Responsibility (CSR) performance in a manner that is connected to the organization's mission. ESG criteria were developed in the private sector to measure an organization's progress as an alternative to traditional reporting metrics used to screen potential financial investments. More than 80% of Fortune 500 companies incorporate such information into their annual financial reports¹ and studies show that ESG practices improve performance over time, reduce operating costs and allow organizations to get ahead of potential issues that may cause business disruption.

Similar to ESG criteria, the Department of Defense (DoD) completes an annual Sustainability Report and Scorecard in accordance with Executive Order (EO) requirements, which aids organizational performance management. Recent policy developments are expanding planning and reporting requirements even more, including [EO 14008](#), *Tackling the Climate Crisis at Home and Abroad*, and [EO 14030](#), *Climate-Related Financial Risk*. The increased scope of these requirements includes disclosure of contractor greenhouse gas (GHG) emissions, science-based reduction targets and climate-related financial risk management. Further sustainability requirements are anticipated in future executive actions.

Application to the DoD

Expanding EO requirements involves increased disclosure and planning related to sustainability, climate risks and environmental justice which apply to all DoD program areas as well as the Department's overall mission, involving a wide range of practices from day-to-day activities to military operations. As the federal government works to establish national sustainability goals, implementation of science-based reduction targets will provide resilience against increasing regulation² and drive innovation. The DoD has also identified environmental justice as a critical practice while its national defense mission is working to include it as a key consideration in its governance structure. An ESG framework to reporting and planning meets EO requirements, strategically incorporates insights from relevant stakeholders and leadership and advances DoD missions.

The DoD is aligning its supply chain efforts to drive transparency and mitigate climate change threats³. Coming changes to the Federal Acquisition Requirements (FAR)⁴ will mandate that major suppliers must disclose GHG emissions, treat climate change vulnerabilities as a "material weakness" on financial reports and publicly report ESG performance of their business operations.

¹ Allman, E. and Won, J. (2021). Can ESG disclosure improve investment efficiency? World Bank Blogs and Governance and Accountability Institute. (2020). Trends on the sustainability reporting practices of S&P 500 Index companies. 2020 Flash Report Russell 1000®.

² For example, recent passage of the AIM Act requires DoD to "phase down" usage of mission-critical hydrofluorocarbons based on their global warming potential as potent GHGs.

³ EO 14008 establishes a mandate for use of the federal government's buying power to achieve to achieve resilient and sustainable operations.

⁴ EO 14030 require major federal suppliers to publicly disclose GHG emissions and climate-related financial risk and to set science-based reduction targets; and consider the social cost of GHG emissions.

ESG Solution

The first step to incorporating an ESG framework is assessing materiality to identify ESG issues and metrics most important to the organization. This process (Figure 1) entails identifying, categorizing and prioritizing important ESG topics to determine which issues are most relevant to DoD stakeholders and the mission.

Through assessing materiality, Noblis identifies metrics and assigns values to those metrics so DoD can ensure sustainability efforts are properly addressed. Noblis works with stakeholders across the DoD to identify and prioritize climate-related and environmental risks most critical to the agency’s national defense mission. An ESG framework with quantitative metrics allows for continuous improvement and more informed decision making (e.g., ensuring DoD Instructions (DoDIs), Unified Facilities Criteria (UFCs) or policy memoranda include sufficient sustainability elements). The process will also help develop DoD science-based reduction targets and facilitate better integration of supplier ESG data. Noblis will use the outputs from the materiality assessment (Figure 2) to recommend actions that will improve sustainability reporting and planning in line with federal requirements and the national defense strategy.



Figure 1: Materiality Assessment Process



Figure 2: Notional Output from Materiality Assessment

Conclusion

Noblis’ expertise in ESG reporting is founded in over a decade of experience developing sustainability reports for multiple federal agencies, including the DoD. By identifying and reporting the most relevant ESG issues, DoD can better track and identify opportunities for improvement, increase defense supply chain resilience and meet increasing federal requirements. Noblis’ materiality assessment leverages our ESG strategy expertise, propelling the DoD’s reporting capability to address continually evolving and expanding needs while advancing their mission.

For more on how Noblis experts are promoting sustainable and resilient mission solutions, visit our website at noblis.org/energy-environment/.

Doing What's Right and What Works for Our Clients

Noblis fosters a culture of collaboration. Our Research Centers drive scientific outcomes to address our Nation's most pressing challenges, and our Centers of Excellence deliver technology and strategic management domain authority. These Centers connect our staff so that they may better serve our clients. Their focus areas span the needs of federal organizations and are easily accessible to our client-facing teams, ensuring the right capabilities, people, tools and expertise are applied to our work. This enables us to offer every client the best solutions to fit their needs and challenges.

About Noblis

We exist to enrich lives and make our nation safer with our shared passion for excellence and innovation. For more than 25 years, Noblis has been an innovator within the federal government, committed to solving the challenges of today and investing in the mission of tomorrow. As a nonprofit, Noblis works for the public good, bringing together the best possible capabilities, including science and technology expertise and solutions, in an environment of independence and objectivity to deliver enduring impact on federal missions.

Working with Us

Government agencies can access Noblis through a variety of contracting mechanisms. We have several contracts in place and available to Government agencies. We are also a GSA Schedule holder.

For a full list of vehicles, visit noblis.org/contracting or call us at 703.610.2000. Email us at answers@noblis.org.

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