

Executive Network

September 21, 2021

Sustainability Report Evolution

Guest Facilitator: Brian Schoening, Director of Global Sustainability/ESG & Environment, Northrop Grumman

Portfolio: Sustainability/ESG strategy, materiality and disclosures as well as direct oversight of Environmental Sustainability.

Corporate Profile: Northrop Grumman solves the toughest problems in space, aeronautics, defense and cyberspace to meet the ever evolving needs of our customers worldwide. Our 90,000 employees define possible every day using science, technology and engineering to create and deliver advanced systems, products and services.

Sustainability Report Evolution

	Getting Started	Mature Process	Forward-Looking & Integrated Process
Oversight	<ul style="list-style-type: none"> Rotating SR Lead 	<ul style="list-style-type: none"> Fixed SR Lead with ESG responsibilities 	<ul style="list-style-type: none"> Dedicated ESG Disclosure Lead
Approach	<ul style="list-style-type: none"> Tell ESG story, alignment with general material topics; GRI aligned Section content developed by Functional SME Reactive to stakeholder expectations External SR review panel 	<ul style="list-style-type: none"> Materiality-driven content combined with telling our ESG story; GRI and SASB aligned SR Lead drives overall structure and some content Transition to proactive disclosure and alignment with stakeholder expectations External SR review panel 	<ul style="list-style-type: none"> Proactive, ESG disclosure driven by stakeholder expectations and trends; aligned with materiality and ESG frameworks Alignment with financial reporting (timing, content mapping, and review process) ESG data and reporting systems Considerations for digital tagging and AI/ML screens External SR review panel
Team	<ul style="list-style-type: none"> Functional SME primarily responsible for SR content 	<ul style="list-style-type: none"> Functional SME with broader ESG disclosure responsibilities 	<ul style="list-style-type: none"> Functional SME with ESG strategy and disclosure responsibilities for function

Small Group Dialogue

The facilitator and reporter for your group with the most recently released company report.

For the next 35 minutes in your small groups, please discuss:

1. Where is your company in your Sustainability/ESG reporting journey? What is your role in the report process?
2. Where do you want to take your report and what will it take to get you there?
3. What tools or resources are you using or considering to develop your Report?

Key Discussion Themes

- Companies are seeing a transition from CSR or Social Impact reports to a more structured ESG framework that incorporates sustainability, DEI, CSR, and disclosures into their reporting efforts.
- Reports should clearly tell a story that bridges information and performance data from internal experts to external readers.
- A materiality assessment is important to structuring and driving the content of a report, and multiple representatives from each stakeholder group should be consulted to determine a company's material issues.
- External partners can help form the philosophy around the report, draft the story from one unified voice, and share best practices, but reports cannot be completed without internal experts who understand and are accountable for the data and information being reported out.
- Stakeholder experts can also provide meaningful feedback to the report, both to the data and stories reported and to the ESG strategies and targets themselves. By bringing in experts, business leaders are exposed directly to stakeholder expectations and benchmarks. One company's Stakeholder group includes experts in supply chain, environmental sustainability, business ethics, CSR, and DEI who talk directly with leaders in the business about execution in these areas over the previous year and considerations for future years.
- There is opportunity for additional conversation around employee data disclosures – what other data are you tracking and how can you report out on it (for example, DEI data beyond senior leadership, what is the turnover data in relation to DEI, etc.)

Additional Considerations & Resources

- What is important to report out annually and what can/should be updated on a different cadence?
- How much should companies be waiting for the landscape to stabilize (SEC guidance, unification from rating agencies, etc.)?
- How can companies use the report beyond it's initial release to continually tell the story and engage stakeholders in your work?
- [Datamaran](#) is a resource that allows a user to scan regulatory, media, and corporate disclosures related to ESG.
- The [GRI Sustainability Disclosure Database](#) is a publicly available repository of sustainability reports published between 1999 and 2020.

Up Next

Budgeting for Changing Priorities

October 19th
1:00-2:15 pm ET

3rd Tuesday of the month

