ESG in the Aerospace & Defense Industry

In the face of global disruption caused by climate change, societal unrest, social inequality, technological innovations, and geopolitical events, environment, social, and governance (ESG) factors and the rise of stakeholders are leading to increased awareness about issues that have never been more important. Companies in Aerospace and Defense (A&D) are not immune to these factors and, in fact, have been actively taking steps to reduce their carbon footprint, aligning with the Biden Administration’s climate change goals. In addition to public disclosures related to “E”, A&D companies can get ahead by proactively communicating about how they are working to be a better steward of the environment.

When developing an ESG communications strategy, A&D companies should be thinking about the following near-term trends:

1. **Increased Pressure on Government Contractors Around ESG**
   - Federal, state, and local governments, as well as international organizations, are developing tests to judge public companies’ resilience and risk disclosures. This is leading to increased pressure on government contractors. Currently, the U.S. Military spends over $500 billion annually on supplies, services, and research and development. A&D is a key contributor to the Department of Defense (DoD) and, as a result, must ensure that their risk disclosures related to “E” are current and robust.

2. **Increased Need for Transparency and Risk Management**
   - The U.S. Military is a key customer for A&D companies, leading to increased pressure on A&D companies to ensure that their stakeholders are aware of the ESG risks they face. This includes regulatory scrutiny, financial risk, and reputational risk. A&D companies must ensure that they are well-positioned to both manage and mitigate risk and that they are communicating effectively with their stakeholders.

3. **Increased Pressure on Government Contractors Around ESG**
   - Government contractors, particularly in aerospace and defense, are facing increased scrutiny from government agencies and stakeholders. This includes increased focus on diversity, equity, and inclusion (DEI) initiatives, as well as increasing pressure to reduce greenhouse gas emissions and other environmental impacts.

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**Diversity & Inclusion as a Key Part of ESG**

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