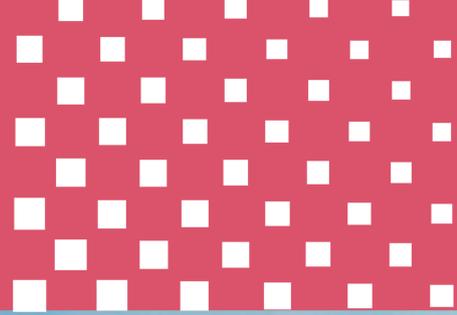


# ESG Toolkit for NGOs





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# What is ESG?

ESG stands for **Environmental, Social, and Governance** and is commonly thought of as ‘sustainability’. It has largely become mainstream in the business world globally - and ESG is also applicable to NGOs.

Your NGO is already engaging and working with ESG issues, but might not call or frame these as ‘ESG’ issues. With ESG continuing to see increased attention from corporate partners and funders, this Toolkit aims to shed light on how ESG is applicable to NGOs, and how NGOs can leverage ESG to connect with stakeholders and further their mission.

ESG includes your organisation’s actions towards your staff, beneficiaries, funders and the communities you operate in. ESG issues also represent risks and opportunities that will impact your NGO’s ability to create positive long-term value.

The table below summarises some of the most common ESG topics in each of the three pillars (i.e. environmental, social and governance) for typical NGOs:

	Environmental		
Carbon emissions	Impact of climate change	Use of natural resources	
Pollution and waste	Collaborating with staff and other NGOs on environmental issues	Helping beneficiaries prepare for climate’s impacts	
	Social		
Human capital	Health, safety and well-being	Training and development	
Relationship with beneficiaries	Engagement with stakeholders and communities	Data security	
	Governance		
Board diversity	Executive pay	Responsibility and accountability	
Audit, risk and internal controls	Anti-corruption	Policies and procedures	

Each of these three pillars is important and has topics that overlap with other pillars. For the purposes of this Toolkit, we will focus more on the environmental and social pillars.

# What is ESG?

## An Overview of ESG's Background

You may have noticed business behaviour and Corporate Social Responsibilities (CSR) activities have expanded in recent years, from traditional philanthropy and volunteering to cover a more in-depth incorporation of ESG and sustainability. This includes evaluating and acting on climate's impacts to the organisation, listening and acting on staff feedback, and strengthening governance mechanisms to build trust.

The ESG acronym was introduced in the mid-2000s in a United Nations report<sup>1</sup>, but the concept itself is not new. Corporates have largely been dealing with ESG issues, though not as integrated as they are nowadays, and NGOs have long been tackling work that relate to environmental and social issues. The formalisation of the [United Nations' Sustainable Development Goals](#) in 2015 further shed light on the idea of shared and sustainable prosperity for people and the planet<sup>2</sup>, in line with the ESG theme.

A combination of factors, including increased awareness and pressure from consumers and employees on corporates to operate more responsibly, solid ESG practices boosting financial performance<sup>3</sup>, and continued investor interest and pressure, have led to ESG's vigorous development and sustained growth.

In response to this shift, companies from the world's largest conglomerates to local SMEs have been and continue to articulate their ESG performance to investors and stakeholders. Over 60 stock exchanges in the world now have written ESG guidance<sup>4</sup> and many require listed companies to comply with ESG related regulation. Hong Kong Exchanges and Clearing Limited (HKEX), as an example, first introduced its ESG Reporting Guide in 2013, and continues to update its disclosure requirements<sup>5</sup>.

In a move to standardise ESG metrics and reporting, ESG's growth has also led to the creation and adoption of several international ESG frameworks, including the Global Reporting Initiative (GRI) Standards and the International Sustainability Standards Board (ISSB). The latter is actively being incorporated into local jurisdictions' reporting requirements, including for Hong Kong.

### Global Reporting Initiative (GRI)

GRI was founded in 1997 and created the GRI Standards, one of the world's most widely used standards for sustainability reporting, it is used by organisations, including Apple, the Walt Disney Company, and the Young Men's Christian Association (YMCA). This independent organisation works with a range of stakeholders, including businesses, investors, civil society, and policy makers to develop the GRI Standards. They are headquartered in the Netherlands with seven regional offices, including Hong Kong (Greater China Region)<sup>6</sup>.

### International Sustainability Standards Board (ISSB)

ISSB, established by the IFRS Foundation in 2021, aims to deliver a comprehensive global baseline of sustainability-related disclosure standards. As there are many sustainability standards on the market, the ISSB's significance is in its action to harmonise standards - this will allow ESG information to be more consistent and comparable. The inaugural standards were issued in June 2023<sup>7</sup>.

<sup>1</sup> Forbes, Demystifying ESG: Its History & Current Status

<sup>2</sup> The 17 UN SDGs

<sup>3</sup> ESG and Financial Performance: Uncovering the Relationship by Aggregating Evidence from 1,000 Plus Studies. Published between 2015 - 2020

<sup>4</sup> Sustainable Stock Exchanges

<sup>5</sup> HKEX Rules and Regulations

<sup>6</sup> About GRI

<sup>7</sup> ISSB issues inaugural global sustainability disclosure standards

## Why does ESG matter for NGOs?

ESG is becoming a necessary practice for businesses. It requires them to be transparent with stakeholders and presents important opportunities for NGOs.

As businesses become more serious about their ESG efforts, they will be increasingly conscious of which NGOs to work with, in order to align with their ESG and overall strategy. Investors familiar with the corporate world and ESG's importance will also begin to consider ESG in other organisations they have a stake in, including NGOs. Some NGOs are picking up on the ESG movement themselves and more explicitly adopting ESG.

### Meeting stakeholder expectations

In response to growing demand from stakeholders for NGOs to be held more accountable, including from funders, partners, and the public, NGOs have cause to strengthen their public accountability. The adoption of ESG practises, along with ESG reporting, will increase NGOs' transparency and credibility as important contributors to sustainable development.

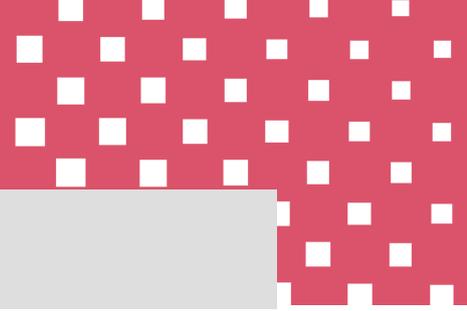
Funders consider ESG integration key to facilitating long-term sustainability and profitability. Wider stakeholders are also expecting increased ESG actions.

'Responsible investing is becoming increasingly common among both for-profit and non-profit organisations. A 2022 ESG survey found that over half of foundation assets are allocated to ESG investments'.

[Callan 8<sup>th</sup> Annual 2022 ESG Survey](#)

'Consumers and employees wish to see organisations do more on ESG. 83% of consumers think companies should be actively shaping ESG best practices and 86% of employees prefer to support or work for companies that care about the same issues they do'.

[PwC Consumer Intelligence Series 2021 Survey on ESG](#)



# Why does ESG matter for NGOs?

## Increased relevance and connectivity

Corporates are looking to work together with mature NGOs with good governance and a clear strategy. A clear ESG and overall organisational strategy makes it easy to identify points of synergy, increasing the potential of more effective collaborations between NGOs and corporate partners.

It is important how your NGO relates and communicates to your stakeholders, including funders, partners and the public. With greater awareness and adoption of ESG, NGOs gain greater understanding on the common language of corporates and funders. Furthermore, NGOs can also better relate and communicate with stakeholders through using the same language or ESG framework. While the harmonisation of global sustainability standards (for example, the ISSB) is yet to be mandated on NGOs, it signals an increase in consistent ESG reporting - which is in line with stakeholders' expectation.

Hence, by familiarising with and adopting ESG, NGOs build a stronger common language with their stakeholders and this may help to foster more meaningful partnerships.

## ESG presents a holistic view of how an NGO carries out its mission

ESG may seem irrelevant to NGOs when their core mission is already closely related to an ESG issue, but ESG extends beyond an NGO's purpose - it is also about its operations. In other words, a more holistic view of how an NGO is carrying out its mission.

The work of NGOs should not only aim to enhance society's well-being, but to accomplish this goal in a sustainable manner. For example, an NGO that assists in providing fresh water to developing countries may need to consider its relevant environmental impacts and labour practises in carrying out that mission<sup>8</sup>.

Further, ESG elements in how an NGO operates (for example, in the purchasing of supplies, or the quality of governance) pose risks and opportunities that translate to practical concerns and topics of interest for funders. These topics also correlate with the matter of funding.

Related to the earlier point on increased connectivity, having a firmer understanding of ESG, its implications, and your NGO's role may also yield more effective communication and alignment with funders. By executing ESG strategically and operationally in your NGO, you will also be contributing to the ESG performance of your funders.

This ESG Toolkit aims to provide an overview of ESG tailored for the NGO audience and practical takeaways to support NGOs in strengthening their implementation of ESG.

<sup>8</sup> [Overseeing environmental, social and governance matters: A not-for-profit boards of directors framework](#)

## 2 Stakeholder Engagement and Materiality Assessment

Many corporates undertake an exercise called SEMA (Stakeholder Engagement and Materiality Assessment), which can also help an NGO to identify its sustainability focus areas and overall sustainability strategy. Active engagement with stakeholders leads to an understanding of stakeholders' needs and expectations, which can help an NGO improve its organisation's efficiency and effectiveness.

### Defining an NGO stakeholder

A stakeholder can be thought of as any individual or group that has an interest in your NGO. They may be directly involved, such as employees, board members, funders, corporate partners, and beneficiaries. They may also be more indirectly involved, such as volunteers, corporate partners on one-off partnerships, media contact points, and the wider local community.

Put another way, stakeholders are individuals or groups that your NGO has a significant effect on and are in a position where their actions can have significant effect on the ability of your NGO to effectively carry out its work<sup>9</sup>.

### Why is SEMA important?

#### Staying relevant and connected

Active and intentional engagement with stakeholders will help NGOs stay abreast of stakeholder priorities and concerns, as well as build connection and relationships with stakeholders.

#### Informs priorities

SEMA results will not only be an asset to include in the NGO's ESG report - insights gained from SEMA will be useful in informing an NGO's ESG priorities, which will in turn facilitate development of a clear overall sustainability strategy.

#### Builds credibility

Through conversing and understanding stakeholder needs and thoughts, SEMA will indirectly build credibility and accountability. This serves to deepen trust between the NGO and its stakeholders.

### Tips on engaging your stakeholders<sup>10</sup>

#### Identify your stakeholders and slice and dice as relevant

After identifying your stakeholders, NGOs can consider identifying relevant sub-groups. As different sub-groups are likely to have different priorities and concerns, pinpointing sub-groups can facilitate more effective communication.

Sub-groups of funders may include major funders, first-time funders, and monthly funders. Major funders may care more about the NGO's long-term strategy and governance, whereas monthly funders may care more about the NGO's impact reporting and the effectiveness of their work. Slicing and dicing stakeholder groups may assist an NGO in identifying what your stakeholder groups care about to a more specific degree.

<sup>9</sup> GRI G4 NGO Sector Disclosures

<sup>10</sup> Key Nonprofit Stakeholders and How to Steward Them - Donorbox

## 2 Stakeholder Engagement and Materiality Assessment

### Identify your communication strategy

As different stakeholder groups will have different priorities, NGOs can target relevant communications accordingly. Not every campaign needs to be shared with every group - it may be more effective to have selective and personalised communications to build relationships.

To facilitate effective communication with stakeholder groups, NGOs can assign a specific point of contact to each stakeholder group. This will serve to facilitate clarity and avoid a case where several staff members reach out to the same stakeholder group with potentially conflicting messages.

### Points to consider for your SEMA exercise

#### Prioritisation questions for all stakeholders

- Ask stakeholders to rate the significance of relevant ESG topics (for more details on relevant ESG topics, see the '[Board Oversight and Responsibility](#)' section of this Toolkit).
- Consider asking stakeholders for their view of your NGO's current performance on these issues. This will provide a more holistic picture of perception, expectation, and actual performance.
- Use a standardised scale, for example 1 to 6, 6 being the most material, so this quantitative data can be analysed afterwards.
- Consider including a short description of the issue for the purpose of aligning individuals filling in the survey on ones that may be up to interpretation.
- Remind stakeholders there are no correct or incorrect answers to these questions. This is based on their current view of your NGO and no additional knowledge is required.

#### Tailored open-ended questions

- Echoing a prior point that stakeholder groups (and sub-groups) will have different priorities and concerns, consider tailoring questions to these groups to deepen your understanding of their perspective.
- For example, asking your NGO's community beneficiaries about which initiative they personally found most helpful may shed light on which ones are making the most impact.
- Relating to strategy and priority areas, your NGO's funders may be a relevant group to obtain feedback on these topics.
- Regarding specific environmentally friendly measures that can be implemented, your NGO's staff may be most familiar with the practical day to day operations and could speak to this.

## 2 Stakeholder Engagement and Materiality Assessment

### Executing the SEMA exercise

- 1. Surveys:** Online surveys are an accessible method to run the SEMA exercise. As it is a less personal medium, be mindful to questions stakeholders may have.
- 2. Focus groups / live polling and discussions:** If resources are available, a more in-depth exercise can be considered, where more planning is required but sessions may yield additional insights. By bringing individuals from the same stakeholder group together, whether in person or online, and creating an environment where they can discuss their polling results (i.e. how they rated the significance of ESG issues) - NGO representatives can take notes on areas they agree and disagree on. A focus group creates space for more lively discussion and this avenue may help shed light on topics stakeholders feel strongly about, along with more underlying context.
- 3. After the exercise:** Analyse the insights - you may choose to split the data according to stakeholder group, for example by internal and external stakeholders.
- 4. Put these insights into action:** Incorporate findings into the NGO's overall organisational and ESG strategy. Consider also sharing the results with your stakeholders to foster trust and continue the conversation.



## 3 Setting of Sustainability Strategy and Targets

A sustainability strategy is key to aligning both internal and external stakeholders on priorities and the integration of ESG in your NGO. The material topics determined from your stakeholder engagement exercises are important in informing your organisation's ESG and overall strategy. Sustainability targets come alongside to support the execution of the sustainability strategy, and these both serve to increase accountability.

### Why have a sustainability strategy?<sup>12</sup>

- **Engage internal and external stakeholders:** Clarity on your NGO's direction and long-term goals on sustainability help external stakeholders make sense of your current activities. Transparency on the 'why' and 'how', and not just the 'what', help build clarity, accountability, and even support through offers of expertise.
- **Increase alignment with your staff:** A clear sustainability strategy also helps align internal stakeholders, especially your staff, on the larger picture of their day-to-day work. With greater clarity and personal investment on the overall strategy, this could boost employee morale and ownership of work.



- **Maximise performance with clear priorities:** A by-product of a clear sustainability is clear focus areas - there will be increased coherence on which areas need prioritisation, which will help drive decisions on resource allocation. This facilitates more efficient work among staff when they are faced with competing priorities and more meaningful conversations with stakeholders.

### Reminders on developing your sustainability strategy

When developing your sustainability strategy, do leverage your NGO's existing mission and vision. There is no need to reinvent the wheel - your sustainability strategy is meant to be aligned and consistent with your NGO's overall strategy, and link to the organisation's overall objectives.

Remember to consider highly material issues identified from your SEMA exercise (see the '[Stakeholder Engagement and Materiality Assessment](#)' section of this Toolkit). These results will help inform priorities for your NGO's sustainability strategy, as well as its wider organisational strategy.

<sup>12</sup> Sustainability Strategy: Simplified

## 3 Setting of Sustainability Strategy and Targets

### Why set sustainability targets?

Sustainability targets support the execution of your sustainability strategy with clear objectives. Furthermore, stakeholders view targets as a sign of ambition and tool for accountability.

### Guidance on sustainability targets

- Highlight the ‘Specific’ and ‘Measurable’ part of the SMART framework<sup>13</sup>, targets should include specificity in not only the ‘what’, but also the ‘when’ (i.e. a deadline year, and if the target includes a percentage, what year is the starting point to compare it against), and also the ‘who’ - assigning a target to a designated person who can take charge of it.
- In addition to the SMART framework, targets should be relevant to material ESG issues and the NGO’s top priorities. In other words, the achievement of the target advances both the NGO’s sustainability strategy, as well as the NGO’s core mission.
- If you are just starting out, consider setting qualitative targets first, before moving into quantitative targets. Qualitative targets are more directional, while quantitative targets are more rigorous and measurable and can enable more robust reporting.
- For long-term targets, consider breaking down a large goal into smaller tasks or interim targets to make it more manageable.

### SDGs as a framework to reference

The United Nations’ Sustainable Development Goals (SDGs) can serve as a helpful reference for your NGO’s sustainability strategy and target setting exercise. The SDGs may be more relevant for an NGO compared with other international sustainability frameworks, given their recognition as common language across sectors, and a more comprehensive coverage of high level topic areas that NGOs also have a stake in.

In selecting the most relevant SDGs to your NGO<sup>14</sup>,

- Identify the SDG targets you can **best contribute to advancing**. Not all 17 SDGs will be equally relevant and applicable to your NGO. For example, if you are an Education focused NGO, consider which target(s) under ‘SDG 4 Quality Education’ your NGO is most well placed to advance, and use those targets to formulate your strategy and inform your targets.
- On the other hand, consider your NGO’s priority risks and the main areas of any **negative impact to people or the environment** as a result of your NGO operations. For example, if you are an Education focused NGO and tutoring activities are accompanied by large amounts of printouts – you can consider selecting SDG 12 Responsible Consumption and Production Target 12.5 (a target focused on reducing waste generation through prevention, reduction, recycling and reuse<sup>15</sup>) to work on.

Note similar to how the 3 pillars of ESG, the SDGs are also very much interconnected and should not be tackled in siloes. For more context on the SDGs, please refer to the [Appendix 1: UN SDGs](#).

<sup>13</sup> SMART (Specific, Measurable, Achievable, Relevant, Timebound): goal methodology that helps guide individuals to achieve their goals

<sup>14</sup> Integrating the SDGs into Corporate Reporting: A Practical Guide

<sup>15</sup> SDG 12. Ensure sustainable consumption and production patterns

## Risk and Impact of Climate Change

In recent years, the awareness of climate change has pivoted from how organisations need to be mindful of their negative impact on the environment to how climate change will pose real risks and opportunities to organisations. NGOs should increase their awareness to these imminent issues and have action plans and tools in place to adapt their work to meet these challenges.

### How might climate change affect your NGO's work and the communities you are serving?

#### Examples of how rising temperatures may impact human health<sup>16</sup>

- Higher temperatures may cause occupational health hazards, especially for those working outdoors and cause more heat stroke and dehydration.
- Greater demand for electricity may lead to blackouts and brownouts that affect people who rely on electricity.
- Greater rates of violent crime may occur on hotter days.

#### How rising temperatures and extreme weather events may affect NGOs' work

- For organisations like Habitat for Humanity: hot temperatures will affect volunteers' ability to build homes, and where it focuses its operations and volunteer efforts.
- For sustainable agriculture organisations like One Acre Fund and Plant with Purpose: rising temperatures will affect crop yields and communities' access to food, and water shortages may cause crop failures.
- For education focused organisations like Pencils of Promise, extreme weather events will affect children's access to going into school and web access if power lines are down.
- For water focused organisations like charity: water, warmer water leads to higher evaporation rates, which may decrease drinking water supplies.

One common thread from the above examples is an environment with higher volatility, caused by more frequent and apparent climate related risks and disruptions. This stands in contrast to a relatively stable societal environment.

Generally, NGOs are more equipped to step in for man-made accidents and less for natural disasters - NGOs will need to rethink how to build contingency for the latter as climate risks and opportunities will grow to become more apparent on our current trajectory.

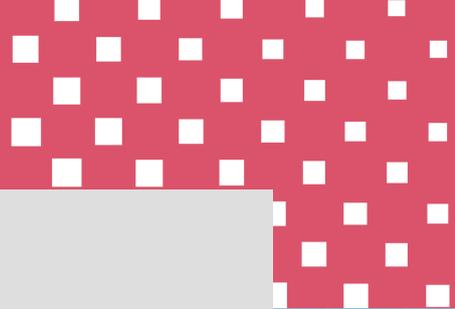
### Climate risks and opportunities

The two main types of climate-related risks impacting NGOs can be categorised into what's called 'physical' and 'transition' risks.

**Physical risks** arise from the physical effects of climate change<sup>17</sup>. Droughts, floods, sea level rise, rising temperatures are all examples of physical risks.

<sup>16</sup> Being Prepared for Climate Change – Checklists of Potential Climate Change Risks

<sup>17</sup> Adapted from the Open Risk Manual

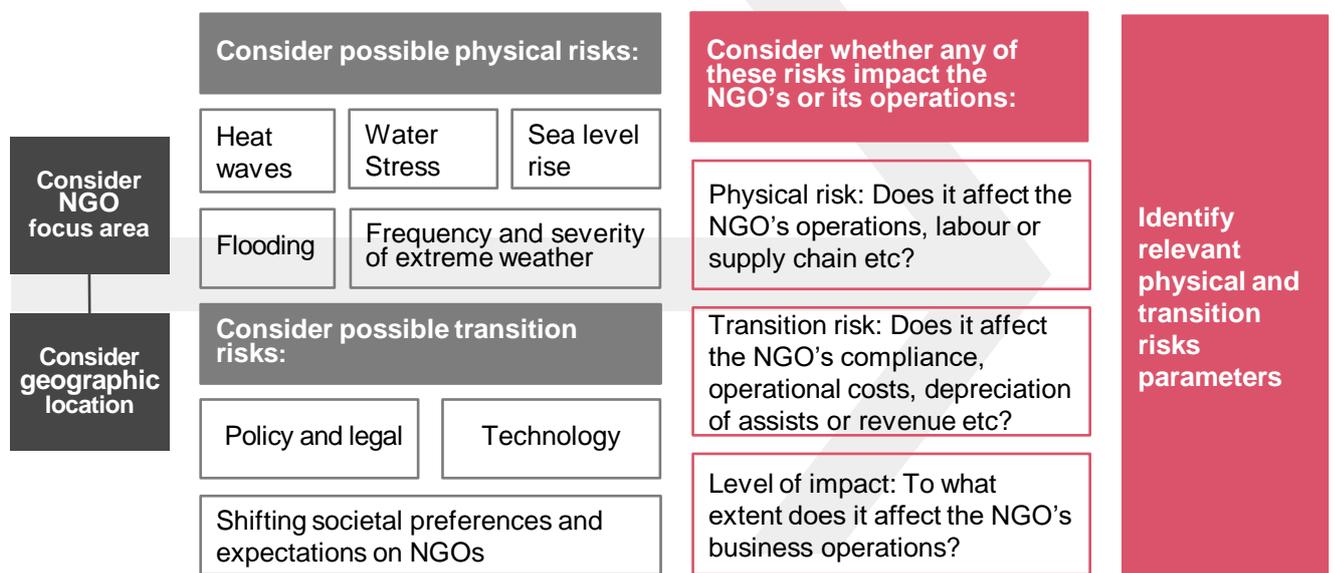


## 4 Risk and Impact of Climate Change

**Transition risks** are risks that come with a societal shift toward a more climate-friendly future<sup>18</sup>. Policy and legal, technology, market, and reputation risks fall under transition risks. Examples specific to NGOs include, increased funder and stakeholder expectations on ESG integration or areas relating to ESG, such as data transparency and the increased adoption of renewable energy (which may be particularly relevant for NGOs working in the clean energy field).

### Identifying your climate risks and opportunities

You may reference the below graphic for a process to identify physical and transition risks that are relevant to your NGO<sup>19</sup>,



Use your NGO's focus area and your geographical locations of operations and service as the guiding topics to inform which risks are most relevant to your organisation.

In the second box from right, consider the below factors to help you prioritise risks<sup>20</sup>,

- **Severity:** If the event will lead to severe impact for the NGO, the NGO's stakeholders and its community, consider it as higher priority. Factors under this include financial loss, loss of strategic partners, and reputation damage.
- **Likelihood:** If the event has a higher chance of happening, consider it as higher priority.
- **Vulnerability:** If the event will put the NGO in a vulnerable position with significant time and resources needed for recovery, consider it as higher priority.

Note that opportunities are also included in the title of this sub-heading because when an organisation is well-prepared for a risk, they can well turn that into an opportunity.

Opportunities may also arise from cross-sector action. For example, with ESG becoming more mainstream in the corporate world globally, corporates' adoption of renewable energy will likely increase. NGOs working in this area of affordable and clean energy (e.g. We Care Solar, Give Power) may see increased demand for collaborations and smoother efforts to scale up their operations and impact.

<sup>18</sup> Adapted from GRESB

<sup>19</sup> Adopted from HKEX Guidance on Climate Disclosures

### Examples of real life non profits responding to climate impacts

#### Oxfam Hong Kong

##### Advocacy for sanitation workers who face extreme heat at refuse collection points<sup>21</sup>

Oxfam Hong Kong is advocating better conditions for sanitation workers who often work under extreme heat conditions, amplified by record-breaking high temperatures. Poor ventilation and a lack of appropriate resting facilities for workers to cool down exacerbates the issue. Oxfam published its study '[Sanitation Workers' Working Conditions at Refuse Collection Points \(RCPs\) in Extreme Heat](#)', which found that the average temperature in RCPs is 32 ° C, and urges climate adaptation measures for the most vulnerable people. As for practical action, Oxfam Hong Kong is also distributing portable neck or waist fans to 4,000 sanitation workers.

#### Red Cross

##### Climate Checklist for programme planners to maximise long term impact<sup>22</sup>

The Red Cross' work focuses on disaster relief and a lesson shared by the organisation is short-term interventions yield only short-term impact, and consideration of future climate scenarios (see section below for more details) is needed for meaningful long-term change.

Sri Lanka Red Cross Society (SLRCS) has put out a [Climate Smart Programming Checklist](#) to 'mainstream climate change adaption and mitigation into its programmers' and strategically incorporate climate change's impact and analysis into its work<sup>23</sup>.

The purpose of the checklist is to guide users to identify and address climate change issues systematically at each stage of the project cycle to ultimately maximise the effectiveness of initiatives.

This list may be a helpful reference on climate change's importance for an NGO's focused on disaster relief:

#### Integrating Climate Change in project / programme cycle – why is it important?

Integrating climate change is a process. It's objectives are to:

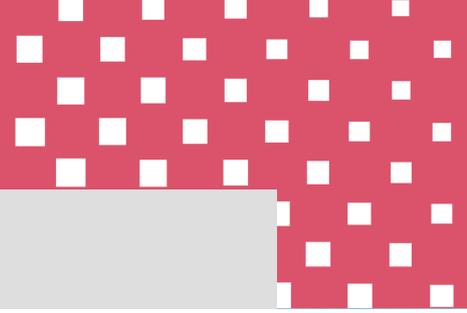
1. Ensure climate risks to programme / projects are considered and the project / programme activities and approaches are adjusted to address these risks.
2. Reduce risks posed by current and future climate trends.
3. Ensure project / programme activities are appropriate, effective and do not harm, ie do not exacerbate vulnerabilities of communities.
4. Strengthen sustainability and impact of the project / programme.

Source: Red Cross' [Climate Smart Programming Checklist](#)

<sup>21</sup> Extreme heat at refuse collection points leave two-thirds of sanitation workers unwell – Oxfam HK

<sup>22</sup> Climate Smart Programming Checklist for Practitioners and Programme Planners

<sup>23</sup> Ibid.



# 4 Risk and Impact of Climate Change

A selected portion from the checklist:

## 1. Environmental context

a. Have you considered what are the current weather-related hazards\* affecting the target area? i.e. what risks may be exacerbated by ongoing or expected changes in climate?  Y  N

\*Weather-related hazards could be changing rainfall patterns, cyclones, (also known as typhoons and hurricanes), thunderstorms, hailstorms, tornados, blizzards, heavy snowfall, avalanches, coastal storm surges, floods including flash floods, drought, heat waves and cold spells, other hydro-meteorological hazards.

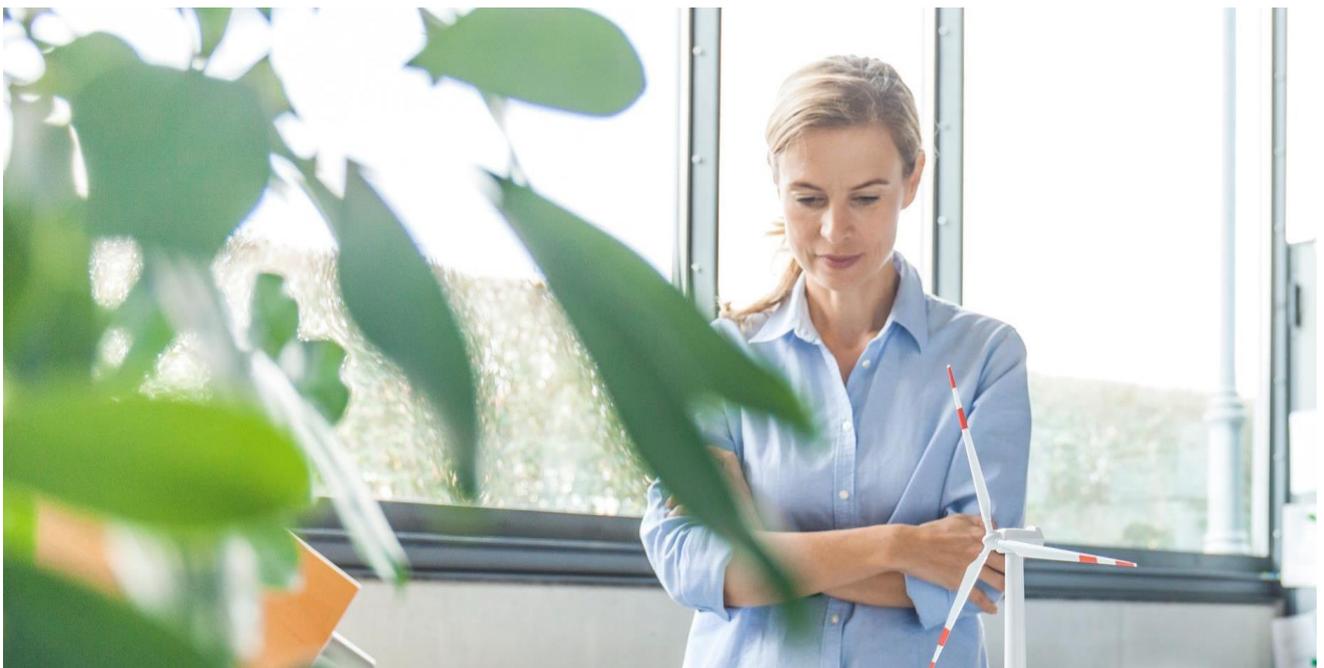
## 2. Socio-Economic and Cultural Context

a. Has there been an identification of social or economic groups within the community that are particularly vulnerable to the (weather-related) risks that may be exacerbated by climate change?  Y  N

b. Have you assessed how the current climate patterns and future climate scenarios will affect livelihoods?  Y  N

- Note: In analysis consider the following:
- Who will get most affected?  Y  N
  - How will they get affected?  Y  N
  - How will this affect related industries?  Y  N

Source: Red Cross' [Climate Smart Programming Checklist](#)



## 4 Risk and Impact of Climate Change

### Supplementation information: Climate scenarios

You can think of the phrase ‘different climate scenarios’ as referring to future scenarios with different climate projections. For example, one climate change scenario is ‘Net Zero’, a stringent scenario where the world limits global warming to 1.5C. Another climate change scenario is ‘Business as usual’, where current policies continue and lead to higher climate risks<sup>24</sup>.

Scenario analysis is a more advanced tool which NGOs can use to formulate strategies to different climate scenarios.

- Rather than an exercise to predict the future, scenario analysis is a tool for your organisation to formulate effective plans that stand up well to near term and future climate risks<sup>25</sup>.
- The initial process of setting up a scenario analysis will not be without its challenges, but in the long run it will be well worth the effort for how it prepares your organisation’s response to climate change.
- NGOs can start with qualitative scenario narratives or storylines to explore climate change implications to the organization<sup>26</sup>.

To prepare for different conditions, consider developing two scenarios: one stringent, and another business-as-usual.

Here is an overview of factors from each scenario<sup>27</sup>. Even if you don’t undertake scenario analysis at this stage, the information below may serve provide a helpful backdrop for context to formulate your priority risks in the prior [‘Identifying your climate risks and opportunities’](#) section.

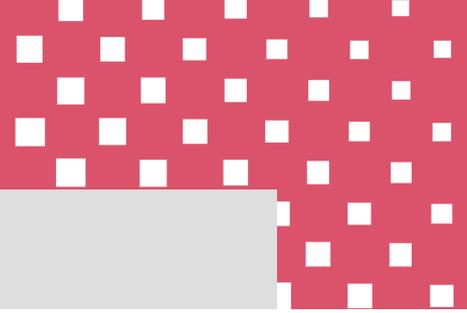
	Stringent scenario	Business-as-usual scenario
Global environmental changes	Controlled global temperature increase (about 1.7C by 2060) and sea level rise	Continued rise in global temperature (about 2.4C by 2060) and sea level rise
Climate change impacts	Stable (e.g. decrease in crop yield of 2% by 2080)	Significant (e.g. decrease in crop yield of 14% by 2080)
Economic development and models	Inclusive – environmental limits considered, shift to a renewable energy driven economy	Profit driven and fossil fuels dominant – resulting in high levels of greenhouse gas emissions
Climate policies and implementation	The norm for countries, corporates, organisations to have relevant and detailed climate pledges that are being implemented	Policy inertia – lack of climate policies and implementation due to institutional or other obstacles
Level of commitment and collaboration	Organisations (NGOs, governments, corporates) committed to working together to achieve lower-carbon operations	Organisations (NGOs, governments, corporates) siloed and lack of system change

<sup>24</sup> [NGFS Scenarios Portal](#)

<sup>25</sup> [Guidance on Climate Disclosures – HKEX](#)

<sup>26</sup> [TCFD Technical Supplement on Scenario Analysis](#)

<sup>27</sup> Refer to page 17 of [Guidance on Climate Disclosures – HKEX](#) for a more complete picture



## 5 Health, Safety and Well-being of Employees

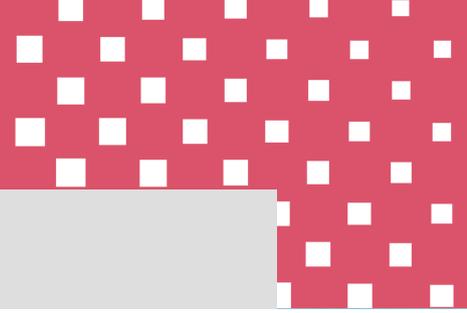
Health, safety and well-being of employees are a foremost issue in the social pillar (the ‘S’) of ESG. In addition to advancing the NGO’s mission, it is important to act within the NGO’s operations including paying attention to staff needs.

Employees’ health, safety and wellbeing are the backbone of an organisation – positive strides in this area lead to greater team morale and lower rates of burnout and turnover.

Some granular elements and examples of initiatives under this topic include:

- **Working environment:** Hygienic space, air quality, natural light, an organised system to recycle or dispose of old files and materials.
- **Mental health support:** Expert training on topics relevant to NGO staff, such as dealing with high stress working environments and avoiding burnout, subsidised professional counselling, etc.
- **Workplace activities and resources that foster well-being:** Resting facilities, mindfulness activities, such as stretching and meditation.
- **Remote working options:** Flexibility in terms of start and end time for work, as well as remote working options.
- **Open conversations:** Availability and receptibility of two-way conversation between staff and leadership - staff are the ones closest to the ground and dialogue fosters trust and ownership.
- **Training:** Availability, quality, and quantity. A tangible way to invest in employees, this could look like the NGO stepping in to subsidised conferences or a course for personal and professional Development.
- **Gender equality:** Disclosing gender pay ratio, percentage of women in leadership positions, and taking steps to improve these areas, such as enacting a mentorship programme.
- **Whistleblower policies:** To voice out concerns and facilitate a fraud free working environment.





## 5 Health, Safety and Well-being of Employees

### Case study – Greenpeace<sup>28</sup>

**Safety and anti-pandemic response:** In response to the pandemic, Greenpeace launched a ‘Duty of Care team’ to specifically focus on staff needs and step up care on physical and mental health across Greenpeace’s global network of 26 independent regional organisations.

**Wellness:** An Employee Assistance Programme was launched in 2021 for all staff. The Programme provided employees with resources and support on well-being from a more holistic angle, including emotional health and access to counselling sessions.

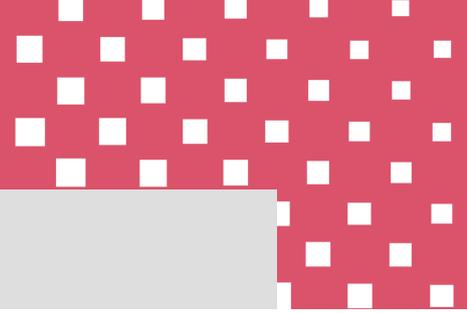
### Case study – Tung Wah Group of Hospitals<sup>29</sup>

**Inclusive hiring:** Among other ESG initiatives, one to highlight from Tung Wah Group of Hospitals (TWGHs) is a policy that encourages employment of people with disabilities since 2009. This relates to the diversity and inclusion aspect of the social pillar of ESG. In addition to encouraging mechanisms in the hiring process that gives higher consideration to applications from individuals with disabilities, TWGHs also strives to outsource, where practicable, to operators that employ people with disabilities.



<sup>28</sup> Greenpeace International Annual Report 2021

<sup>29</sup> Tung Wah Corporate Social Responsibility



## 6 Impact on the Community

Despite many NGOs having a public mission aligned with creating positive impact in the community, even for established NGOs there is often a lack of systematic and standardised consensus on reporting impact with clear metrics and frameworks.

The target audience, complexity, and depth of each NGO programme create the potential for multiple definitions of impact, which can result in many ways to conduct an impact assessment. Meanwhile, studies have demonstrated that funders are demanding NGOs to have more rigorous impact assessments. Thus, there is a strong need for wider adoption of consistent ESG-related frameworks to inform stakeholders more effectively.

Impact assessment is valuable both to funders and for an NGO's internal decision-making. Conscious of the challenges posed by resource constraints and lack of expertise, below we have summarised perspectives and examples that can help you begin to consider what impact assessment will look like for your organisation.

- When assessing impact, go down to project or programme level rather than assessing general overall impact of the NGO. This facilitates greater specificity<sup>30</sup>.
- Consider collaborating with university researchers or corporate consultants who can provide additional expertise to tailor impact assessment for your NGO.
- The how - avenues of impact assessment include interviews, focus groups, statistical techniques and randomised control trials (RCTs). For example, some NGOs carry out impact assessments through RCTs to compare impact outcomes between a certain community and a control group (communities that do not receive the intervention).



### Other frameworks to consider

#### Social Return on Investment (SROI)<sup>31</sup>

SROI is one approach used to measure value, especially social value, such as social equality and environmental sustainability. What sets it apart is its ability to assign a monetary value to these impacts in relation to their corresponding cost.

<sup>30</sup> Impact assessment in a non-government organisation – CIMA

<sup>31</sup> HKI-SIA SROI

## 6 Impact on the Community

Social Return on Investment (SROI) focuses on answering five key questions:

1. **Who changes?** Identifying all stakeholders affected by the investment.
2. **How do they change?** Note the starting point is what changes stakeholders experience, not the NGO's set targets.
3. **How do you know** (the change is as a result of your investment)? Valuing transparency and an evidence-based approach.
4. **How much is you?** Taking into consideration the larger picture and other inputs and influences.
5. **How important are the changes?** Discussion on relative value and impact, as well as which changes are most important.

You can use the SROI approach to gain a more holistic understanding of your NGO's impact on the community by simply starting with a conversation within your NGO. An example<sup>32</sup>:

### How do you identify your stakeholders?

Hold a group discussion

Difficulty level: easy

Time: 30 mins

1. Bring together a small group of staff, volunteers, board members, beneficiaries and the wider community. You may find this easiest to do as part of a regular management meeting or perhaps a planned consultation event.
2. Ask your group 'who are the people and organisations we make a difference to?' and list the answers on a flip chart.
3. Prompt for more by asking 'who do we affect indirectly?' and 'who do we affect in a negative way?'
4. Finally ask which of these groups and organisations you currently talk to or liaise with and which you do not. Are there any people or groups or organisations you may make a big difference to but who you don't talk to? What would you like to do about this?

### Total Impact Measurement and Management

PwC's Total Impact Measurement and Management (TIMM) framework<sup>33</sup> measures non-financial impacts to identify opportunities and assists organisations in maintaining a positive impact on society. TIMM achieves this by valuing impacts across four main quadrants: social, environmental, tax, and economic. This approach allows for more effective communication with different stakeholders.

The social, environmental, and economic impact are especially relevant for NGOs. When your organisation is deciding between different options, such as scaling up an existing programme, or beginning a new programme and refining existing methods, or adopting a new technology-based solution, consider it from these angles to help inform you on a more holistic view each choice's impact.

- **Social impact:** The consequences of your NGO's activity on society, such as health, education, livelihoods, and community cohesion.
- **Environmental impact:** Your NGO's effect on natural capital, such as greenhouse gas (GHG) and other air emissions, waste, and water use.
- **Economic impact:** Your NGO's impact on livelihoods and economic opportunities, such as on jobs and upskilling.

<sup>32</sup> For further reading: [Starting out on Social Return on Investment – a guide to SROI](#)

<sup>33</sup> PwC Total Impact Measurement and Management

## 7 How to Report on ESG Matters

NGOs are encouraged to disclose ESG matters regularly to build accountability on what funders are increasingly seeking.

There are several benefits that come with ESG reporting

- **Funder angle:** Accountability, transparency, stakeholder confidence
- **Progress/effectiveness angle:** Clarity on actual impact and impact of NGO's operations
- **Talent angle:** Recruitment and retention, job satisfaction
- **Morale angle:** Organisation culture, morale, alignment
- **Community perception:** 'Brand loyalty', perception by public

Consider gradually increasing disclosure of ESG matters in your existing annual or impact reports. Although there is no uniform standard on how ESG matters for NGOs are required to be disclosed, you may reference the summarised guidance in this Toolkit as well as the below principles<sup>34</sup> for effective ESG reporting.

- **Conciseness:** Focus on the priorities of the NGO and stakeholders, as well as material information. Consider a one pager summary of ESG matters to ease digestibility to readers.
- **Consistency:** Consistent metrics and qualitative indicators allow for a clearer understanding of the NGO's progress over time.
- **Comparability:** Reference how your peers are disclosing to enable funders and stakeholders to draw insightful comparisons on performance.

### GRI as a framework to consider

Many businesses, in Hong Kong and globally, are actively using the Global Reporting Initiative (GRI) as a framework to report on ESG matters. NGOs can also consider the GRI, as it has put out [guidance tailored for the NGO sector](#). As broader context, there is currently no standard and mainstream practice on social issues reporting that we are aware of.



<sup>34</sup> Adapted from the [SDG Practical Guide](#)

# 7 How to Report on ESG Matters

Below is an overview of content GRI has organised for the NGO Sector. An example of a NGO who has disclosed according to GRI is the [YMCA of Greater Toronto](#). If your NGO is not yet ready to report, this could serve as a helpful resource to start considering and actively discussing among your staff.

Specific standard disclosures				
Category	Economic		Environmental	
Aspects*	<ul style="list-style-type: none"> <li>• <b>Economic Performance +</b></li> <li>• Market Presence</li> <li>• Indirect Economic Impacts</li> <li>• Procurement Practices</li> <li>• <b>Resource Allocation ++</b></li> <li>• <b>Socially-Responsible investment ++</b></li> <li>• <b>Ethical Fundraising ++</b></li> </ul>		<ul style="list-style-type: none"> <li>• Materials</li> <li>• Energy</li> <li>• Water</li> <li>• Biodiversity</li> <li>• Emissions</li> <li>• Effluents and Waste</li> <li>• <b>Products and Services +</b></li> <li>• Compliance</li> <li>• Transport</li> <li>• Overall</li> <li>• Supplier Environmental Assessment</li> <li>• Environmental Grievance Mechanisms</li> </ul>	
Category	Social			
Sub-categories	Labor Practices and Descent Work	Human Rights	Society	Product Responsibility
Aspects*	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Labor/Management Relations</li> <li>• <b>Occupational Health and Safety +</b></li> <li>• <b>Training and Education +</b></li> <li>• Diversity and Equal Opportunity</li> <li>• Equal Renunciation for Women and Men</li> <li>• Supplier Assessment for Labor Practices</li> <li>• <b>Labor Practices Grievance Mechanisms +</b></li> </ul>	<ul style="list-style-type: none"> <li>• Investment</li> <li>• Non-discrimination</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Child Labor</li> <li>• Forced or compulsory Labor</li> <li>• Security Practices</li> <li>• Indigenous Rights</li> <li>• Assessments</li> <li>• Supplier Human Rights Assessment</li> <li>• Human Rights Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Local Communities</li> <li>• <b>Anti-corruption+</b></li> <li>• Public policy</li> <li>• Anti-competitive Behaviour</li> <li>• Compliance</li> <li>• Supplier Assessment for Impacts on Society</li> <li>• Grievance Mechanisms for Impacts on</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Health and Safety</li> <li>• Product and Service Labelling</li> <li>• <b>Marketing Communications +</b></li> <li>• <b>Customer Privacy +</b></li> <li>• Compliance</li> <li>• <b>Affected Stakeholder Engagement ++</b></li> <li>• <b>Feedback, Complaints and Action ++</b></li> <li>• <b>Monitoring, Evaluation and Learning ++</b></li> <li>• <b>Gender and Diversity ++</b></li> <li>• <b>Public Awareness and Advocacy ++</b></li> <li>• <b>Coordination ++</b></li> </ul>

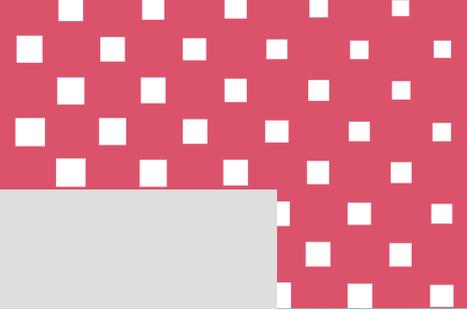
\*The word **topic** is used in the Guidelines to refer to any possible sustainability subject. The word **Aspect** is used in the Guidelines to refer to the list of subjects covered by the Guidelines.

**+ G4 General Standard Disclosures and G4 Aspects where sector specific content has been added.**

**++ Sector specific Aspects.**

A dated study in 2005 on [NGO's use of GRI guidelines for sustainability reporting](#) found that benefits of producing a sustainability report resulted in:

- Ability to identify and begin to quantify the organisation's most significant areas of environmental, social, and economic impact, and its organisational strengths and challenges relating to sustainability.
- Enhanced ability to monitor progress over time through establishment of a quantifiable baseline of current performance relating to social, economic, and environmental sustainability.
- Greater awareness among staff on the organisation's impact through discussions on data collection relating to sustainability.



## Board's Oversight and Responsibilities

The Board is ultimately responsible for ensuring ESG issues are considered in an NGO's strategy and the effective governance of ESG issues. Good governance facilitates accountability and credibility, especially with NGO Boards overseeing large amounts of funding.

Given NGOs have governance structures with existing committees, it may not be necessary to set up a new ESG committee to review existing ESG matters. Rather, considering how to weave ESG and board oversight of ESG matters into the existing governance structure, your organisation can consider setting up a **ESG Task Force**. This Task Force could leverage individuals already part of your committee structures to best make use of resources. They would oversee ESG matters, such as staff training, whistleblower procedures, and initiatives designed to reduce energy consumption.

In addition, many NGOs have advisors for legal or accounting matters. Your organisation can consider having an **ESG advisor**. With growing attention on ESG combined with a general lack of expertise to drive ESG development, an external advisor has the potential to provide practical guidance for NGOs to further their ESG work. While it is impractical to have a corporate's version of a Chief Sustainability Officer in place at an NGO, your organisation can consider bringing in an external ESG advisor as a starting point. Taking a step back, this will also tie into ESG matters at the advisor's organisation, which could lead to exploration of other synergies and future partnership opportunities.

### Steps for ESG oversight

To incorporate ESG matters into an effective governance framework, NGOs can consider the adoption of the key steps below.

#### 1. Identify ESG issues relevant to your NGO

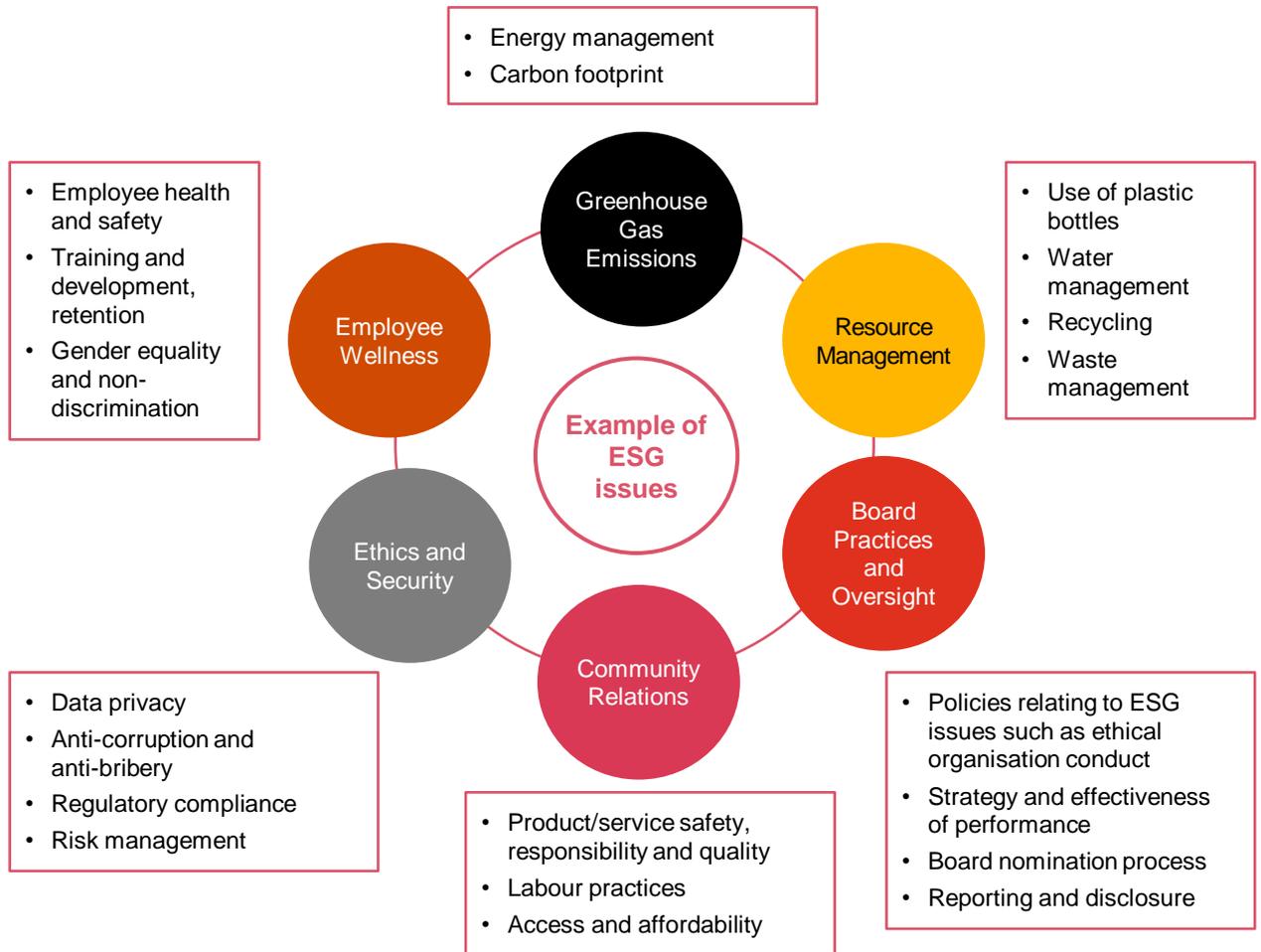
The relevance of ESG issues under the three pillars of environmental, social, and governance will differ depending on each organisation. For example, issues such as data privacy, employee health, and community engagement may be relevant across a large range of NGOs.

At the same time, NGOs are encouraged to consider relevant issues that extend beyond their immediate mission. For example, an NGO focused on poverty relief and social development may also benefit from considering the environmental implications of their activities. Specifically, this could include the use of plastic water bottles and how waste is managed both for their internal and external activities.

While the [first graphic](#) in this Toolkit paints a broad picture of what topics fall under ESG for an NGO, the below graphic drills down slightly by offering an example of specific issues under topic areas. These topics also overlap with those in the international frameworks mentioned before (namely, GRI and ISSB, mentioned in the section '[An Overview of ESG's Background](#)').



# 8 Board's Oversight and Responsibilities



## 2. Prioritise the ESG issues that are most material and will require board oversight

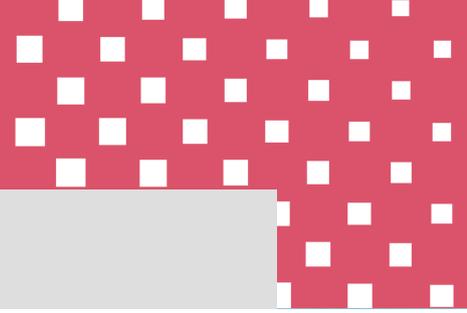
After identifying the relevant ESG issues, an NGO can proceed to shortlist those that are material, or significant, to the NGO. Materiality should also be informed by how significant an issue is to an NGO's stakeholders.

Questions to consider:

- How does this ESG issue relate to our mission, strategy, key pillars/objectives, and key risks<sup>36</sup>?
- How do our stakeholders, including the individuals/communities we serve and our funders, view the importance of this issue? How does it affect them?

To obtain a more in-depth understanding of internal and external stakeholder views on material ESG topics, NGOs may consider undertaking a ESG materiality assessment (see '[Stakeholder Engagement and Materiality Assessment](#)' for more details).

<sup>36</sup> Overseeing environmental, social and governance matters: A not-for-profit boards of directors framework



## Board's Oversight and Responsibilities

### 3. Assign ownership and develop action plans

The next step is to assign ownership of material ESG issues to an individual, committee, or working group, such as the prior mentioned ESG Task Force. The assigned lead(s) will be the primary party responsible for oversight and execution of the material ESG issue. They will be responsible for setting relevant goals for the ESG issues, developing action plans, and allocating and planning for the appropriate resources.



### 4. Monitor and disclose

Monitoring progress on the relevant KPIs of material ESG issues will, on one hand, assist NGOs in tracking their development, and on the other, assist NGOs in communicating progress and achievements to stakeholders, including funders.

Disclosure may include reporting content on the latest status and progress, mitigation measures, and future initiatives and goals. NGOs can decide the frequency of reporting and whether output will be included in their annual report or a separate report focused on impact and sustainability. For more details on reporting, see the ['How to Report on ESG Matters'](#) section of this Toolkit.

## Conclusion

As stakeholders' interest and ESG expectations on NGOs continue to grow, we hope this Toolkit serves as a helpful resource for your organisation's ESG journey.

It is never too late to begin, and we encourage NGOs to start early and translate this resource into applicable actions for their organisation.

# 9 Appendix 1: The 17 Sustainable Development Goals

## The UN Sustainable Development Goals (SDGs)

Adopted by the United Nations in 2015, the 17 SDGs are a set of targets designed to help countries worldwide achieve economic growth, social inclusion, and environmental protection<sup>36</sup>. The SDGs are a powerful blueprint that convey global issues of critical importance to humanity and the environment. The goals are primarily focused on wide-ranging action by governmental institutions, business communities, and society. The table below elaborates further on each goal<sup>37</sup>.



Goal 1: No Poverty	End poverty in all its forms everywhere
Goal 2: Zero Hunger	Creating a world free of hunger
Goal 3: Good Health and Well-being	Ensure healthy lives and promote well-being for all at all ages
Goal 4: Quality Education	Providing quality education for all
Goal 5: Gender Equality	Achieve gender equality and empower all women and girls
Goal 6: Clean Water and Sanitation	Ensure access to water and sanitation for all
Goal 7: Affordable and Clean Energy	Ensure access to affordable, reliable, sustainable and modern energy
Goal 8: Decent Work and Economic Growth	Promote inclusive and sustainable economic growth, employment and decent work for all
Goal 9: Industry Innovation and Infrastructure	Build resilient infrastructure, promote sustainable industrialization and foster innovation
Goal 10: Reduced Inequalities	Reduce inequality within and among countries
Goal 11: Sustainable Cities and Communities	Make cities inclusive, safe, resilient and sustainable
Goal 12: Responsible Consumption and Production	Ensure sustainable consumption and production patterns
Goal 13: Climate Action	Take urgent action to combat climate change and its impacts
Goal 14: Life Below Water	Conserve and sustainably use the oceans, seas and marine resources
Goal 15: Life on Land	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
Goal 16: Peace, Justice, and Strong Institutions	Promote just, peaceful and inclusive societies
Goal 17: Partnerships for the Goals	Revitalize the global partnership for sustainable development

<sup>36</sup> UN the 17 Goals

<sup>37</sup> UN SDGs: Take Action for the Sustainable Development Goals

### Global Reporting Initiative (GRI)

GRI was founded in 1997 and created the GRI Standards, one of the world's most widely used standards for sustainability reporting, it is used by organisations, including Apple, the Walt Disney Company, and the Young Men's Christian Association (YMCA). This independent organisation works with a range of stakeholders, including businesses, investors, civil society, and policy makers to develop the GRI Standards. They are headquartered in the Netherlands with seven regional offices, including Hong Kong (Greater China Region).

Link to the GRI Standards:

<https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/>

### International Sustainability Standards Board (ISSB)

ISSB, established by the IFRS Foundation in 2021, aims to deliver a comprehensive global baseline of sustainability-related disclosure standards. As there are many sustainability standards on the market, the ISSB's significance is in its action to harmonise standards – this will allow ESG information to be more consistent and comparable. The inaugural standards were issued in June 2023.

Link to the ISSB Standards:

<https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>



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