

TOP 10

Ten questions every board director needs to ask about ESG

ESG stands for Environmental, Social and Governance criteria, factors or issues, which are sometimes referred to simply as ESG (“Our organisation is making ESG a priority.”). ESG factors provide a way to measure and report on your organisation’s impact beyond the balance sheet, and you might produce an ESG report or include an ESG page as part of your annual report.

ESG has become a popular reporting method for large companies in recent years. Companies are being judged on their ESG outcomes, not just their financial success. This means that of two similar companies, the one with a strong ESG record is likely to be preferred by many stakeholders.

1. Is ESG relevant to our organisation?

Is the broad range of non-financial factors and issues covered by ESG of interest to your funders and consumers? These issues may include biodiversity, climate change, waste and circular economy, culture, inclusion and safety, modern slavery and the rights of First Nations peoples.

Philanthropic funders, individual donors and consumers are placing increasing value on what social and environmental good an organisation or business does voluntarily.



2. What are the issues of most importance to our stakeholders?

Have you asked staff, volunteers, beneficiaries and donors what they care most about? Do these concerns align with your work, and if not, how will you resolve any tensions?

Finding out what your community cares about most is of utmost importance to your ESG reporting, as is consulting with them on your goals and how to measure them. This ensures your ESG reporting will be meaningful. Your community might include users, philanthropic funders, partners, suppliers, donors, beneficiaries and the government.

3. What do our competitors do?

Are you out in front on ESG, or trailing behind?

There is increasing focus on how organisations report on and account for the things that matter most to supporters and stakeholders. This means that a donor, volunteer or participant in a not-for-profit is more likely to make choices based on the impact an organisation has beyond its direct beneficiaries or beyond its standard remit. This trend is accelerating significantly. How do you stack up against your competitors on ESG? What does ESG reporting mean for the financial performance of your organisation, and how will you resolve any tension between ESG priorities and financial priorities?

4. How does our organisation support environmental sustainability?

Do your staff, volunteers, board members and beneficiaries feel accountable for their personal impact on the environment? Are your organisation's policies and practices aligned with ESG? How does your organisation communicate its ESG expectations and requirements, and how does it monitor and report on outcomes?

It's important to know what success looks like for your organisation and how you are tracking. It is helpful to consider how you will measure what you do and its impact, and how you will compare results year on year. Who is accountable for recording this information, and where is it recorded? How do you demonstrate creative problem solving regarding reducing your organisation's carbon emissions? Is there more you can do in relation to renewable energy, environmental education, waste management and water management? Have you considered LEDs, blinds on windows and increasing insulation? Whether your organisation is an "environmental not-for-profit" or not, these considerations are likely to be a top priority concern for many of your consumers, community members and supporters.



5. How does our organisation support social impact?

Do you have people from diverse backgrounds on your board? Do you have policies in place that ensure inclusion for staff, volunteers and beneficiaries with diverse backgrounds, identities and needs? Where is there opportunity to acknowledge Indigenous culture through language, programs and signage?

Whether your organisation has its main focus on social issues or not, these considerations are a top priority concern for many of your consumers, community members and supporters. Social issues can be considered through responsible investing, employment practices, policies, community engagement and volunteering.



6. How does our organisation support good governance?

Have you documented the roles, accountabilities and responsibilities of the board, and how they interact with those of staff? Have you ensured transparency regarding these roles to ensure clarity of who is accountable for each part of the organisation? Do you ensure your decisions and finances are documented? Are vulnerable people protected by policies, and is personal data protected?

We often read in the news about organisations that have let down their consumers and stakeholders. Documented governance, supported by training of the board and senior staff, can ensure transparency and safety for the organisation by supporting ethical decision making and clear communication.

7. How do we share our ESG impact with others?

Does your organisation produce an ESG report, or publish an ESG statement of impact as part of your annual report? Supporting your ESG claims with data helps to demonstrate your integrity. How can data help you to represent what you do in a way that will benefit you financially? Consider your suppliers and how you choose them – is this something you can report on?

Sharing what you do is not the only reason to have strong ESG credentials, but it certainly helps to communicate to your community that you care about these things which they care about too. Value alignment is an important part of building stakeholder relationships. You can represent behavioural changes, performance targets and social impact with visual aids such as infographics and icons.



8. To what extent do we see our organisation as an ESG leader in the NFP sector and in the wider community?

What is the role of the community sector in engaging with ESG impact, and where does your organisation stand on the spectrum of engagement?

Increasingly, ESG engagement will be one of the differentiators between your NFP and those which are similar. If you choose to take a leadership role, how will you demonstrate that leadership, both within the sector and in the wider community? If your organisation is already deeply embedded in your local community, then you have an opportunity to change the local agenda. Similarly, if you enjoy a high profile in the sector, you have an opportunity – arguably even a responsibility – to lead widespread change.

9. To what extent is our organisational culture aligned with our ESG priorities?

Consider the messages sent by the board and staff body to other staff and stakeholders: do they consistently communicate about ESG? Do individuals feel they have the agency to make choices and have an impact regarding ESG in the organisation?

Does the organisational leadership regard ESG issues as peripheral or as central to the way the organisation performs its work? Does the culture need to change? If it does, the cultural shift could come from the board, the organisational leadership, or (whether you're ready or not) your funders and donors.

10. What is the role of ESG in our investment choices as an NFP?

Whether your organisation is a large investor or a very small one, what do you know about the companies you support with your business and investments? What are their ESG credentials?

Once upon a time ESG may have been seen as a "nice to have" and even a questionable expense, but nowadays more boards consider it to be synonymous with just plain good business sense. It is worth asking those you invest with for their ESG statement or report, and communicating with them about what issues you care about as an NFP. This can help drive their choices and your own ESG decision-making as an organisation.

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