



10th Asia Pro Bono Virtual Conference & Access to Justice Exchange

ESG & NGO: Prospects & Possibilities

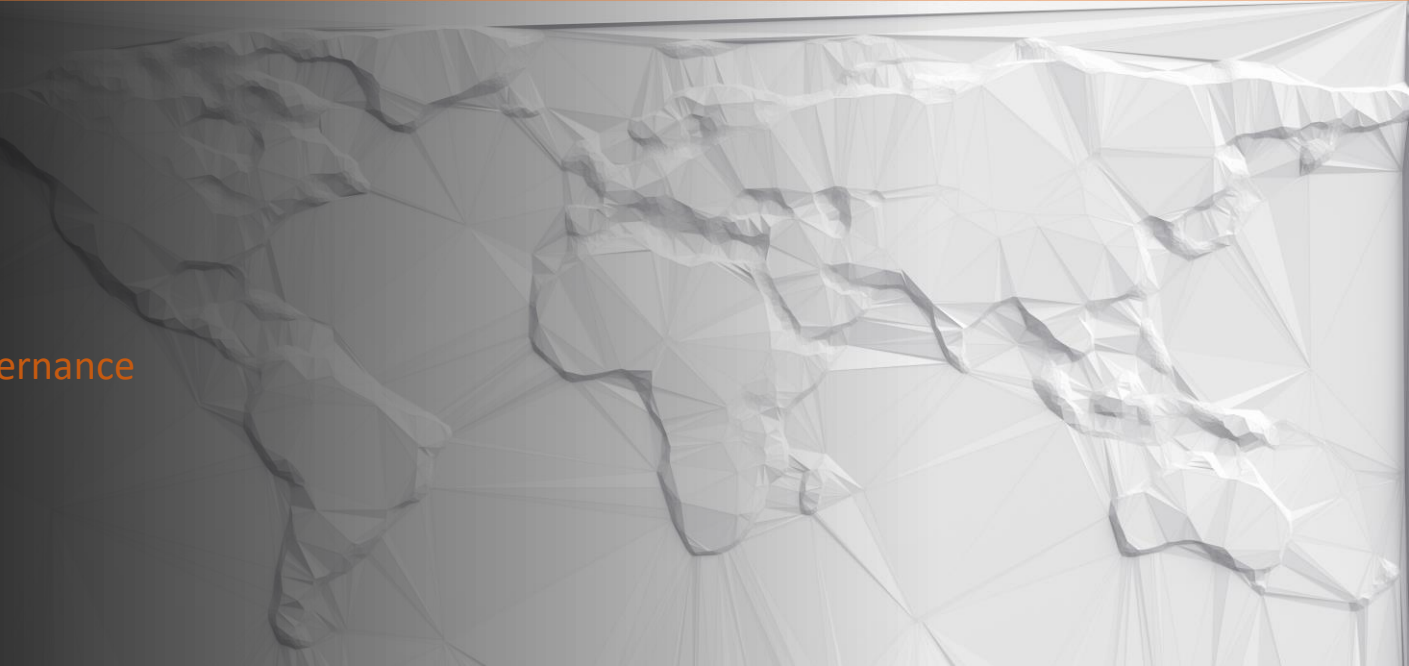
Relevance and Significance of ESG to NGOs

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Overview

- NGOs and third sector
- Common ESG objectives
- Why NGOs need to adopt ESG
- Business motivations for ESG adoption
- Overlap areas for 'partnering'
- Action



What we know

NGOs or the third sector forms as a direct result of the inability of the public sector (*and traditionally the non-interest by the private sector*) to solve specific social and environmental problems.

NGOs help promote an active and participatory civil society which in turn seeks public interest while promoting better and equal services to the community

NGOs help civil society be more engaged and interested in improving community well-being

Environment

- Waste
- efficient & responsible use of resources e.g., water, energy
- Emission & pollutants
- Deforestation
- Biodiversity
- Climate Change

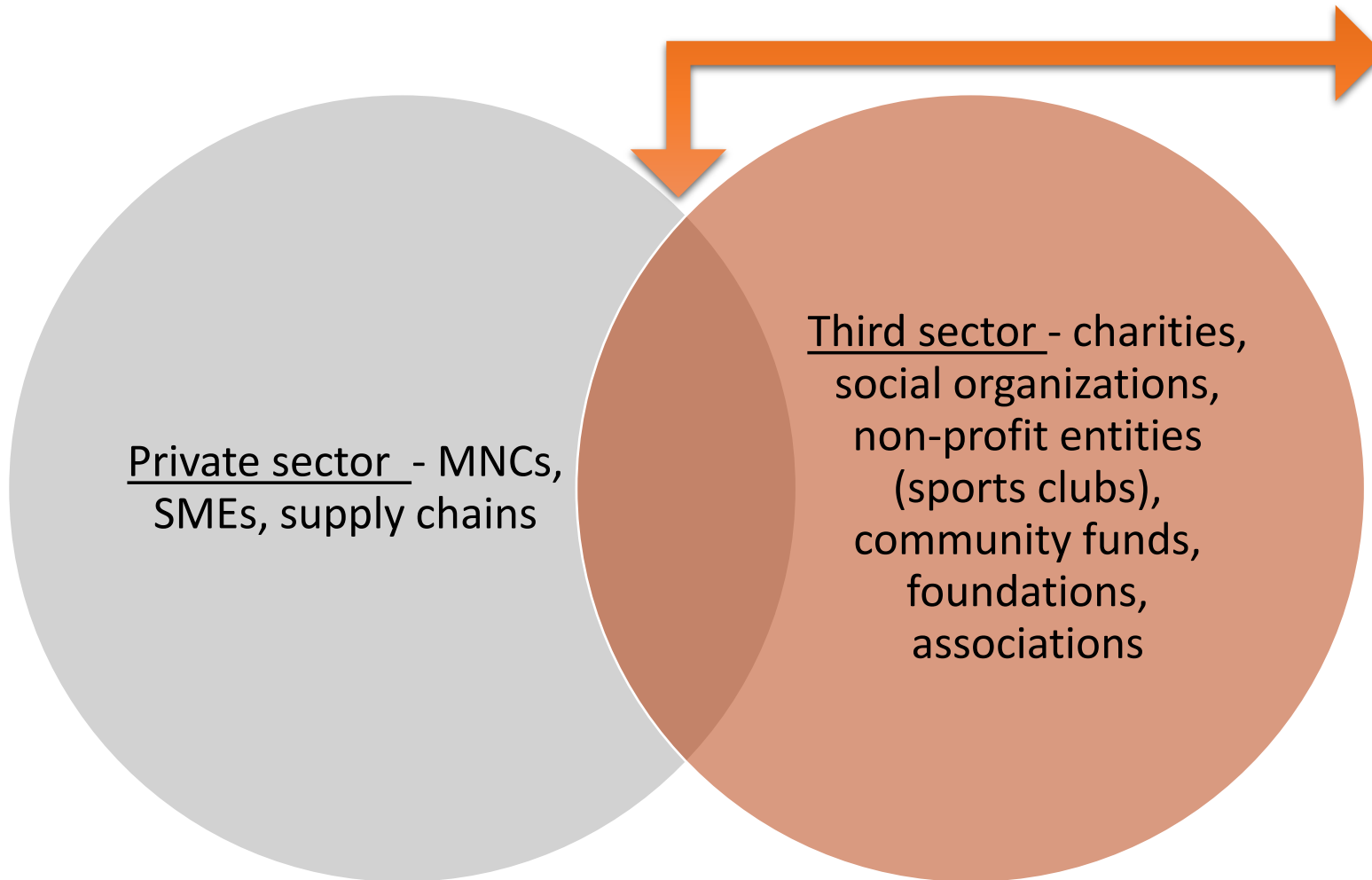
Society

- Labour rights & safety
- Talent attraction & retention
- Employee welfare
- Diversity, gender protection, inclusion
- Human rights & positive impacts on society / communities
- Data protection & privacy / cybersecurity

Governance

- Transparency of CG practices
- Compliance - important, but "beyond compliance" more important => *promoting ethical values in conduct and decision-making in business*
- Composition of the Board
- Relationships with government entities & politicians.

Very clear there are common objectives



Common ESG problems

Step 1

Both can be responsible and adopt ESG practices

Step 2

Demonstrate the desired behaviour and performance

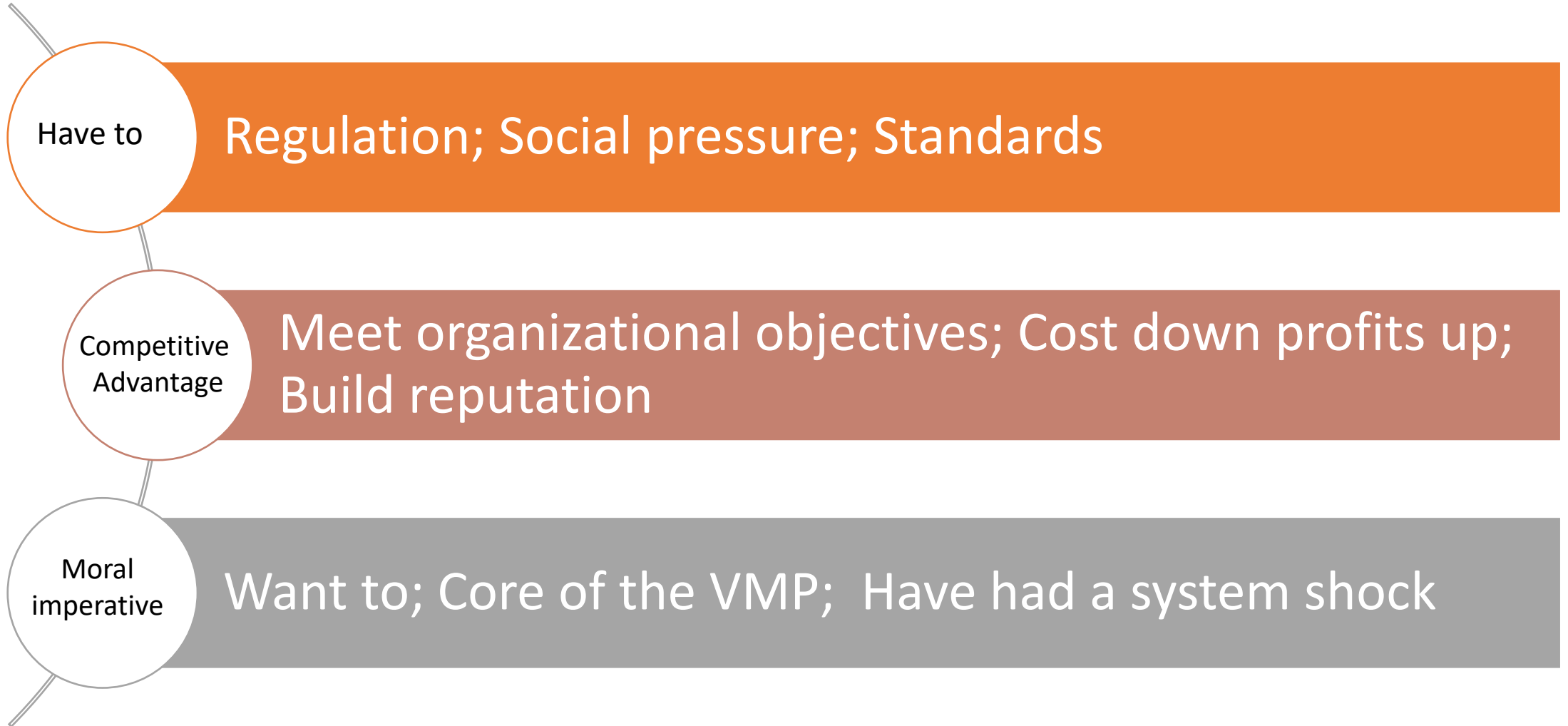
Step 3

Engage on common material issues through research, grow understanding of this ESG issue and how it is material to the business

Why?

- NGOs need and want to partner with businesses, and equally want legitimization
- NGOs want to be trusted and want businesses to be trustworthy
- NGOs can demonstrate their good governance practices by using ESG guidance – because...
 - The use of corporate governance mechanisms from for-profit companies by the third sector allows achievement of:
 - **Transparency**: making clear, true and complete information available to all stakeholders, including sponsors, donors, partners and supported communities;
 - **Equity**: fair treatment of all *stakeholders*, avoiding discriminatory culture & policies;
 - **Accountability**: accounting and measurement of social impacts and project efficiency by managers, including members, directors, executives etc; and
 - **Sustainability**: adoption of social and environmental considerations in the definition of programs, projects and operations, with a view to the long-term existence of the organization

How to think about Business and ESG



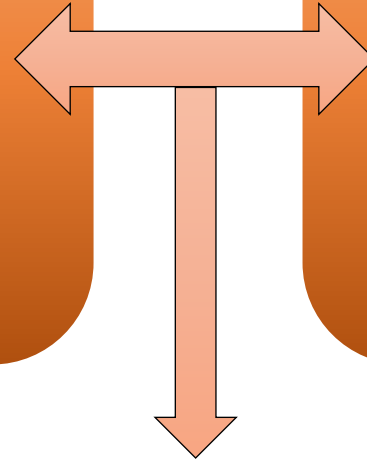
Benefits of working together

To Business

- ✓ Access to expertise on material issues
- ✓ Deeper understanding of material issue(s)
 - ✓ Building social capital
- ✓ Maintaining license to operate
- ✓ Guidance on moving from risks to opportunities

To NGOs

- ✓ Access to changemakers
- ✓ Deeper understanding of the organization
- ✓ Greater awareness of common materiality
- ✓ Using expertise to guide organization to improve performance
 - ✓ Act as the bridge from risks to opportunities



Support businesses to understand how to stop green and social washing

What NGOs do well



- They create issue trends, as they identify emerging problems that could disrupt businesses and industry sectors
 - ‘Green’ vegetarianism has had resounding impacts on the food industry and agribusiness
 - Digital privacy / cybersecurity has pushed FB, Google, Twitter, social media to be more transparent and maybe alter their business models
 - Fashion industry is having to rethink their sector, due to the industry’s socio-environmental impacts
- NGO campaigning can not only reveal which sectors are receiving negative attention, but it will also tell them why, down to the level of individual companies, regions or countries

Actions

- NGOs take the view that voluntary commitment to change by the private sector is even more important / effective than regulatory reform or other action by governments. Therefore, follow up and support as needed.
- Actions - commissioning research reports, setting up benchmark indices or establishing collaborative partnerships => build credibility
- NGOs can rapidly mobilise wide community support, particularly through the use of social media. Public campaigns are very effective..... Careful messaging and influencing will build your social capital
- Pushing for higher standards in an industry sector - some of the standards of corporate conduct demanded by NGOs have developed, or are developing, into accepted moral or ethical norms making it more difficult for companies to refuse to change participate as much as possible in these standard setting bodies and professional associations.
- NGOs can engage the finance sector - Institutional investors, including pension and superfunds, are increasingly seeing potential financial risks where companies are not meeting the standards expected by civil society Help them engage more effectively with their investments / asset owners etc.

Education & awareness

- Education programs
- Experiential events
- Executive training



Coalitions

- Joining forces with other third sector groups
- Engaging research bodies on specific issue
- Bring in companies who have expressed similar concern



Pilots

- Invite related business to support pilot projects
- Help support / verify the achievement of performance indicator(s) e.g., waste minimization, afforestation in community



Risk

- How you're funded - some of civil society groups are financed not only by donations but also by government and/or corporate funds, which can raise doubts about their independence
- Who you partner with – they may take a more aggressive approach than you, they may be funded by organizations you have avoided.
- How you use media and messaging depending on whose attention you want
- It can be dangerous, make sure you have assessed hidden agendas, power asymmetry, and gatekeepers of information.

Common areas

NGOs

- Also be responsible and adopt ESG practices
- Demonstrate the desired behaviour and performance
- Engage on common material issues through research and understanding of this ESG issue and how it is material to the business
- Proactively engage those businesses whose material issues overlap with your expertise

Businesses

- Actively monitor the materials issues that NGOs campaign about
- Identify potential issues in your company that an NGO may target, and actively disclose what you are doing about it
- Consider adopting the standards / guides recommended by NGOs and engage the NGO on the subject
- Monitor sentiment on the issue, don't be left behind, be proactive given the impact to the business – reputationally but also financially should investors move on the issue before you
- Don't get defensive in the face of criticism