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ESG framework
for the non-profit sector

Toolkit designed to help non-profits integrate
environmental, social, and governance (ESG)
principles into their operations.

elf

1.
Foreword by the Team

The world is evolving rapidly, presenting new challenges and opportunities that require thoughtful and proactive responses. As members of the ELF liberal family, we recognize these shifts and acknowledge our responsibility to adapt and support our network in navigating them. Sustainability, transparency, and accountability are becoming core expectations across all sectors, and we want to ensure that our members are well-equipped to lead by example.

This toolkit is designed to help non-profits integrate environmental, social, and governance (ESG) principles into their operations. While businesses are increasingly mandated to adopt ESG strategies, non-profits have a unique opportunity to drive change—not just by advocating for sustainable policies, but by embedding these principles in their own daily practices. By doing so, we can demonstrate that progress is possible without compromising our values or mission.

Our goal is to provide practical guidance that enables organizations to take meaningful steps, regardless of their size or resources. From responsible resource management to ethical governance, this toolkit serves as both a roadmap and a call to action. Together, we can strengthen our impact, inspire others, and contribute to a more sustainable and just future.

Mikaela Hellman & **Miłosz Hodun**

2.
Introduction

There has been a shift in the world and, specifically in the non-profit sector, towards prioritization of themes focused around climate change and environmental sustainability. And rightfully so, when the data present is alarming – the concentration of greenhouse gasses (GHG) in the atmosphere has been rising steadily, and global heat temperatures with it as well. Consequently, in 2019 we concluded a decade of exceptional global heat, retiring ice and record sea levels driven by greenhouse gasses, produced by human activities.[1]

1.
www.unep.org

Many of the attempts to reverse this trajectory, such as the Conference of Parties (COP) initiated by the UN, have been only partly successful. With the adoption of the *Paris Agreement* in 2015 which was set to strengthen the global response to the threat of climate change by keeping a global temperature rise this century below 2 degrees Celsius, the IPCC (UN's Intergovernmental Panel on Climate Change) warned in 2023 that the world is not on track to meet its set target. All the recent droughts, fires, melting ice caps and fierce tropical storms have been a consequence of temperature already rising by more than 1 degree Celsius above pre-industrial levels, thanks to over a century of GHG pollution. In short, we're positioned in a rapidly narrowing window to raise ambition and implement existing commitments.[2]

2.
www.politico.eu

The time has come to realise that while non-profits do not even come near being the top polluters in this world, we are all stakeholders of planet Earth, and we all hold responsibility for changing our *modus operandi* in an attempt to pave a new way of our day-to-day working. Non-profits are usually the thought and policy leaders in designing documents aimed at implementing the climate change agenda, and they are very good at it. This toolkit aims to give further support to these organisations in implementing their own sustainability strategies, so they can become holistic in their advocacy attempts and become one small part of the change they wish to see. In doing so, they will prove to stakeholders that another way of doing things is possible.

3.
Policy context

Naturally, since the adoption of the *Paris Agreement*, every region in the world has regionalised their sustainability strategy. As such, the European Union adopted its *EU Green Deal* in 2020 which represents a set of policy initiatives by the European Commission with an overarching aim of making the EU climate neutral by 2025.The deal is composed of four pillars: 1) Sustainable Finance Disclosure Regulation (SFDR); 2) Taxonomy Regulation (TR); 3) Corporate Sustainability Reporting Directive (CSRD); and 4) Corporate Due Diligence Directive (CSDD). This toolkit has been inspired by the 3rd directive mentioned above, namely CSRD, which aims to provide more transparency and accountability for the private sector when reporting on their Environment, Social and Governance (ESG) progress and impact. It is mandatory for EU and non-EU companies doing business in Europe, to disclose information on the risks and opportunities arising from ESG issues, and the impact of their activities on the society and environment. By 2026, every company must have a report with these metrics.[3]

This directive has created a shift in the thought-process of how we perceive and measure issues related to ESG, and has created easy and user-friendly metrics and processes to do so. While the directive makes it mandatory only for companies to produce these reports, inevitably this will pull in all other stakeholders to follow the lead, including non-profits. Many non-profits are already offering consulting services to support companies with their ESG strategies, but this toolkit looks at how these strategies can be useful when applied to the non-profit sector as well.

4.
Practical knowledge
What is ESG and why does it matter for non-profits?

The concept of the ESG framework is just one of many used to create a structured and holistic process for measurement, transparency and accountability when it comes to ensuring our footprint on this planet is as sustainable as possible. Focusing on the holistic aspect of it, the ESG approach ensures that we're not only looking at environmental sustainability in a vacuum but we realise that these concepts function within a context and they are dependent on the social and governance component of the entity in question. The framework can be applied to anything anywhere, whether it is a small, medium or large company, an institution, a city council, a non-profit entity, all the way from the local to the national level. Its flexibility allows usage in many different contexts, which is considered its strength. While the framework is currently focused on companies, non-profit entities can benefit from it as well, by creating strategies that are applicable to their own daily work.

There are many existing frameworks that support the implementation of an ESG strategy. Some of the most recognisable initiatives are the International Standardisation Organisation (ISO) standards and the Global Reporting Initiative (GRI). Some of the main differences among the frameworks are the costs associated with implementation, the robustness of verifying the information and the approach of measurement and data collection. However, in the end they all work towards the same goal – having a management system in place to measure the sustainability footprint along with indicators for improvement, summarized in annual ESG reports. In the following chapters, a guidance for setting up such a management system is provided, inspired mainly from the GRI. This framework is used due to its simplicity, flexibility and accessibility – it can be applied to any context and as of now, the documentation related to it is free of charge.[4]

4.
www.globalreporting.org

4. Demystifying the ESG framework

4.1. Setting internal structures for sustainability intent

The first step in setting sustainability strategies is expressing will and intent. While many times within companies this intent is stimulated by an external regulation, or an opportunity to showcase an impulse of care for the environment and wellbeing, the non-profit sector has the opportunity to prove that the motivation can also be altruistic and come from a genuine wish to be a force of good in the world. When there would be a collective agreement and realization about the urgency of climate change, these types of strategies would arrive naturally to all entities concerned.

Once the will and intent, especially from the governing boards and management structures of the non-profits, is present, the next step is designating a person (or a team, depending on the size of the organization) responsible for managing this portfolio. This additional portfolio can sometimes be a burden to regular employees with their own streams of work, so some organizations opt in for hiring an additional new person to work on this, give extra compensation to existing employees or outsource this work to external consultants. It is recommended to address this and explore opportunities to recognise the additional work needed, to ensure fair worker treatment and, most importantly, that the job will be well done to a high quality. The team or person responsible will be tasked with data collection, indicator tracking, and ensuring there is an agenda point for progress of this portfolio at meetings of the governing board or other relevant management structures, as often as they deem necessary.

4.2. Context, stakeholders and policy statement

The next step to be taken is to understand the context in which the organization operates. The reason for this is to get a full picture and to better understand the limitations and opportunities of the ESG strategy, depending on how the organization works. This may be information that we all feel we know well but putting it down on paper

and starting with this document allows for a fresh perspective of how an organization is placed within a society, and it allows for a chance to re-examine this. This is usually the starting document and it should include but not be limited to:

1.   Address and location

2.   Vision, mission aims, objectives and yearly activities

3.   Scope to which the ESG strategy applies[5]

4.   Organogram, along with the people responsible for managing this portfolio

5.   A list of regulations nationally and internationally that influence the ESG strategy

6.   A list of stakeholders internal and external which are crucial to the functioning of the organization – these can be partners, suppliers, vendors, member organizations and other relevant stakeholders.

7.   A policy statement on ESG – this can be a broad, short and user-friendly policy statement approved by the governing board or management structure, and it should be distributed to all employees, hung on a wall in the office premises and made visible on the website of the organization as well. This is the main document which outlines the intent and ambition of the organization in relation to its ESG strategy.

An organization never operates on its own, in a vacuum. In virtually all cases, it cooperates with other entities and partners. These partnerships impact the sustainability strategy and intent of an organization. It would make no sense having a sustainability strategy but continuing to work with vendors who are clearly violating the principles an organization is trying to adopt. This does not mean that they should get rid of all their partners – after all, we're living in an embedded systematic world where we risk alienation if we approach this topic too rigidly. However, there is a bigger opportunity here, and it goes in the direction of having the chance to influence the work of your partners in a positive direction, through your own pursuit of an ESG strategy.

5.
An entity may decide to shorten its scope for ESG and not include all activities that they work on.

What this means in practice is that the organization should make all its identified stakeholders aware of the strategy they are creating, send them a copy of the main ESG policy and following on, for every new contract signed, there should be a clause in the agreement that the partners are aware and compliant with the efforts of this strategy. Many times, this will initiate their own process and it continues working like a domino effect.

4.3. Guidelines for measuring your environmental impact

Now that all of the above has been put in place, when the intent, the team, the context, regulations and stakeholders are clear, we can approach the meat on the bone and set up a system for measurement. We are starting with the E of the ESG – set of guidelines for measurement of an organization's *environmental* impact. Non-profits usually have three categories of activities where they have an impact, and they can be divided into: 1) Office space, if any (if it's a fully remote office, it is recommended to use metrics from the place employees are working from, where possible); 2) The organizing of events; and 3) Frequent international travel. Everything that we do will be observed through these three categories. It is recommended and easier to collect the data monthly, with a final attempt to have an annual summary that can be compared year after year through the final ESG report. In each category, the organization should come up in the first instance with some short-term and long-term indicators for improvement – more on specific activities for rapid improvement will be provided below.

1. Energy consumption

When it comes to energy consumption, this would most notably fall under office infrastructure. The organisation should first understand the type of building (office or home) they are operating in. Is it old or is it new? How does it get its energy supply – what provider they are using, what is the reputation of the provider, and what are the possibilities of changing the provider if it does not suit their needs? Under energy consumption, they would also measure heating and cooling, and electricity consumption.

2.   Water consumption

The second aspect is the consumption of water. Similarly to energy, this can also be measured through monthly utility bills. Under this category, the usage of water within the working space is measured including the drinkable water. Which suppliers are used for drinkable water within the office premises, as well as during organised events, along with an analysis of the water suppliers?

3.   Waste management

The other aspect to consider and measure is how much and the type of waste an organisation produces, and how do they manage their waste. Whether there is a functional recycling system in the city where they operate, and how much are they recycling themselves. This is also applicable towards promotional materials of the organisation itself, during events or during longer campaigns. It finally applies to the intent of the organisation to use second-hand product as much as possible wherever possible.

4.   Carbon footprint

Under this category, the organisation should measure its carbon footprint. In doing so, things to consider are: 1) How the employees are arriving to work – and whether they can stimulate a different arrival if the current one is harmful for the environment; 2) the type of food they are consuming in office hours, but especially during events – and the vendors they're getting catering from; and 3) the carbon footprint initiated by flights due to work-related travel. They can do this easily online, using a software that calculates a carbon footprint based off activities conducted[6].

6.
www.carbonfootprint.com

4.4.   Guidelines for measuring your social impact

Once the environmental impact has been mapped out and set-up, it's time to look into social aspects of the strategy and, most notably, labour policies and fair treatment of workers. If the organization is big enough to have its own human resources department, it would be best to do this jointly with them. If not, the organisation may need to create

new policies to regulate certain labour relations. In this category it is very easy to overlook the purpose by assuming that the organisation has generally good practices and fair treatment of employees. But the purpose of this strategy is that all of that must be written down in the form of a policy and approved by the governing board. Then from a mare optional practice it becomes a mandatory policy document.

1.   New hires and employee turnover

Very often the health of an organisation can be seen through its employee turnover. Keeping a track of this, and the reasoning behind certain trends, can help an organisation understand better what its weak and strong points are and how it can improve.

2.   Benefits

As these organisations are charitable and philanthropic, they absolutely must respect and give proper benefits to its employees. This includes a salary enough for the standard of living in the country, covered pension and health insurance, good work-life balance as well as a decent maternity leave. These aspects should be written within national law as a standard minimum, but organisations can explore ways to also go beyond them and showcase good examples in treatment of their employees. As part of this, the organisation should be mindful of the notice period it gives and receives and how it is all regulated in the employment contracts.

3.   Training and opportunities for growth

Every employee needs to operate in an environment which they perceive as healthy and stimulating for their personal development. That means there needs to be a space dedicated for these conversations between employees and their line management as part of a developmental strategy initiated by the governing board. Additionally, employees need to be provided with training that would improve their knowledge and, as part of this training, the component on ESG policies needs to be included. This would enable every employee to be aware of what the organisation does on sustainability, to be able to be an integral part of the strategy. Finally, the training, especially, on internal policies, should be frequent as a matter of refreshing the knowledge

of employees, getting their feedback on implementation and especially, presenting this to all new employees within their induction processes.

4.5.   Guidelines for improvement of governance

1.   Risk assessment matrix

The maturity of an ESG strategy is established by presenting a robust risk assessment matrix. This risk assessment allows the management to understand why the strategy exists and what it aims to mitigate in the short- and long-term. The risk assessment should be done transparently and it should include as many employees in the brainstorming process as possible. By doing this assessment, the organisation is trying to get to the real key indicators for improvement when it comes to sustainability, because they are able to visualise what the most and least urgent aspects of their strategy are. Below is an example matrix to help with creating one's own risk assessment.

Figure 1.
Risk Assessment
Matrix

Risk Likeli-hood	Almost Certain 4	4	8	12	16	Risk Score	
	Likely 3	3	6	9	12	Very High	
	Possible 2	2	4	6	8	High	
	Unlikely 1	1	2	3	4	Medium	
Risk Matrix		1	2	3	4	Low	
		Low	Medium	High	Very High		
		Risk Impact					

- **VERY HIGH**: 10 or more – These risks have a very high or catastrophic impact on the organisation and shall be mitigated or avoided under any circumstances. These risks cannot be accepted and represent the highest priority for treatment.

- **HIGH**: 5 to 9 – Risk of that level need to be treated to manage the situation and presents a priority risk to be treated.

- **MEDIUM**: 3 to 4 – Risk of this level can or cannot be treated, they need to be considered on a case-by-case basis.

- **LOW**: 1 to 2 – No action required.

2.   Risks related to corruption

Corruption is an aspect which is present in societies and organizations, whereby the level of it depends on national law and cultural traditions attached to it. In some countries bribery is more accepted (and sometimes even preferred) than in other countries. While the strategy does not aim to detach itself from the national context, every organisation can take steps to mitigate corruption as much as possible. This would include a policy against corruption, presented to all employees. But beyond that, it is essential that there is a person responsible within the organisation, that stands as an anti-corruption officer. Every employee that has witnessed corruption can report these cases with the officer, who keeps track through classified documents and ensures anonymity of those who reported. These cases should then be taken to the governing board, in an attempt to raise awareness and create counter measures to minimize these cases as much as possible.

3.   Diversity of governance board and employees

What makes the ESG approach truly holistic is that it looks at all different groups of society and it concludes that the transformation can only happen sustainability if every corner of society has the chance to participate in it. Therefore, it requires a rethinking of diversity along with an assessment of the backgrounds of its employees, ensuring the management and governing structures are as representative of society as possible. Representation matters and, while organisations may have strong policies and programs towards advocating

for marginalised groups of society, placing them in shared positions of power proves the genuine intent of an organisation, not shying away from recognising the changes that happen when this placement takes place.

4. Salary differences between men and women

While hopefully this aspect is not new to the reader, it appears that it is very easy to take for granted and conclude it is not an issue for the organisation in question. The ESG strategy asks that this is operationalised and measured and, if it is proven that no difference exists, then no further action would be required. However, as the global data shows a discrepancy, chances are these will also appear within organisations as well. If that is the case, there should be a policy and strategy in place to mitigate this aspect in the future, either by recognising that women are not in management in the same quantity as men are, or if they are, that the salaries do not correspond to this.

5. Equality and non-discrimination at the workplace

Every organisation should have a policy against discrimination and towards the promotion of equality in the workplace. This is not as easy as saying that people from marginalised communities are not taking up opportunities shared within an organisation which results in (un)intentional or passive discrimination. The ESG strategy requires organisations to go a step further and investigate why this is the case, whereby the organisation may get insights into the different historical and cultural events that have shaped these communities and the difference in approach they require. Ultimately, as part of the team that follows the implementation of the ESG strategy, there should be an appointed Equality Officer, to whom every employee can report cases of discrimination with anonymity. This should be followed by a comprehensive policy on equality that is familiar to all employees.
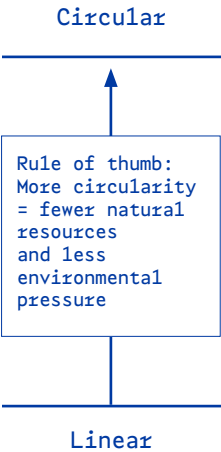
5.
Checklist with concrete positive examples for improvement

W e will take this approach on all the concrete steps for improvement, i.e. we will focus on reusing as much as we can, before purchasing anything new. Below is a visualisation of reusage which summarises the approach well. This may be familiar to many as 'circular economy'.

Circular   Strategies

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  Circular  ↑
            |
┌────────────────────┐
│ Rule of thumb:     │
│ More circularity   │
│ = fewer natural    │
│ resources          │
│ and less           │
│ environmental      │
│ pressure           │
└────────────────────┘
            |
  Linear
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Smarter creation and use of products	R0	Refuse	Turning a product redundant by cancelling its function, or by substituting it with a radically different product.
	R1	Rethink	Intensifying product use (e.g. viaproduct sharing or multifunctional products).
	R2	Reduce	More efficient use and/or manufacture of products through the use of fewer natural resources and materials.
Extending the lifes-pan of products and parts	R3	Reuse	Reuse of discarded yet still usable product, for the same purpose, by a different user.
	R4	Repair	Repair and maintenance of broken or malfunctioning product, to enable continuation of its original function.
	R5	Refur-bish	Refurbishing and/or modernising an older product, so that the improved version can be used in the product's original function.
	R6	Remanu-facture	Using parts of a discarded product in a new product of the same function.
	R7	Repur-pose	Using discarded products or their parts in new products with a different function.
Useful applica-tion of materials	R8	Recycle	Processing of materials to achieve the original high-quality or reduce to low-quality.
	R9	Recover	Incineration of materials, recovering their energy.

The concrete steps for improvement below are just a guide of how things can be done differently, which can be adapted according to the context and needs of the organisation.

Office

- Decorate and equip the office with already existing second-hand materials and furniture.

- Cut plastic water containers and use water filters for your tap instead.

- Rethink your coffee consumption and opt for recycled and recyclable coffee pods.

- Encourage homemade food brought in washable and reusable containers in the office.

- Encourage eating vegetarian as much as possible in the office.

- Decide to spend one day (per year, quarter, month) planting trees with the office team, as a teambuilding activity.

- Create a map for the office with nearby vegetarian restaurants, second-hand shops, zero-waste shops and points for recycling.

- Ensure you have recycling bins in the office.

- For those that purchase coffee, encourage them to do so in reusable cups.

- Whenever you're changing an office space, ensure you're doing so taking sustainability into consideration – for example opting for an old-build instead of a new-build; or opting for an office space with built-in central heating.

Events

- Choose the right venue with Green Labels.

- Incorporate virtual participation to minimise unnecessary travel.

- Organise events during the day to minimise electricity usage.

- Choose a location that is easily accessible, encourage public transport and/or carpooling.

- Purchase reusable cups that you would use during all events you're organising.

- Try to opt for vegetarian food during your events.

- Partner with local charities to donate food leftovers.

- If you're printing banners, choose paper instead of PVC.

- If you have to make PVC banners for whatever reason, make sure you reuse them for bags or anything else in the so they don't end up in the waste.

- For printed promotional materials, try to use QR codes as much as possible as a primary promotion material.

- If you still must print promotional materials, try recycled paper or paper enriched with seeds which users can then plant once their usage expires. Other ideas are to incorporate useful general information in them that would extend their usage longevity – such as emergency numbers or anything else relevant.

- Provide recycling waste stations.

- Use local vendors for subsistence.

- Use messaging on sustainability intend and, if possible, organise a session on it to gather participant feedback.

- Evaluate the sustainability metrics post-event and publicise results to raise awareness with stakeholders.

Travel

- Always prioritize the use of: 1) Train; 2) Bus; 3) Car; and, as a last resort, 4) Plane.

- Offer/Request higher refund of travel expenses if a sustainable mean for transportation is used to compensate for the time used.

- Provide bike storage to encourage sustainable office transport of employees.

- Establish a 'travel only when absolutely essential' policy and rethink all attendances.

- Partner with carbon-offset programs to neutralise emissions form essential travel.

- Ensure accommodation in sustainable hotels with Green Labels.

- Encourage employees to reuse towels, avoid single-use plastics, and switch off lights and air conditioning when leaving accommodation.

- Prioritise paperless travel (electronic boarding passes etc.).

- Carry a water bottle with you to avoid purchasing single-use plastic water bottles.

- Offer rewards or recognition for employees who choose sustainable travel options and provide incentives for choosing eco-friendly accommodations and transportation.

- Set internal travel emissions reduction goals.

- Collect post-travel feedback on sustainability from employees to continue improving indicators.

6.
Conclusion and next steps
for liberal non-profits

As mentioned, non-profits are not the problem for sustainability, but they can be the solution. This booklet aims to give a glimpse to the approaches that can be taken when designing one's own sustainability strategy. It can be overwhelming for organisations that have never worked with it, or rather familiar to organisations that have already worked on it. It has been designed in a way that can give a basis for creating a strategy from scratch, or some pointers for enriching an existing strategy as well.

Sustainability is not a competition and it should be implemented taking into consideration the financial limits of an entity. With that said, including all aspects presented above or starting small with a vision to grow are equally acceptable approaches. The most powerful thing about it is, and remains, the intent of a non-profit to start being the change they wish to see. In doing so, they serve as an inspiration to all relevant stakeholders who can start multiplying by observing, or just by being requested to be compliant and therefore not losing their competitive edge in a market that is shifting from only profit, to observing the planet, its people and profit equally.

About the Author

Andrea has extensive experience across various sectors, including NGOs, international organisations, government and the third sector. She holds a BA in Psychology, and two MA degrees, one from the Free University in Brussels in European Social Integration, and in International Relations from the UNESCO Chaired program at the University of Innsbruck. She started her career in North Macedonia where she worked on the drafting and adaptation of the first comprehensive Youth Law, after which she continued working in Brussels in the EU bubble. She then proceeded working in London as an Executive Director of a network of political parties (IFLRY), and continued as Head of programs of Liberal International where she worked on Fair Trade and Climate Justice, attempting to created an Alliance of Mayors for climate change and protection of the environment by supporting them in creating local projects and linking them with international donors. She also completed a Europe-wide assessment of the level of participation of women in politics and designed handbooks for improvement. She also worked for the British Youth Council, coordinating partnerships among the UKs International Development Agency and the FCO to co-deliver the Commonwealth Forums. She served as Chair of the Advisory Council on Youth of the Council of Europe where she successfully chaired a joint council of 100 Govt. and NGO representatives, passing multiple recommendations on social improvement and the launch of a Europe-wide campaign on improving democracies. She then joined the Tony Blair Institute for Global Change and was sent on missions in North Macedonia and Serbia, directly advising governments and the Prime Minister, specifically focusing on energy consumption, air pollution, foreign policy and citizenship laws. She then returned to Skopje, and co-founded a company that works with ISO standards, specifically focusing on ESG strategies.

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