



ESG Playbook for Charities

October 2024



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Foreword

With the growing spotlight on sustainability, more organisations are acknowledging the importance of sustainable practices and have committed to incorporating Environmental, Social, and Governance (ESG) factors into their organisational strategies. Aligning with this global momentum, international and national bodies have set ambitious targets, such as the United Nations' 17 Sustainable Development Goals (SDGs) and the Singapore Green Plan 2030, to accelerate the global sustainability agenda.

With over 2,300 Charities and Institutions of a Public Character (IPCs) (collectively referred to as "Charities") in Singapore, the charity sector can play a valuable role in advancing both national and global sustainability agendas. For Charities, embracing ESG presents significant opportunities, such as attracting new funds, retaining talents, and enhancing operational efficiency. It also allows Charities to engage innovatively with stakeholders, fostering transparency and accountability to help build stronger trust with donors, beneficiaries, and the broader community. Neglecting ESG practices may pose risks, including loss of

stakeholder trust and missed opportunities for funding and resource optimisation. By integrating ESG principles into Charities' operations, Charities can contribute to sustainable development and drive positive social impact for the communities they aim to support.

To help Charities embark on this journey, the Charity Council and KPMG in Singapore have collaborated to develop an ESG Playbook for Charities. This comprehensive quick-start guide focuses on the fundamentals of ESG principles and aims to guide Charities to identify opportunities and integrate these principles into their operations. The playbook seeks to demystify the complexities of ESG and provide actionable steps tailored to the unique challenges and opportunities faced by Charities.

We extend our heartfelt gratitude to the individuals and organisations whose invaluable contributions have made this ESG Playbook possible.



What is ESG?

ESG stands for Environmental, Social, and Governance which goes beyond just ‘sustainability’ and social needs.

The recently revised Code of Governance for Charities and IPCs (April 2023) (“the Code”) introduces the concept of ESG to the charity sector. Citing the Code, Charities are encouraged to conduct their operations in a sustainable manner, align their

strategies to be socially conscious and responsible, and achieve the highest standards of governance. ESG is also intricately linked to the Sustainable Philanthropy Framework initiated by the National Council of Social Service (NCSS) which articulates the “S” in ESG. Figure 01 provides an overview of the common topics under each ESG pillar relevant to Charities.

Figure 01: Overview of ESG for Charities

Environment

How actions by Charities’ affect the environment

- ▶ Climate risks and opportunities
- ▶ Energy management
- ▶ Water management
- ▶ Waste management

Social

How Charities manage relationships with stakeholders

- ▶ Philanthropic efforts
- ▶ Volunteerism
- ▶ Socially responsible business practices
- ▶ Workplace safety, health and well-being

Governance

How Charities govern themselves

- ▶ Executive compensation
- ▶ Bribery and corruption
- ▶ Board diversity and structure
- ▶ Risk management and other internal procedures



Why should Charities consider ESG?

ESG is an essential element for the long-term growth of organisation. For Charities, embracing ESG principles and incorporating ESG into daily business practices can bring tangible benefits and potential opportunities, as shown below:

External opportunities

Attract ESG-conscious donors:

- Attract and retain a wider range of stakeholders and supporters who are interested in contributing sustainably to a given cause. Donors are also more likely to support transparent and ESG-driven organisations.
- Engage more effectively with donors with new sustainable services and products.

Improve reputation and trust:

- Position the organisation positively within the sector and wider economy by emphasising its commitment to sustainable missions and values.

Increase partnership potential:

- Unlock partnership opportunities with other Charities or organisations with same sustainability initiatives.

Prepare for future requirements:

- Be prepared for future sustainability-related requirements. For example, corporate philanthropy organisations may face requirements to align with the sustainability reporting and net zero goals from the corporate sponsor.

Internal opportunities

Promote talent retention:

- Create a mission-driven environment that retains talent in the long run.
- Manage the organisation's workforce more effectively with improved governance and social awareness.

Drive cost savings through operational efficiency:

- Save operational costs through measures that are more efficient for energy, water, and other resources.
- Access government ESG schemes to obtain funding or support.



Revised Code of Governance for Charities and IPCs (April 2023) (“the Code”)

ESG is strongly interlinked with the six principles set out by the Code (as outlined in Figure 02). Introduced in 2023, the six principles are closely aligned with the key values in ESG and are highly applicable in helping charities enhance the governance pillar. By adopting these principles, Charities can enhance

transparency, accountability, and ethical decision-making, which are essential for long-term sustainability and trust within the communities they serve. Charities should adopt the Code to achieve high standards of governance and attain long-term sustainable success.

Figure 02: The Six Principles of the Code of Governance

▶ **Principle 1:** The Charity serves its mission and achieves its objectives.

▶ **Principle 2:** The Charity has an effective Board and Management.

▶ **Principle 3:** The Charity acts responsibly, fairly and with integrity.

▶ **Principle 4:** The Charity is well-managed and plans for the future.

▶ **Principle 5:** The Charity is accountable and transparent.

▶ **Principle 6:** The Charity communicates actively to instil public confidence.



Understanding ESG Maturity

The extent to which a Charity has considered and integrated ESG topics into its business strategies, decision-making processes, and operations can vary. Some Charities may have fully embedded ESG principles into every aspect of their operations, while others are still in the early stages of understanding and implementation.

The level of integration often depends on a combination of factors including the size of the Charity, available resources, leadership commitment.

Generally, the ESG maturity of Charities may be categorised into the four stages as shown in Figure 03:

Figure 03: Four Stages of ESG Maturity

The Charity demonstrates an understanding of the various issues encompassed by ESG considerations. It takes initial steps to establish an ESG framework.

Stage 01

Growth Mindset

The Charity has established an ESG framework. It is in the process of planning, adjusting, and implementing principles of effective ESG management and monitoring.

Stage 02

Initiator

The Charity has integrated ESG principles into its operations, launched ESG-related initiatives and has developed a basic ESG reporting process, with formal structures in place to monitor ESG progress and ensure constant advancements.

Stage 03

Integrator

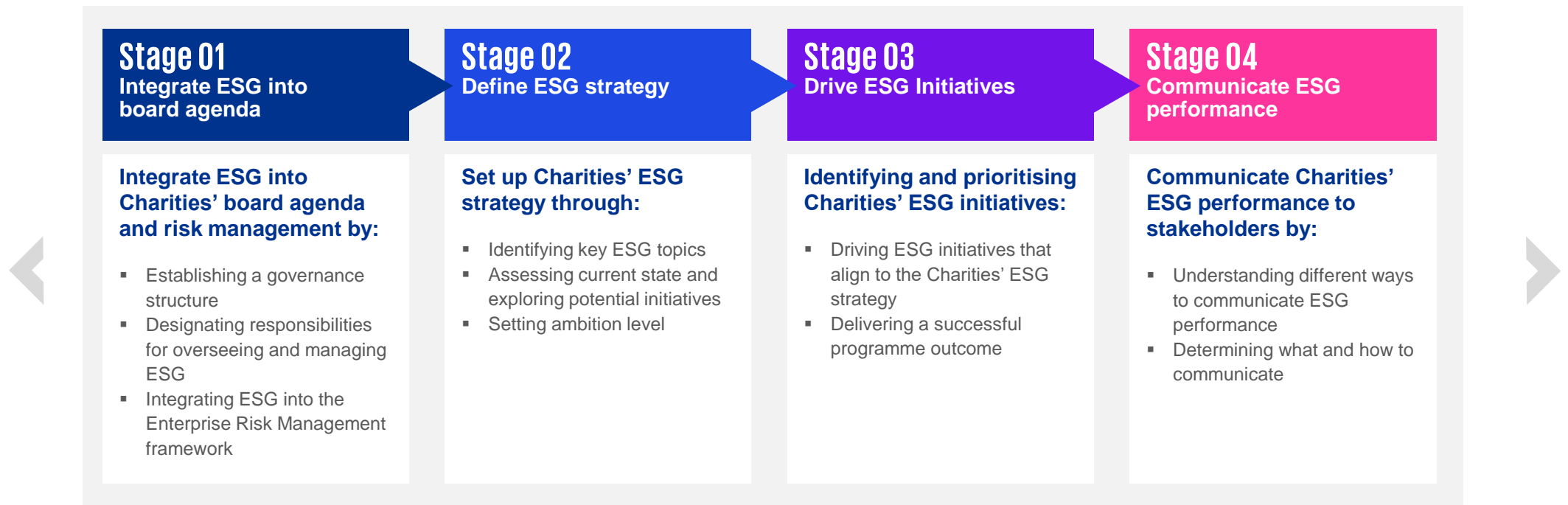
The Charity has gained maturity in ESG and has become forerunner in the sector. It has a deep understanding of ESG risks and opportunities, and has actionable plans to achieve its goals, supported by ESG disclosures.

Stage 04

Trailblazer



How do Charities embark on ESG?





Stage 1: Integrate ESG into board agenda

Embarking on ESG is a journey. Boards need to recognise that sustainability is not a temporary trend but a vital component of Charities' long-term success that requires sustainability to be included into Charities' core strategies and board agenda. Charities may also need to review their governance structures, particularly decision-making processes related to sustainability, to strengthen the ongoing dialogue on ESG.

What is ESG Governance?

It refers to the integration of E, S, and G factors into governance practices within Charities. It encompasses the policies, processes, and structures designed for Charities to effectively manage and oversee their ESG responsibilities. As defined in the Code of Governance for Charities and IPCs ("the Code"), Charities are encouraged to adhere to the principles and guidelines in the Code, to establish general good governance and prepare for integration of ESG.

1. Establishing an ESG governance structure

► Set up an ESG subcommittee

- A robust governance structure plays an important role in ensuring governance efficiency. Charities can adjust its existing governance structure to incorporate ESG governance and oversight. There is no one-size-fits-all approach as each Charity has unique requirements.
- Charities can consider setting up an ESG subcommittee to define Charities' ESG strategy and oversee ESG initiatives.
- An ESG subcommittee should include both board-level and management-level members. While board-level involvement demonstrates the strategic importance of ESG, management is instrumental in overseeing the final delivery and practices.

► Identify key roles in the governance structure

- Think about the size of the ESG subcommittee and the ideal number of members that are needed to ensure appropriate oversight, management and execution of the ESG initiatives.
- Members of the ESG subcommittee should play different roles across service lines and functions, to ensure ESG integration across the organisation, e.g., in fundraising, marketing, program services or investments.



2. Designating responsibilities for overseeing and managing ESG

- ▶ **Roles and responsibilities**
 - Consider a set of Terms of Reference to clearly define and outline the purpose, structure, goals, roles and responsibilities of the ESG subcommittee.
 - Define an ESG learning and development plan so that ESG subcommittee members and wider employees have the relevant knowledge and skills to effectively oversee, manage and execute ESG initiatives. For example, Charities may explore ESG courses on introduction and fundamentals of ESG, carbon footprint management, strategic sustainability reporting, ESG risk management, and enrol based on their specific needs or priorities.
 - Define the approach and guidelines to incorporate considerations of the Charity's impact on people, community, and the environment into existing decision-making processes¹. Members of the committee can help drive ESG integration in daily activities across different functions.
- ▶ **Decision-making**
 - Designate decision-making authority within the ESG subcommittee.
 - Establish formal decision-making processes within the ESG subcommittee.
 - Ensure boards are accountable for and can lead the transformation journey. Charities may consider linking and/or incorporating ESG metrics into the evaluation of the ESG subcommittee members' performance and incentives.
- ▶ **Establish structure and procedures**
 - Draft a subcommittee charter that includes the mission, goals, structure, and procedures.
 - Establish communication channels and schedule regular meetings with the board and management.

The Terms of Reference² of an ESG subcommittee may consist of the following:

- ▶ **Purpose and objectives**

Define the purpose of the ESG subcommittee and its objectives. This section should outline the subcommittee's role in promoting sustainable practices and overseeing ESG-related matters within the organisation.
- ▶ **Responsibilities**

Detail the specific responsibilities of the subcommittee such as:

 - Developing and overseeing the implementation of the ESG strategy and framework.
 - Setting ESG KPIs and targets.
 - Reviewing progress and evaluating the effectiveness of sustainability initiatives.
 - Identifying opportunities and risks related to ESG.
 - Ensuring compliance with ESG-related matters.
- ▶ **Composition and membership**

Specify the composition of the subcommittee, including the number of members, their roles, and the criteria for membership. This section should also outline the process for appointing and removing members.
- ▶ **Meetings**

Outline the frequency of meetings (e.g., quarterly), the process for calling meetings, and the quorum required for decision-making. This section should also include guidelines for the preparation and distribution of meeting agendas and minutes.
- ▶ **Reporting**

Describe the reporting structure, including how the committee will report its activities and findings to the board or other relevant stakeholders. This section should also specify the frequency and format of the reporting.

1. Charities, in particular social service agencies should also make reference to the [Sustainable Philanthropy Framework Playbook](#) by NCSS.

2. The Terms of Reference structure provided is a suggested framework and not a definitive guide. Charities should tailor the framework to fit specific needs and circumstances of the organisation.



3. Integrating ESG into Enterprise Risk Management (ERM) framework

While ESG is a new focus area for Charities, it is possible for ESG to be integrated into the Charities’ existing frameworks and processes rather than starting from scratch or duplicating efforts. This will also enable Charities to develop practical steps in attaining their goals, as well as effective monitoring and reporting.

Figure 04 shows how the ESG framework builds on the ERM framework and gives an idea of how these two frameworks interact with each other. An integrated ERM and ESG approach ensures ESG considerations can be embedded in a Charity’s strategic planning and executions.

Resources

ERM Toolkit for Charities and Institutions of a Public Character (IPCs) 2024:

Provides guidance on the next steps as Charities continue to improve and mature their Enterprise Risk Management (ERM) practices.

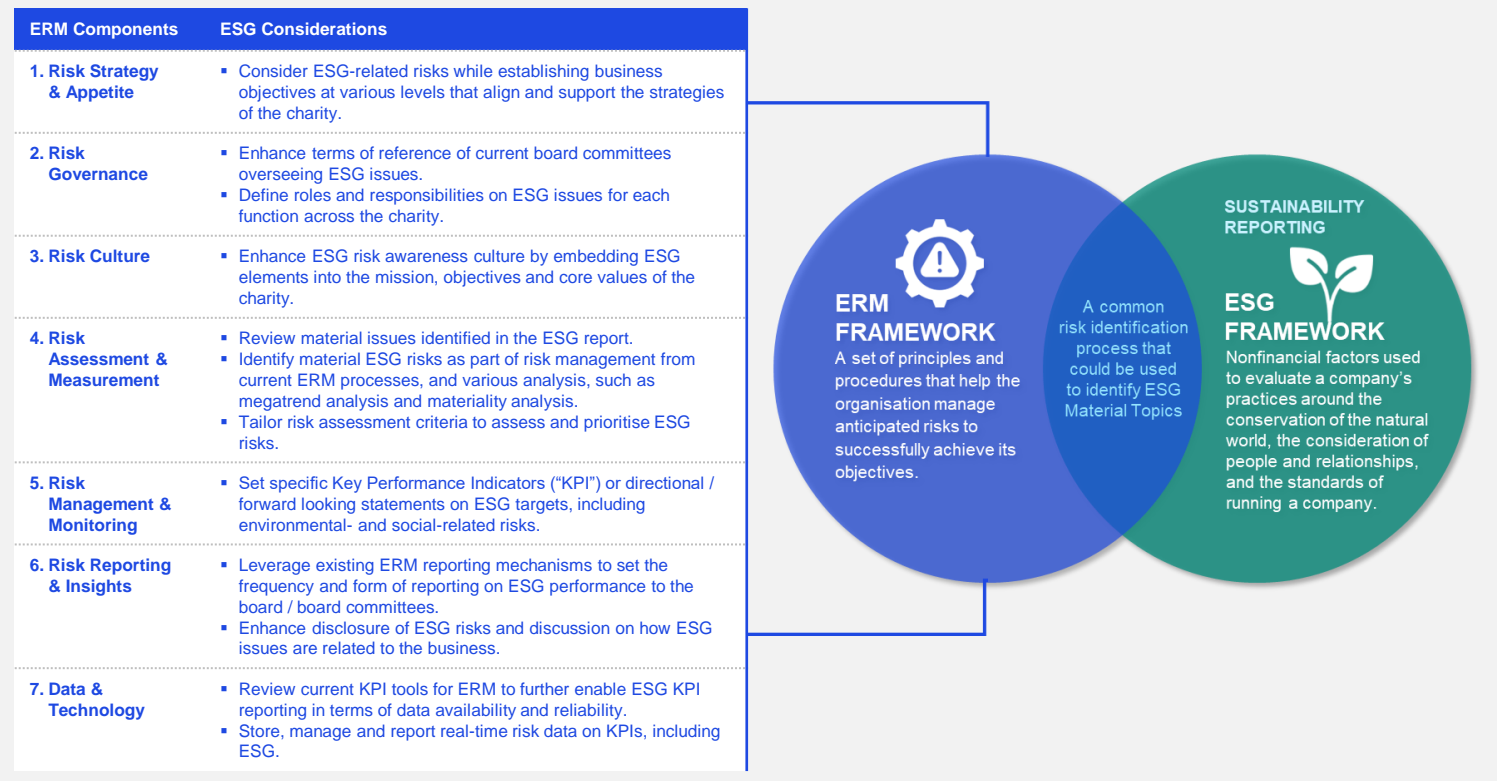
Code of Governance for Charities and IPCs:

Sets out principles and best practices in key areas of governance that Charities are encouraged to adopt. The Code encourages Charities to take ESG into consideration when conducting their activities.

What boards should know about ESG governance - KPMG in Singapore:

Thought leadership article written by KPMG in Singapore on how sustainability governance structures are evolving.

Figure 04: Integration of ESG framework into ERM framework²



2. Source(s): Enterprise Risk Management Toolkit for Charities and IPCs (2024)



Stage 2: Define ESG strategy

A well-defined ESG strategy can help Charities to achieve their ESG goals. To this end, Charities are encouraged to develop a carefully considered, consulted and planned ESG strategy. By creating a coherent ESG strategy, Charities can assess their

current ESG status, define their future aspirations, and identify the necessary actions they need to take. Charities may consider these three main steps to develop an ESG strategy as highlighted in Figure 05.

Figure 05: Steps of setting an ESG strategy

01

Recommended step:
Identification of key ESG topics

What this can mean:

- ▶ Engage the Charity's stakeholders to understand and identify the most important ESG topics which impact the organisation and are prioritised by stakeholders.

02

Recommended step:
Assessment of current state and exploration of potential initiatives

What this can mean:

- ▶ Understand the Charity's current ESG maturity and explore ESG initiatives in line with the Charity's ESG ambition.
- ▶ Identify and prioritise potential ESG initiatives that could bridge the gaps between the Charity's current state and ambition level.

03

Recommended step:
Setting ambition level

What this can mean:

- ▶ Outline where the Charity wants to be and what it wants to achieve. This helps to shape the parameters of an ESG strategy.



1. Identifying key ESG topics

Charities should identify ESG topics that matter most to them and their stakeholders. They can achieve this by examining their internal operations and engaging in discussions with stakeholders. By engaging stakeholders on various ESG issues

through a variety of methods including surveys, interviews, focus groups or stakeholder consultations, Charities can better prioritise and better align their efforts with the concerns of those they serve. The stakeholder engagement process may occur in several stages, namely:

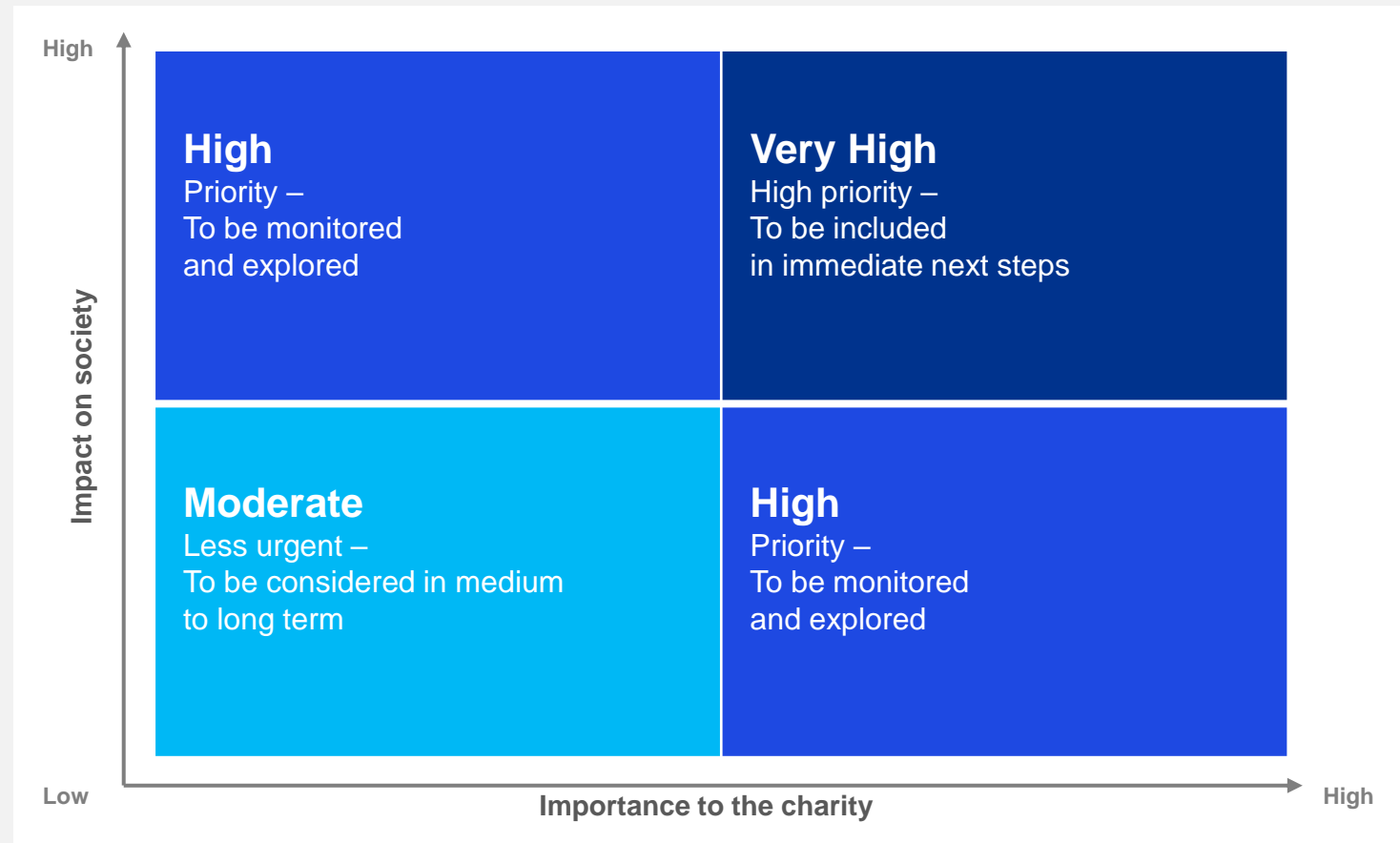
Stage	What it entails
▶ Identify Stakeholders	<ul style="list-style-type: none"> Identify key stakeholders such as donors, beneficiaries, partners, employees, and volunteers. Charities may consider the different perspectives stakeholders may have on which ESG issues are most important to them and the Charity.
▶ Identify potential ESG issues	<p>Identify a range of potential ESG issues that could be relevant to the Charity’s operations and stakeholders.</p> <p>These issues may include:</p> <ul style="list-style-type: none"> Environmental concerns: Climate risks and opportunities, energy management, water management, and waste management Social concerns: Philanthropic efforts, volunteerism, socially responsible business practices, and workplace health and safety Governance concerns: Executive compensation, bribery and corruption, board diversity and structure, and risk management
▶ Engage Stakeholders	<p>Consult key stakeholders to obtain their insights on the most crucial ESG issues that Charities should prioritise in their ESG strategy. Methods for gathering this input can include surveys, interviews, focus groups, or stakeholder consultations.</p>
▶ Prioritise ESG issues	<p>Establish a criteria and approach for assessing the importance of ESG topics e.g., using an assessment matrix (a simple example provided on page 14 and shown on Figure 06). In doing so, Charities may consider the following to prioritise subsequent actions:</p> <ul style="list-style-type: none"> Impact on society and/or community Importance to the Charity



Charities might find it helpful to use an assessment matrix to prioritise ESG topics (see Figure 06). Topics in the top-right quadrant are considered most crucial by both internal and

external stakeholders and should be prioritised when shaping the Charity's ESG strategy.

Figure 06: Example of assessment matrix for key ESG topics





2. Assessing current state and exploring potential initiatives

Subsequently, Charities should assess their current ESG status and set clear objectives. Conducting a current state assessment allows Charities to measure their present ESG performance and identify actions necessary to reach their desired future state.

This approach enables Charities to close ESG gaps effectively.

Once the key ESG topics are identified, Charities can develop and plan initiatives to drive progress. This entails organising and executing specific actions and programmes.

How are Singapore Charities acting on ESG and climate risks?

According to results from [The 2024 Risk Management Survey for Charities](#), 63 percent of the 405 Singapore charity respondents are aware of ESG and climate risks and opportunities, while only 12 percent are unaware. Senior management directive, in-house consultation, and board directive are the most common methods of identifying and assessing ESG and climate risks. However, 61 percent of respondents do not have a defined strategy or policy for managing ESG and climate-related issues. Charities also find it difficult to launch necessary actions towards ESG and climate risks, and as such require more training and resourcing to navigate them in front to ESG issues.

The survey results demonstrate the importance of using a step-by-step approach to help Charities define an ESG strategy, identify key ESG topics to address, and understand their next steps. Charities are then able to direct resources towards ESG initiatives that align with their immediate goals.

3. Setting ambition level

Following the identification of key ESG topics, comprehending the current state, and exploring various initiatives to promote progress, Charities should evaluate their levels of ESG ambition.

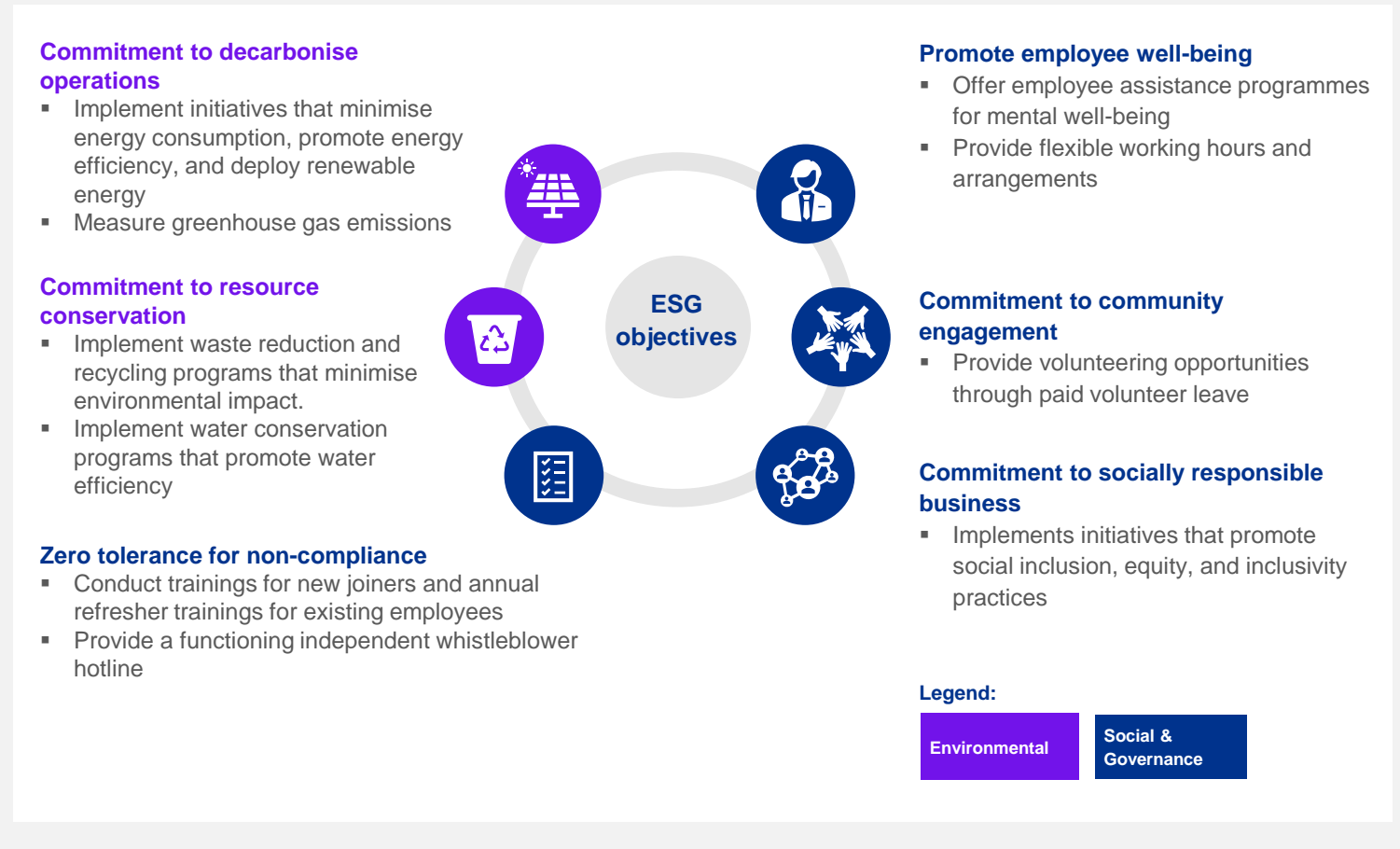
Some important considerations include:

- Who are your key stakeholders, and what are their expectations regarding ESG?
- How do your ESG goals align with the Charity's mission and values?
- Which of the selected ESG topics do you think are of immediate priority? Would you like to focus on one topic first or tackle multiple topics?
- What are your goals for each ESG topic and how would you like to achieve them?
- Do you have the necessary resources and capabilities to achieve the Charity's ambitions?

Based on the above, Charities may drive specific initiatives to achieve various ESG goals (see Figure 07).



Figure 07: Examples of ESG Goals and Initiatives for Charities



Are there external benchmarks for Charities when setting ESG Goals?

The [Charity Council's Code of Governance](#) encourages and recommends Charities to take ESG topics in consideration when conducting their activities. Charities are recommended to (i) keep their activities environmentally friendly and sustainable, (ii) maintain good relationships with their stakeholders and (iii) maintain high governance standards, as well as communicating their ESG activities to stakeholders.



Stage 3: Drive ESG Initiatives

With the Charities' ESG strategy now in place, the next step is to implement the ESG initiatives. Charities may have a strong track record in the social aspect in ESG, but they may be less familiar with the environmental aspect. Using decarbonisation as an example, this section of the ESG Playbook offers a practical example of how Charities can embark on decarbonisation.

1. What is decarbonisation?

Decarbonisation is related to the reduction of greenhouse gas (GHG) emissions, for example, by using low-carbon energy sources, improving energy efficiency, and implementing other environmentally friendly practices, with the aim of reducing an organisation's overall carbon footprint and environmental impact. A Charity's carbon footprint refers to its total GHG emissions.

The Greenhouse Gas Protocol provides detailed guidance on principles, concepts and methods to develop the GHG inventory. This playbook uses the Greenhouse Gas Protocol as a reference and provides additional details of how Charities can embark on their decarbonisation efforts.

2. Understanding Scope 1, 2, and 3 emissions

To begin their decarbonisation journeys, Charities should first measure their carbon footprint.

Charities' sources of emissions

GHG emissions span the entire value chain of Charities. Charities can start by quantifying their Scope 1 and Scope 2 emissions and progress to Scope 3 later. Figure 08 offers a concise overview of the definitions for Scope 1, 2, and 3 emissions.

What are the carbon hotspots of Charities?

Scope 3 emissions generally make up the largest portion of a Charities' carbon footprint. According to the GHG Protocol, there are 15 Scope 3 categories. Depending on the Charities' activities, the bulk of Scope 3 emissions may be due to purchased goods and services, capital goods, and investments.

For example, carbon hotspots of Charities could refer to emissions from activities or projects financed by Charities through donations and investments, or other forms financial aid provided to beneficiaries.

The construction of infrastructure like expressways or airports to enhance transportation access can lead to notable Scope 3 emissions, encompassing those from construction equipment, electricity consumption, and embodied carbon in materials.

Figure 08: Definitions of Scope 1, 2 and 3

Scope 1	Scope 2	Scope 3
<p>Direct Emissions: Sources that are owned or controlled by the entity. <i>Example: Fugitive emissions, stationary and mobile combustions.</i></p>	<p>Indirect Emissions: Sources that are owned or controlled by the entity. <i>Example: Emissions from purchased energy</i></p>	<p>Indirect Emissions: Sources that are not owned or controlled by the entity but are part of an entity's upstream or downstream value chain. <i>Example: Business travel, emissions resulted from financial assistance and funding of Charities, the use of products donated to or distributed by Charities, emissions from rented venue for events</i></p>



3. Tips to reduce a Charity's carbon footprint

Scope 1 and 2 emissions

Charities can begin addressing their carbon footprint by reducing operational emissions, using various strategies to promote sustainable practices. For Charities, addressing Scope 2 emissions will likely be more straightforward due to their nature of operations. Below are some examples:

- ▶ **Scope 1**
 - Adopting and switching to equipment that uses more environmentally-friendly refrigerants
- ▶ **Scope 2**
 - Investments in energy efficiency upgrades
 - Investments in renewable energy (e.g. on-site installations or switching to solar contracts)
 - Reduction of energy consumption

Scope 3 (value chain) emissions

Scope 3 emissions generally make up the largest portion of a Charities' carbon footprint and Charities with advanced ESG maturity should evaluate their entire value chain emissions and pinpoint areas for reduction. This should be balanced by the philanthropic efforts of Charities. Below are some examples for Charities to consider to reduce Scope 3 emissions:

- For purchased goods and services, and capital goods: Charities should set clear ESG expectations for suppliers and encourage suppliers to improve their environmental performance.
- For investments and financial assistance, Charities should measure and manage the ESG-related impact of projects and initiatives they support, avoiding carbon-heavy or extractive industries.
- For donations, relevant Charities should consider conducting thorough research and supply chain ESG due diligence on product suppliers, purchased products, and distribution channels.

Resources

- [KPMG GHG Protocol Handbook](#): Provides an introductory explanation of GHG emissions measurement and reporting
- [Greenhouse Gas Protocol Corporate Accounting and Reporting Standards](#): Provides a standardised methodology for organisations to quantify and reporting their corporate GHG emissions.
- [Greenhouse Gas Protocol Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#): Provides guidance for organizations to prepare and publicly report a GHG emissions inventory that includes indirect emissions resulting from value chain activities (i.e., scope 3 emissions).



4. Delivering a successful ESG programme

To ensure the ESG programme's success, Charities should set intermediate goals, define roles, provide training, and execute the planned actions consistently.

The table below outlines key considerations for Charities to take note of when embarking on ESG initiatives.

Key considerations	Description	Illustrative example (decarbonisation initiative)
▶ Align the goals and outcomes	<p>What goals does the Charity aim to accomplish with this initiative?</p> <ul style="list-style-type: none"> Align the goals and outcomes of the initiative within the Charity. Set realistic milestones and set specific goals that must be achieved at each milestone. 	<ul style="list-style-type: none"> Align internal understanding of the goals and outcomes of a decarbonisation initiative through methods such as stakeholder engagements, surveys and workshops. Board and Management consultation (and where necessary, approval) should be involved to ensure that the initiative is in line with the overall ESG strategy of the Charity.
▶ Roles and responsibilities	<p>Who will drive the initiative?</p> <ul style="list-style-type: none"> Identify members of the Charity who have the necessary skills and capacity to drive the initiative. Define the roles and responsibilities of the members involved and set up a project management team. 	<ul style="list-style-type: none"> Charities may not necessarily have a dedicated headcount to drive the initiative, depending on the skills needed and complexity of the initiative. Hence, Charities might consider gaining the support of a group of employees to take on additional responsibilities to drive the initiative or assess if employees' current job responsibilities could be broadened.
▶ ESG capacity building	<p>Who should be trained?</p> <ul style="list-style-type: none"> As a priority, project management team should be sufficiently trained to execute the initiative to achieve agreed outcomes. To raise awareness of the initiative, Charities should conduct subsequent awareness sessions for important stakeholders such as the Board, Management and other employees. 	<ul style="list-style-type: none"> Invest in trainings (either inhouse or carried out by external parties) on decarbonisation-related topics to build decarbonisation skill sets and knowledge.
▶ Stakeholder engagement	<p>How to engage key stakeholders?</p> <ul style="list-style-type: none"> Charities should actively engage key stakeholders (management, other employees, donors, community etc.) to understand their expectations and challenges while they participate in the initiative. This could be achieved through conducting meaningful dialogues and consultations throughout the implementation of the initiative. 	<ul style="list-style-type: none"> Identify internal and external stakeholders who are critical for the success of the decarbonisation initiative. Develop an engagement plan (e.g., communicate strategies and methods for engagement) for each group and conduct the engagement activities. Gather their feedback and share how their feedback has been incorporated into the implementation of the decarbonisation initiative.
▶ Monitoring and Communication	<p>What has been achieved?</p> <ul style="list-style-type: none"> Gather and analyse the data to measure the success of the initiative with the use of tools (e.g., benchmarking, gap analysis) and perform a SWOT analysis. Communicate the results (internally and/or externally) through sustainability reports or through websites, social media or events. 	<ul style="list-style-type: none"> Gather and analyse relevant data (e.g., GHG Scope 1 to 3 trend analysis, hotspot identification, opportunities and risk identification etc.) Disclose key information about the decarbonisation initiative including decarbonisation strategy, roadmap, policies, practices and performance. Provide updates on the decarbonisation initiative on a regular basis to stakeholders.



Stage 4: Communicate ESG Performance

Charities are also encouraged to disclose ESG-related information to communicate their ESG practices and efforts to donors, beneficiaries, employees, and wider communities.

1. Ways to communicate ESG performance

Charities can communicate their ESG performance through the following ways:

Sustainability reports and annual reports

Charities can start from creating an ESG section in annual reports. After gaining enough ESG maturity (Integrator, Trailblazer stage), Charities can prepare sustainability reports to show comprehensive information on their ESG performances.

Policies and frameworks

Charities can establish and disclose their ESG-related policies and frameworks (e.g. ESG strategy whitepaper, ESG risk management framework, internal guide on energy efficiency practices). Such disclosures demonstrate good governance quality.

Official websites, media, and news

Reporting through the Charity's website, social platforms, and communicating through media is the most flexible way for disclosure. These disclosures offer stakeholders with frequent and lively updates on the Charity's initiatives.



2. Understanding what to communicate

As Charities advance in their ESG journeys, reporting can serve as a means for them to communicate their contributions to

sustainable development. Figure 09 provides a simple framework to guide Charities in determining what to communicate to stakeholders.

Figure 09: Components of ESG disclosures



 ESG Governance	<ul style="list-style-type: none"> ▪ Governance structure ▪ Composition of any ESG committees ▪ Roles and responsibilities ▪ How sustainability is overseen and managed
 Key ESG Topics	<ul style="list-style-type: none"> ▪ Topics important and relevant to the Charities and stakeholders ▪ Stakeholder engagement process and outcomes ▪ Why selected topics are important and relevant to Charities and stakeholders
 ESG Strategy	<ul style="list-style-type: none"> ▪ Communication of plans to operate sustainably and drive sustainable growth ▪ How Charities are managing their impacts on society and the environment, and the impacts those activities have back on Charities.
 ESG Policies	<ul style="list-style-type: none"> ▪ Existing policies to support ESG strategy. For example, an environmental policy to support energy and water conservation.
 ESG Initiatives	<ul style="list-style-type: none"> ▪ Existing or planned initiatives to operationalise ESG strategy. For example, energy efficiency measures to promote energy efficiency in office. ▪ Progress and outcomes of such initiatives, where possible.



3. Aligning to established sustainability reporting frameworks

For Charities that are more advanced in ESG maturity, they may consider adopting an establishing sustainability reporting framework when preparing their ESG disclosures.

There are several globally recognised sustainability reporting frameworks and standards in the market today and the sustainability reporting landscape continues to evolve. Given the non-profit nature of charitable organisations, Charities may consider using the Global Reporting Initiative (GRI) Standards.

The GRI Standards enable an organisation to either report comprehensively on its key ESG impacts or concentrate on particular issues, appealing to a wide range of stakeholders. It is applicable for all organisations, regardless of sector, size or location.

According to KPMG’s Global Survey of Sustainability Reporting 2022, GRI forms one of the most used anchors for sustainability reporting globally and is also the incumbent standard for non-financial reporting.

The use of GRI is encouraged and not mandatory. Charities should consider the applicability of the framework to the Charity and its operational model and the usability of the framework, ensuring it meets the objectives of the Charities’ stakeholders. Charities should follow the GRI reporting principles to ensure the quality and accurate presentation of their information. Reliable data enables users to make informed evaluations of the Charity's impact and its role in sustainable development.

As a start, Charities should familiarise themselves with the GRI standards and consider getting training and capacity building support in sustainability reporting.

Resources

A Short Introduction to the GRI Standards: An introduction to the GRI standards, the structure of the standards, and reporting process.

Full set of GRI Standards (English): Download link to GRI Universal, Sector and Topic Standards.

GRI - Questions and Answers: Frequently asked questions on the GRI standards.

Global Survey of Sustainability Reporting 2022: Reflects on the current state of reporting and share overarching strategies that can enable companies to meet increasing regulatory expectations, all while creating impact for society.

Asia Pacific Survey of Sustainability Reporting 2022 - KPMG in Singapore: Provides a holistic picture of the current status of the corporate sustainability journey in Asia Pacific.

Table 1: About the Global Reporting Initiative (GRI) Standards

Global Reporting Initiative (GRI) Standards	
▶ Objective of GRI	GRI enables organisations to systematically disclose the impacts of their activities in a manner that is transparent to stakeholders and other interested parties. GRI aligns with the responsible business conduct expectations outlined in key intergovernmental documents like the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises, OECD Due Diligence Guidance, International Labour Standards, and ICGN Global Governance Principles.
▶ Structure of GRI	The GRI Standards consist of three sets: the GRI Universal Standards, the GRI Sector Standards, and the GRI Topic Standards. Each set includes a comprehensive guide on its application.
▶ Reporting Process	According to the GRI Standards, there are three main steps: 1. Identifying and assessing impacts 2. Determining material topics 3. Reporting disclosures
▶ Disclosure format	Reports that follow GRI can be issued in different formats, such as electronic or paper-based, and made available in multiple places like standalone sustainability reports, websites, or annual reports. These reports should include a GRI content index which helps trace the reported information and enhances the report's credibility and transparency.



Conclusion

Organisations across sectors and of all sizes are increasingly aware of the impact of their actions as ESG issues gain attention. While ESG may be a new territory for many Charities, embracing ESG can help them improve governance efficiency and increase social and environmental impact, creating opportunities for long-term sustainable growth.

This Playbook offers practical steps for establishing the fundamentals of ESG and integrating them into the Charities' activities. It guides Charities to navigate through each step of the process, whether they are just at the beginning of their ESG journey or already in progress. By implementing these steps, Charities can improve their understanding of ESG, enhance their performance, effectively communicate their efforts and align with stakeholders' expectations.

Integrating ESG principles allow Charities to uphold their core values and mission to deliver meaningful impact. We trust that this Playbook will serve as a useful resource for Charities in their ESG journeys and commitments, helping them to make a lasting difference for the people and communities they serve.

We wish to thank the following contributors from KPMG in Singapore

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Checklist for Integrating ESG into Board Agenda

ESG Maturity Action Steps

- ▶ **Growth mindset**
 - Identify members with skills in ESG-related areas.
 - Identify key roles in ESG governance structure (e.g., size and ideal number of members).
 - Determine an appropriate governance structure and review the need to adjust existing governance structure to incorporate ESG governance and oversight.
 - Establish communication channels with Board and Management to discuss ESG-related matters.
- ▶ **Initiator**
 - Enhance ESG governance through establishing a Terms of Reference to clearly define and outline the purpose, goals, roles and responsibilities of the ESG subcommittee.
 - Establish a common understanding of ESG within the Charity itself and ensure ESG is a regular discussion item at the leadership level.
 - Schedule regular meetings with the ESG subcommittee.
 - Monitor the impacts of current and future ESG trends on the Charity.
- ▶ **Integrator and Trailblazer**
 - Establish processes to identify, detect and monitor emerging ESG risks.
 - Evaluate the potential impacts of various ESG-related risks.
 - Assess the severity and likelihood of ESG risks within the context of the Charity's operations.
 - Establish procedures and action plans for responding to ESG-related risk events.

Checklist for Defining ESG Strategy

ESG Maturity Action Steps

- ▶ **Growth mindset**
 - Conduct a high-level desktop review of ESG trends and identify ESG trends and topics relevant to the Charity.
 - Gather internal stakeholder perspectives of the various identified ESG trends and topics to assess their understanding of ESG, aspirations and degree of alignment.
 - In terms of ESG initiatives, start with "low hanging fruits".
- ▶ **Initiator**
 - Conduct an in-depth review of ESG trends and identify ESG trends and topics relevant to the Charity and stakeholders.
 - Establish criteria and approach for assessing the importance of ESG topics and prioritise subsequent action.
 - Gather both internal and external stakeholder perspectives to obtain their insights on the most significant (impact and importance) ESG topics the Charity should prioritise.
 - Develop a high-level ESG strategy and roadmap with a focus on the short to medium term.
 - Perform a current state assessment to measure current ESG performance and identify actions to close the gaps.
 - Set qualitative ESG goals and implement ESG initiatives to achieve them.
- ▶ **Integrator and Trailblazer**
 - Set more ambitious, concrete and quantitative ESG goals and implement specific initiatives to achieve them
 - Develop a comprehensive ESG strategy and roadmap with a focus on the longer term.
 - Develop formal processes, policies and structures to monitor ESG progress
 - Continuously engage with stakeholders regularly to build support and gather insights for refining the ESG strategy.



Checklist for Driving Decarbonisation Initiatives

ESG Maturity	Action Steps
▶ Growth mindset	<ul style="list-style-type: none"> Conduct trainings to raise awareness or build internal capabilities on decarbonisation-related topics. Engage internal stakeholders to communicate the importance of decarbonisation and the role of the Charity. Conduct a current state assessment to establish the ideal future state, understand the current state, and identify gaps. Gather internal stakeholder perspective of decarbonisation and assess their understanding of decarbonisation, aspirations and degree of alignment. Develop an action plan to close the gaps.
▶ Initiator	<ul style="list-style-type: none"> Measure carbon footprint by quantifying Scope 1 and Scope 2 emissions. Conduct a high-level desktop review of decarbonisation trends and identify decarbonisation opportunities Develop a high-level decarbonisation roadmap through a preliminary assessment of the identified decarbonisation opportunities with a focus on the short to medium term. Set qualitative and/or quantitative targets to address Scope 1 and Scope 2 emissions. In terms of decarbonisation initiatives, explore and implement the “low hanging fruits”.
▶ Integrator	<ul style="list-style-type: none"> Measure value chain carbon footprint by quantifying Scope 3 emissions, in addition to Scope 1 and 2 emissions. Develop a comprehensive decarbonisation roadmap through a detailed techno-economic assessment of decarbonisation opportunities with a focus on the medium to long term. Set more quantitative targets to address Scope 3 emissions and implement decarbonisation initiatives to address them.
▶ Trailblazer	<ul style="list-style-type: none"> Embark on organisational change management to decarbonise or implement various decarbonisation initiatives. Set quantitative and more ambitious targets. Develop active partnerships with similar organisations or stakeholders to drive long-term success.

Checklist for Reporting on ESG

ESG Maturity	Action Steps
▶ Growth mindset	<ul style="list-style-type: none"> Understand the key components of ESG disclosures. Raise awareness of importance of ESG disclosure within the Charity. Based on the key components of ESG disclosures, conduct a preliminary assessment if such data and information are available (e.g., through gap analysis) Review how and what peers and stakeholders are disclosing in terms of ESG (e.g., through benchmarking).
▶ Initiator	<ul style="list-style-type: none"> Perform an assessment if GRI and/or other sustainability reporting frameworks are applicable to the Charities’ operational model. Based on the chosen sustainability reporting framework, develop a sustainability reporting plan outlining what to report, how to report and by when to report, and identify the resources required. In the first year of sustainability reporting, prepare a simple ESG disclosure focusing on qualitative components. For example, Charities may focus on ESG governance, key ESG topics, a broad overview of the Charity’s ESG strategy supported by relevant ESG policies and initiatives. In terms of format, Charities can decide on the disclosure format.
▶ Integrator and Trailblazer	<ul style="list-style-type: none"> In the subsequent years of sustainability reporting, prepare a more comprehensive ESG disclosure focusing on more quantitative components. For example, Charities may set either qualitative and/or more quantitative targets for key ESG topics. In terms of format, consider including a dedicated ESG section in the annual report. Focus on providing more detailed quantitative information on the Charities’ ESG performance, policies and practices. Where appropriate, set both qualitative and quantitative targets.