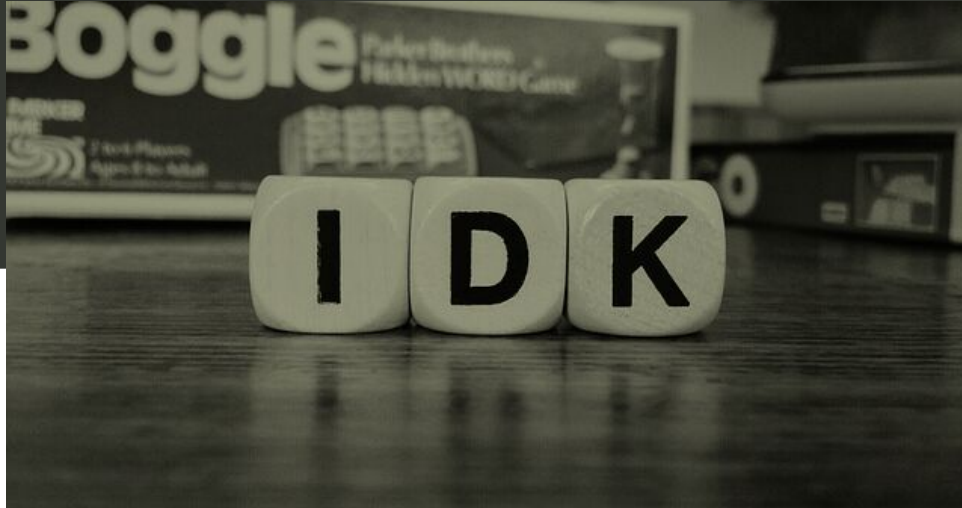


ESG for Nonprofits: A Primer

11.17.23 | Linda J. Rosenthal, JD



A few days ago, in [Nonprofit Benchmarking Survey: BDO Posts 2023 Results](#) (November 13, 2023), we reported on the just-published results of the 7th annual survey of nonprofit-organization leaders. Some 250 of them were asked in May 2023 what they “see as the major issues facing them currently as well as in the future.”

“Among the key topics mentioned by these American nonprofit officials is that “[d]onors ... are scrutinizing ESG.” More specifically, these “... contributors want ‘more information on [the organizations’] ESG strategy in the past 12 months.’”

Although the benchmarking-survey respondents apparently are quite familiar with this particular acronym, it’s not clear how many others in the nonprofit community have taken notice of it amidst the flurry of bewildering abbreviations that bombard us daily.

What, exactly, is “ESG”? And what is this “ESG strategy” that should already have been developed – and implemented?

CSR vs. ESG

A more well-known acronym that has been around for a while in the nonprofit community is CSR, which stands for “corporate social responsibility.” It developed first in the for-profit context; a notable step since social responsibility is not a natural fit with the money-making, bottom-line, culture of the business sector. The concept has migrated into the nonprofit sector as well where, of course, it’s a more compatible idea. See, for instance, [What Is Corporate Social Responsibility and How Can Nonprofits Utilize It?](#), Amanda Conover, *nonprofitmegaphone.com*.

ESG is the abbreviation for “... environmental, social, and (corporate) governance.” It is distinct, the experts tell us, from CSR, although at first blush it certainly seems to overlap with the CSR concept.

And while ESG has apparently come onto the radar screen of the nonprofit community more recently – and is eclipsing CSR – it’s not a new idea at all.

About ESG

In [*A History of How Modern ESG Came to Be*](#) (May 6, 2021), [*blog.blackbaud.com*](#), Kayla Barnes explains: “As with the overarching concept of corporate social responsibility, the practice of ESG has an overlapping history that can be traced back to several key events.”

ESG “... first originated in the 1950s” as a “set of standards used to evaluate a company’s environmental and social impact.” The “evaluation can be done internally or externally by investors or other stakeholders.” However, “rather than a single moment in time, ESG was born out of actions in the business community over several decades that culminated into our modern understanding of ESG today.”

For the tale of ESG moving out of the shadows and more towards center stage in the nonprofit context, as well as for more information about the nuts and bolts of ESG, see, for instance, (in chronological order):

- [*Ways to Implement ESG & Expand a Nonprofit’s Reach*](#) (January 30, 2020) Stuart Blair, CSIA, [*nonprofitinformation.com*](#)
- [*ESG and Nonprofit Boards*](#) (September 21, 2020) Lena Eisenstein, [*boardeffect.com*](#) [“ESG ... is an issue that’s making big waves, and ESG for nonprofits is getting its share of attention as well. Society’s emphasis on preserving the environment is having an impact on virtually all types of organizations including corporations, unions, governmental bodies, and nonprofit organizations.”]
- [*Starting your ESG Reporting Journey*](#) (June 17, 2021) Rachel Hutchisson, [*blog.blackbaud.com*](#)
- [*ESG for Nonprofits: What Your Group Needs to Know*](#) (January 26, 2022), Toni Hoy, [*boardeffect.com*](#)
- [*Making ESG a reality takes focus, data and disclosure*](#) (May 4, 2022) Dennis Morrone, CPA, [*grantthornton.com*](#)
- [*Recent ESG Developments: What Nonprofits Should Know*](#) (February 10, 2023) Celia Roady, Esq. & Megan E. Bell, Esq., [*morganlewis.com*](#)
- [*ESG is Everywhere. Should It Matter to Nonprofits?*](#) (February 13, 2023) Jennifer Hawkins, [*Blue Avocado*](#) [Yes, the author confirms, ESG should matter a great deal to nonprofits.]
- [*Why Your Nonprofit Needs to be Talking About ESG*](#) (May 16, 2023) [*lexisnexis.com*](#)
- [*Four Reasons Nonprofits Should Care About ESG*](#) (May 16, 2023) Christine Newman, [*blog.blackbaud.com*](#)
- [*3 Reasons Why ESG Is Important To Nonprofits*](#) (September 19, 2023) Brigit Helms, Member, Forbes Nonprofit Council, [*Forbes*](#)
- [*Should ESG Matter to Your Nonprofit Organization?*](#) (October 9, 2023) Hantzmon Wiebel LLP, CPA & Advisory Services, [*hwllp.com*](#)

Conclusion

It's critical for organizations "to start discussions around ESG, as donors and other stakeholders are becoming increasingly interested in what nonprofits are doing in this regard," according to Greg Ballantyne, CPA, in *ESG and Nonprofits: Where to Start* (July 17, 2023), [berrydunn.com](https://www.berrydunn.com).

He adds: "While there remains a lot of uncertainty in the ESG space, demand is growing as donors, employees, and other stakeholders are increasingly looking to work with organizations that align with their values. As ESG has so many areas to explore, it can be overwhelming endeavor to tackle on many levels—and how much, or how little you want to invest in ESG is a complex decision.... [I]'s important to start small and continually monitor your progress."

– Linda J. Rosenthal, J.D., FPLG Information & Research Director