Module 3: Social Impact & Human Capital

Empowering Communities Through Responsible Human Capital Practices

Topics Covered:

- **Diversity, Equity & Inclusion (DEI) in the Workplace**
- **Human Rights & Labour Standards**
- **Employee Well-being and Community Development**
- **Supply Chain Ethics & Responsible Sourcing**
- **Case Study: Hindustan Unilever's "Shakti" Women Empowerment Program**

1. Diversity, Equity & Inclusion (DEI) in the Workplace

With frameworks, real examples, metrics, policies, challenges, and implementation steps.

1. Introduction to DEI – What It Really Means

DEI stands for:

Diversity

The presence of differences within a workforce.
This includes:

- Gender
- Age
- Race & ethnicity
- Sexual orientation
- Disability
- Religion
- Educational background
- Socio-economic background
- Culture
- Work style & personality
- Neurodiversity (e.g., ADHD, autism)

Diversity = Representation.

Equity

Providing **fair opportunities**, **removing barriers**, and ensuring every employee has the support they need to thrive.

Equity ≠ Equality.

- Equality = same resources for everyone
- Equity = resources based on need, so everyone can succeed

Equity = Fairness.

Inclusion

Ensuring all employees **feel valued, respected, psychologically safe, and empowered** to contribute.

Inclusion is about:

- Safe culture

- Open communication
- Decision-making participation
- Respectful workplace behaviours
- Zero discrimination

Inclusion = Belonging.

2. Why DEI Matters: Business Case & Human Case

DEI is not CSR or HR-only.
It is a **strategic business priority**.

2.1 Business Performance Benefits

- Diverse teams outperform homogeneous teams by **up to 35%** (McKinsey).
- Inclusive workplaces have **5× higher retention**.
- Teams with gender & ethnic diversity show **higher innovation**.
- Diverse leadership → better decision-making, less groupthink.
- Companies with strong DEI attract better talent.

2.2 Social & Ethical Benefits

- Fair access to opportunities
- Improved employee well-being
- Psychological safety
- Reduced harassment
- Stronger reputation & customer trust

2.3 Legal & Compliance Importance

DEI supports:

- Anti-discrimination laws
- POSH Act (India)
- Equal Employment Opportunity (US/EU)
- Global human rights standards
- ESG ratings (S, G pillars)

3. Types of Diversity in the Workplace

3.1 Demographic Diversity

- Age
- Gender identity
- Sexual orientation
- Race/ethnicity
- Physical disability

- Religion

3.2 Experiential Diversity

- Educational background
- Work experience
- Industry exposure

3.3 Cognitive Diversity

Differences in:

- Problem-solving style
- Thinking pattern
- Creativity
- Decision-making approach
- Risk-taking ability

3.4 Functional Diversity

- Cross-departmental skill sets
- Roles (marketing, finance, tech, operations, HR)

4. Equity in the Workplace

Equity requires **structural interventions**, such as:

4.1 Removing Biased Systems

- Biased hiring patterns
- Promotion barriers
- Pay gaps
- Lack of female representation in leadership
- Accessibility gaps for persons with disabilities

4.2 Tools for Ensuring Equity

- Diverse hiring panels
- Structured interviews
- Pay-equity audits
- Accessibility audits
- Policies supporting caregiving & parental roles

4.3 Equity in Career Development

- Fair promotions
- Mentorship programs for underrepresented groups

- Leadership pipeline for women & minorities

5. Inclusion in the Workplace

Inclusion is built through:

5.1 Psychological Safety

Employees feel safe to:

- Speak up
- Share ideas
- Take risks
- Admit mistakes

5.2 Inclusive Behaviours

- Active listening
- No interrupting
- Respecting differences
- Appreciating diverse viewpoints
- Zero microaggressions

5.3 Inclusive Policies

- Gender-neutral parental leave
- Flexible work options
- Accessible workspaces
- Mental health support
- Anti-discrimination & anti-harassment policies

6. Common Barriers to DEI

6.1 Unconscious Bias

People make decisions based on stereotypes without realising it.

Examples:

- Preferring people from the same background
- Assuming men suit leadership roles more
- "Culture fit" hiring, which excludes diverse talent

6.2 Structural Inequality

- Leadership dominated by one demographic
- Unequal opportunity distribution
- Pay disparities

6.3 Microaggressions

Subtle or indirect discrimination, such as:

- "You speak English so well!"
- "Where are you *really* from?"
- Interrupting women more frequently

6.4 Lack of Representation

When employees don't see leaders "like them," they feel excluded.

7. DEI Implementation Framework (Company-Level)

Here is the **5-pillar DEI framework** used globally:

7.1 Pillar 1 – Leadership Commitment

- DEI vision statement
- Public commitments
- DEI KPIs in leadership scorecards
- Budget allocation

7.2 Pillar 2 – Policy & Governance

- Anti-discrimination policies
- Equal opportunity policies
- POSH compliance
- Gender-neutral leave
- Pay equity policy
- Accessibility standards

7.3 Pillar 3 – Talent Lifecycle (DEI Integration)

Hiring

- Diverse shortlists
- Blind resume screening
- Inclusive job descriptions

Development

- Mentorship
- Upskilling for minorities
- Leadership programs targeting underrepresented groups

Retention

- Fair promotions
- Feedback systems
- Psychological safety

7.4 Pillar 4 – Culture & Awareness

- DEI training & workshops
- Empathy-building exercises
- Allyship programs
- Employee Resource Groups (ERGs)
  (women, LGBTQ+, disability, veterans, parents)

7.5 Pillar 5 – Measurement & Reporting

- DEI dashboards
- Gender ratios
- Leadership diversity
- Pay equity analysis
- Inclusion surveys
- Attrition trends
- Recruitment funnel diversity

Tools used:

- GRI 405 (Diversity & Equal Opportunity)
- ISO 30415 (Human Capital – DEI Standard)
- Global DEI Benchmarks

8. Key Metrics Used in DEI Measurement

Representation Metrics

- % women in workforce
- % women in leadership
- % employees with disability
- % minority hires

Equity Metrics

- Pay equity gap
- Promotion equity ratio

- Performance rating bias analysis

Inclusion Metrics

- Inclusion index score
- Belonging score
- Engagement surveys
- Psychological safety metrics
- Attrition rate of diverse groups

9. Global Best Practices (Across Industries)

- **Google:**
  Unconscious bias training for 90%+ employees.
- **Microsoft:**
  Disability-inclusive hiring programs.
- **Coca-Cola:**
  Global Women Leadership Programs.
- **Accenture:**
  50-50 gender balance target by 2025.
- **Infosys & TCS:**
  Women leadership pipelines + inclusive policies.

11. DEI Challenges in the Indian Context

India faces unique DEI issues:

- Social biases & caste dynamics
- Low women workforce participation (~23%)
- Gender pay gap
- Invisible disabilities
- Limited LGBTQ+ workplace policies
- Caregiving responsibilities impacting careers

Indian DEI needs:

- Family-supportive policies
- Safe commute
- Flexible work
- Inclusive hiring practices
- POSH compliance

12. Future of DEI – What's Coming Next

- **AI Bias Audits**
  Checking recruitment tools for algorithmic bias.
- **Neurodiversity Inclusion**
  Hiring autistic, ADHD, and dyslexic talent for specialised skill areas.
- **Intersectional DEI**
  Addressing people who belong to multiple identities (e.g., women + disability + minority).
- **DEI-linked Executive Compensation**
  Leaders rewarded for diversity outcomes.
- **Hybrid work DEI policies**
  Ensuring remote workers aren't excluded.

2. <u>Human Rights & Labour Standards</u>

This module is suitable for ESG, HR, compliance, sustainability, and management courses.

1. Introduction: Why Human Rights & Labour Standards Matter

Human Rights & Labour Standards ensure that every worker—regardless of gender, nationality, caste, religion, age, or socio-economic status—is treated with:

- Dignity
- Fairness
- Equality
- Respect
- Safety

In the ESG framework, these standards form the foundation of the **Social (S)** pillar and directly impact corporate reputation, legal compliance, employee well-being, and long-term business sustainability.

Businesses today must prove not only **what they produce**, but **how they produce it** — responsibly, ethically, and without exploitation.

2. Global Frameworks Governing Human Rights & Labour Standards

Global conventions, laws, and principles guide human rights at the workplace:

2.1 Universal Declaration of Human Rights (UDHR)

Adopted by the UN in 1948, it lays the foundation for basic rights, including:

- Right to work
- Fair wages
- Freedom from discrimination

- Right to safe working conditions
- Right to assemble and join unions
- Right to rest and leisure

2.2 International Labour Organisation (ILO) Core Conventions

ILO sets globally recognised labour standards.
The **8 ILO Core Conventions** cover:

1. Freedom of Association (C87)
Workers can form unions.

2. Right to Collective Bargaining (C98)

3. Forced Labour Abolition (C29, C105)
No forced, bonded, or mandatory labour.

4. Child Labour Abolition (C138, C182)
Minimum age & elimination of the worst forms of child labour.

5. Non-Discrimination & Equal Remuneration (C100, C111)

Equal pay for equal work.
There are globally accepted benchmarks for ethical labour practices.

2.3 UN Guiding Principles on Business & Human Rights (UNGPs)

Also known as the **Reggie Principles**, built on 3 pillars:

A. Protect – Duty of the State
Governments must protect human rights through laws.

B. Respect – Responsibility of Businesses
Companies must avoid violating rights and mitigate harm.

C. Remedy – Access to Justice
Victims must have channels to report and receive remedies.
UNGPs are the core of corporate human rights due diligence.

2.4 OECD Guidelines for Multinational Enterprises

Focus on:

- Responsible supply chains
- Worker health & safety
- Fair employment practices

- Anti-human trafficking

2.5 ISO Standards

- **ISO 26000**: Social Responsibility
- **ISO 45001**: Occupational Health & Safety
- **ISO 30414**: Human Capital Metrics

2.6 National Laws (India Example)

- **Factories Act (Safety)**
- **Minimum Wages Act**
- **POSH Act (Women's safety)**
- **Maternity Benefit Act**
- **Child Labour Prohibition Act**
- **Code on Wages (2019)**

3. Key Components of Human Rights & Labour Standards

Let's break down the core elements that every company must monitor.

3.1 Freedom from Forced & Bonded Labour

Companies must ensure:

- No debt bondage
- No forced overtime
- No retention of passports
- No threats or coercion
- Transparent wage systems

Industries at risk:
Construction, mining, garments, domestic work, and agriculture.

3.2 Prevention of Child Labour

Standards require:

- No employment below legal minimum age
- No hazardous work for minors
- Age verification systems
- Supplier audits

Worst forms of child labour:
Prostitution, mining, chemical exposure, factory machinery, and human trafficking.

3.3 Equality, Non-Discrimination & Fair Treatment

Protects against discrimination based on:

- Gender
- caste
- race
- disability
- religion
- sexual orientation
- age
- marital status

Areas impacted:

- Hiring
- Pay & promotions
- Assignments
- Opportunities

3.4 Fair Wages & Decent Working Conditions

Includes:

- Living wage
- Fair working hours
- Paid leave
- Overtime compensation
- Job security
- Access to social benefits
- Safe work environments

Companies must avoid:

- Underpayment
- Wage theft
- Misclassification of workers
- Exploitative contract work

3.5 Occupational Health & Safety (OHS)

Key risks:

- Exposure to chemicals
- Machine hazards
- Ergonomic risks
- Fire safety
- PPE and training gaps

Standards require:

- Hazard identification
- Risk assessments
- Incident reporting
- Safety committees
- Zero-harm culture

3.6 Freedom of Association & Collective Bargaining

Employees must have the right to:

- Form unions
- Join unions
- Bargain collectively
- Elect representatives
- Conduct peaceful assembly

Companies cannot:

- Retaliate
- Threaten
- Intimidate

3.7 Working Hours, Overtime & Rest

ILO standard working hours = **48 hours/week**
Overtime must be:

- Voluntary
- Paid fairly
- Capped for safety

Employees must receive:

- Weekly rest day
- Paid holidays
- Maternity/paternity leave

3.8 Protection of Migrant Workers

Migrant workers face:

- Wage exploitation
- Language barriers
- Passport confiscation
- Discrimination

Companies must ensure:

- Contracts in native language
- No recruitment fees
- Safe housing

3.9 Privacy & Data Protection

Under Human Rights principles:

- Employees have the right to privacy
- Companies must protect personal data
- Monitoring must be transparent

Example frameworks: GDPR, ISO 27701

3.10 Ethical Supply Chain

Companies are responsible for human rights **beyond their factory**, including:

- Tier 1 & Tier 2 suppliers
- Logistics & transport
- Labour contractors
- Cleaning & security services

Human rights violations in the supply chain impact reputation and legal compliance.

4. Human Rights Due Diligence (HRDD) – Corporate Framework

Human Rights Due Diligence is the process companies use to identify, prevent, mitigate, and report human rights risks.

Step 1: Identify & Assess Risks

- Labour audits
- Worker interviews
- On-ground assessments
- Country risk analysis
- Supply chain mapping

Step 2: Integrate & Act

- Update policies
- Supplier codes of conduct
- Corrective action plans
- Training programs

Step 3: Track Performance

- KPIs (injury rate, pay equity, working hours)
- Whistle-blower cases
- Audit outcomes

Step 4: Communicate & Report

- ESG reports
- GRI 401–407 disclosures
- Modern Slavery statements

Step 5: Enable Grievance Mechanisms

- Helplines
- Anonymous reporting channels
- Whistle-blower protection
- Third-party ombudsman

5. Key KPIs for Human Rights & Labour

A. Workforce KPIs

- Employee turnover
- Gender representation
- Pay equity ratio
- Inclusivity index

B. Labour Standards KPIs

- Lost Time Injury Frequency Rate (LTIFR)
- Hours of training per employee
- % employees receiving fair wages
- Average working hours

C. Supply Chain KPIs

- of suppliers audited
- Child/forced labour cases
- Fair wage compliance
- Human rights violation remediation cases

6. Corporate Implementation Strategies

6.1 Policy Frameworks

- Human Rights Policy
- Supplier Code of Conduct
- Anti-Harassment Policy

- Zero-Tolerance Forced Labour Policy
- Equal Opportunity Policy

6.2 Leadership & Governance

- ESG committee oversight
- Chief Human Rights Officer (CHRO-like roles)
- Board-level reporting

6.3 Employee Training

- POSH training
- Human rights orientation
- Health & safety drills
- Anti-discrimination workshops

6.4 Third-Party Audits

Examples:

- SA8000 audits
- SMETA (SEDEX Member Ethical Trade Audit)
- BSCI (Business Social Compliance Initiative)

6.5 Worker Engagement

- Town halls
- Safety committees
- Grievance redressal cells
- Worker satisfaction surveys

6.6 Supplier Engagement

- Pre-assessment questionnaires
- Supplier scorecards
- Joint improvement programs
- Suspension of non-compliant suppliers

7. Real-World Case Examples

1. Nike – Supply Chain Human Rights Reforms
After sweatshop scandals, Nike implemented strict supplier audits and transparency.

2. Unilever – Responsible Sourcing Policy
Focus on fair wages, worker safety, and gender equality.

3. Infosys & Wipro
Use strong OHS, equal opportunity, code of conduct, and senior leadership DEI programs.

4. Tesla
Scrutiny around labour rights → highlights the importance of robust governance.

8. Human Rights in ESG & Reporting Frameworks

GRI Standards:

- GRI 401: Employment
- GRI 402: Labour/Management Relations
- GRI 403: Occupational Health & Safety
- GRI 404: Training & Education
- GRI 405: Diversity & Equal Opportunity
- GRI 406: Non-Discrimination
- GRI 407: Freedom of Association & Collective Bargaining
- GRI 408: Child Labour
- GRI 409: Forced Labour

UNGP Reporting Framework

Used for human rights disclosures.

SASB Standards

Human capital indicators for sector-specific risks.

BRSR (India)

Mandatory disclosures on:

- Human rights policy
- Fair wages
- Social security
- OHS
- DEI
- Worker grievance mechanisms

9. Challenges in Implementing Human Rights & Labour Standards

- Complex global supply chains
- Lack of transparency
- Inadequate worker voice
- Cultural resistance
- Contract labour exploitation
- Unregulated sectors

- Differences in national labour laws
- Low awareness among small suppliers

Companies must combine **audits, technology, worker empowerment**, and **fair policies** to overcome these.

4. Supply Chain Ethics & Responsible Sourcing

1. Meaning & Importance

- Ensures procurement decisions reflect ethics, human rights, labour fairness, environmental sustainability, and transparency.
- Recognises that most ESG risks occur upstream in the supply chain, not inside the company.
- Prevents association with child labour, forced labour, unsafe workplaces, pollution, corruption, and human rights violations.

Supply Chain Ethics and Responsible Sourcing refer to the strategic, systematic, and values-driven approach companies use to ensure that every part of their supply chain—from raw material extraction to manufacturing, logistics, and delivery—operates in a way that respects human rights, protects the environment, promotes fair labour standards, and upholds business integrity. In today's globalised world, a company's supply chain often spans continents and includes multiple layers of suppliers, subcontractors, labour contractors, raw material producers and logistics providers. Because most environmental and social impacts actually occur *outside* the company's own operations, supply chain ethics have become one of the most critical components of ESG, sustainability, and risk management frameworks.

Responsible sourcing begins with a simple but powerful understanding: **every purchasing decision is also a moral, environmental, and social decision.** If a company sources cheap cotton produced with child labour, buys minerals from conflict zones, or purchases parts from factories that use excessive overtime or unsafe working conditions, it becomes complicit in these harms—even if these abuses happen far upstream. Ethical supply chain management is therefore about embedding values into procurement so that buyers consider not only cost, quality and delivery timelines, but also human rights, labour conditions, environmental impacts, and governance integrity when choosing suppliers.

At the foundation of supply chain ethics are established global principles and standards. The **UN Guiding Principles on Business and Human Rights (UNGPs)** require companies to conduct human rights due diligence across their entire value chain, identifying, preventing, mitigating and remedying human rights risks. The **International Labour Organisation (ILO)** conventions outline the core labour standards that must be upheld: no child labour, no forced or bonded labour, no discrimination, freedom of association, fair wages, and safe working conditions. Environmental and social expectations are further reinforced by frameworks such as the **OECD Guidelines for Multinational Enterprises**, **ISO 26000**, **ISO 20400 (Sustainable Procurement)**, **GRI Standards**, **BRSR (India)**, and legal requirements like the **UK Modern Slavery Act**, **German Supply Chain Act**, **EU Corporate Sustainability Due Diligence Directive (CSDDD)**, and **US import bans on forced-labour-linked goods**.

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To operationalise responsible sourcing, companies develop a **Supplier Code of Conduct**, a formal document that outlines what suppliers must adhere to. It typically covers ethical labour practices, safe working environments, fair wages, humane treatment, environmental compliance, anti-corruption obligations, business integrity, whistleblowing mechanisms, and non-discrimination. The Code becomes contractually binding and is included in vendor onboarding, procurement policies, and audit requirements. Yet responsible sourcing cannot stop at documentation; it requires thorough and ongoing **due diligence**. Companies must map their supply chains, identify high-risk geographies and sectors (e.g., agriculture, mining, textiles, construction, electronics assembly), and classify suppliers by risk level. This risk mapping allows organisations to focus their monitoring efforts where harm is most likely to occur.

Supply chain due diligence involves both **desk-based assessments** and **on-site audits**. Suppliers may first complete self-assessment questionnaires to declare their policies, certifications and practices. This step is followed by third-party or internal social audits, environmental audits, chemical management audits, ethical trade audits, or combined ESG audits. These audits evaluate working hours, wage slips, overtime practices, recruitment methods, contracts, health and safety conditions, fire safety measures, machine guarding, access to personal protective equipment, use of temporary or migrant workers, age verification, dormitory conditions, water use, waste management practices, and environmental permits. Audits also include confidential worker interviews to get truthful insights that may not appear in documentation. Increasingly, companies use digital tools, worker voice platforms, grievance hotlines, anonymous reporting apps, and whistle-blower systems that bypass management interference.

2. Key Principles

- Respect for human rights (UNGPs).
- Fair labour practices (ILO conventions).
- Environmental protection across production cycles.
- Anti-corruption and transparent procurement.
- Supplier accountability and continuous improvement.

A core principle in responsible sourcing is that when non-compliances are found, the preferred response is not to immediately terminate the relationship (unless there is severe, uncorrectable harm such as forced labour or child trafficking), but rather to support suppliers through **Corrective Action Plans (CAPs)**. These plans include clear timelines, responsibilities, remediation measures, training needs, and re-audit dates. This collaborative approach helps suppliers improve rather than hide issues. For example, if workers are found working excessive overtime, the company may work with the supplier to adjust production schedules, ensure better planning, or provide machinery upgrades. If suppliers cannot afford wastewater treatment systems, the buyer may co-invest or secure a financing partner. Capacity building—through training programs, workshops, toolkits, and mentorship—is a hallmark of mature responsible sourcing systems.

Ethical supply chains also require **anti-corruption** and **integrity controls**, as procurement is one of the business functions most vulnerable to bribery, kickbacks, conflicts of interest and fraud. Companies enforce strict tender processes, segregation of duties, financial approvals, vendor vetting, sanctions screening, conflict-of-interest declarations, and periodic internal audits. Ethical

sourcing means refusing unethical shortcuts: no bribery to win export approvals, no falsified certifications, no shell companies hiding illegal subcontracting, no collusion or bid-rigging.

3. Global Standards & Frameworks

- UN Guiding Principles on Business & Human Rights (UNGPs)
- ILO Core Labour Standards
- OECD Due Diligence Guidelines
- ISO 26000 – Social Responsibility
- ISO 20400 – Sustainable Procurement
- GRI 308 & GRI 414 – Supplier Environmental & Social Assessment
- BRSR – Indian ESG Disclosure Requirements
- Laws such as EU CSDDD, UK Modern Slavery Act, US Forced Labour Import Bans

Responsible sourcing is grounded in globally accepted principles such as the UN Guiding Principles on Business and Human Rights (UNGPs), ILO Core Conventions on labour rights, OECD due diligence guidelines, ISO 26000 and ISO 20400 standards, and ESG reporting frameworks like GRI and BRSR. These frameworks require companies to respect human rights, enforce fair labour practices, ensure safe workplaces, and minimise environmental impact across the full life cycle of goods and services. Laws such as the EU Corporate Sustainability Due Diligence Directive, UK Modern Slavery Act, and US forced labour import bans make ethical supply chain management not just voluntary but mandatory.

4. Core Responsibilities

- Establish a **Supplier Code of Conduct**
- Map supply chain (Tier 1 → Tier 2 → Tier 3)
- Identify high-risk geographies & sectors
- Conduct supplier due diligence & audits
- Use worker interviews & grievance channels
- Implement Corrective Action Plans (CAPs)
- Provide training & capacity building to suppliers
- Monitor environmental footprint (Scope 3 emissions)
- Enforce anti-corruption and transparent tendering
- Publish KPIs & sustainability disclosures

The first step in responsible sourcing is constructing a strong Supplier Code of Conduct, outlining expectations around child labour, forced labour, discrimination, wages, working hours, health & safety, environmental protection, corruption prevention, and transparency. This code becomes a binding requirement for all vendors. Companies then need to map their supply chains, identifying Tier 1 suppliers and gaining visibility into deeper tiers where risks are highest. Risk mapping is followed by due diligence, which includes supplier self-assessments, desktop reviews, third-party audits, environmental inspections, and confidential worker interviews. Modern ethical sourcing also uses digital worker voice tools, anonymous grievance mechanisms, and whistle-blower channels to reveal hidden conditions.

When issues arise, responsible sourcing encourages remediation over punishment. Companies co-create **Corrective Action Plans (CAPs),** conduct follow-up audits, and offer training or technical

assistance to help suppliers improve. This partnership-based approach strengthens long-term supply stability and avoids sudden disruption. Environmental stewardship is another core dimension: companies increasingly require suppliers to measure their emissions, adopt renewable energy, reduce waste, manage chemicals safely, protect biodiversity, and avoid deforestation—especially in resource-intensive industries. Since Scope 3 emissions constitute a large portion of a company's carbon footprint, responsible sourcing is critical for climate strategy as well.

Monitoring progress involves measurable KPIs such as the number of audited suppliers, severity of findings, closure rates of CAPs, supplier sustainability certifications, Scope 3 emissions reporting, and traceability across tiers. These indicators strengthen transparency in ESG disclosures and reassure investors, regulators, and customers that the company's supply chain is well-governed. However, challenges persist—complex global networks, hidden subcontracting, supplier resistance, document falsification, and weak local enforcement can hinder ethical sourcing. Overcoming these requires ongoing capacity building, stakeholder engagement, and strong internal governance.

5. Human Rights & Labour Components

- No child labour
- No forced/bonded labour
- Fair wages & working hours
- Safe working conditions
- Freedom of association
- Non-discrimination
- Ethical recruitment
- Protection for migrant workers

7. Monitoring & Due Diligence Tools

- Self-assessment questionnaires
- Third-party social audits
- Environmental audits
- Worker voice digital tools
- Whistleblowing hotlines
- Site inspections & re-audits
- Traceability and mapping tools

8. KPIs for Responsible Sourcing

- % suppliers signing Code of Conduct
- % high-risk suppliers audited
- of non-compliances & closure rate
- % Spend with ethical or certified suppliers
- Supplier GHG emissions reporting
- Traceability levels across tiers
- Grievances raised & resolved

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9. Challenges

- Complex multi-tier supply chains
- Hidden subcontracting
- Cost pressure → unethical shortcuts
- Weak enforcement of local laws
- Suppliers falsifying documents
- Limited visibility in raw-material sources

10. Strategic Benefits

- Lower legal & reputational risks
- Stronger supplier relationships
- Higher reliability & quality
- Competitive advantage in sustainability
- Better investor ratings
- Future-proofing against strict regulations

Ultimately, responsible sourcing delivers major strategic benefits. Companies reduce legal exposure, avoid reputational crises, secure long-term supply reliability, meet investor expectations, and align with global sustainability standards. At the same time, they help protect workers, communities, and natural ecosystems involved in creating their products. Ethical supply chains are no longer optional—they are a core component of modern business resilience and ESG excellence.

5. Case Study: Hindustan Unilever's "Shakti" Women Empowerment Program

This is written in a rich, highly detailed, narrative + analytical format suitable for ESG, Social Impact, Business Strategy, and Community Development courses.

1. Introduction: What is Project Shakti?

Project Shakti is one of India's most successful **women empowerment and rural livelihood programs**, launched by **Hindustan Unilever Limited (HUL)** in 2001.
Its core goal is simple yet transformative:

To economically empower rural women by turning them into micro-entrepreneurs who distribute and sell HUL products in remote villages.

These women entrepreneurs are called **"Shakti Ammas."**

The program covers more than **18 states**, reaches **over 1,60,000 villages**, and empowers **1,60,000+ women entrepreneurs** (latest figures vary by year).
It is widely recognised as a global benchmark for **inclusive business**, where social impact and business strategy reinforce each other.

2. Why HUL Launched Project Shakti – The Business & Social Rationale

Project Shakti was born from a dual challenge:

A. Business Challenge

- Rural India had massive demand potential but poor market penetration.
- Traditional distributors couldn't reach small, scattered villages.
- Logistics costs were too high for low-income rural segments.
- Brand awareness and availability were low in deep rural markets.

B. Social Challenge

- Rural women faced:
- Limited income opportunities
- Lack of mobility
- Low education levels
- High dependency on men
- Little access to credit
- Social constraints in work participation

HUL's Insight:

Empower rural women → improve household income → strengthen communities
AND
Create last-mile distribution → expand HUL's rural market.

A **win-win model** of shared value.

3. How Project Shakti Works – The Operating Model

Project Shakti uses an innovative **micro-entrepreneurship model**:

Step 1: Selecting Women Entrepreneurs

HUL partners with:

- NGOs
- Self-Help Groups (SHGs)
- Rural development agencies
- Panchayats

Criteria include:

- Willingness to earn
- Acceptance by the community
- Basic financial literacy
- Interest in entrepreneurship

Step 2: Training & Onboarding

HUL conducts extensive training sessions for Shakti Ammas:

Skill Development Training

- Sales techniques
- Negotiation skills
- Financial literacy
- Product knowledge
- Inventory management
- Bookkeeping
- Hygiene & FMCG usage education

Soft Skills Training

- Confidence building
- Communication
- Decision-making
- Leadership
- Public speaking

Step 3: Micro-Enterprise Setup

HUL provides:

- Starter kits with products
- Micro-credit support via SHGs/banks
- Inventory delivery
- Distributor partnership

These women then sell door-to-door or through village meetings.
Typical range of products:

- Health & hygiene items
- Soaps, detergents
- Tea, shampoo, beauty products
- Household essentials

Step 4: Market Reach Expansion

Shakti Ammas bring HUL products to:

- Small villages (population 1,000–3,000)
- Low-access markets
- Remote rural households

This makes HUL available in **regions where trucks or distributors rarely go**.

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Step 5: Continuous Support

HUL teams visit regularly to:

- Train
- Track sales
- Offer refreshers
- Provide marketing materials
- Resolve operational challenges

The model evolves through:

- **Shakti Van**: two-wheelers provided to expand coverage
- **Shakti Mobile App**: for digital ordering, training, and inventory updates

4. Social Impact – Empowering Rural Women

Project Shakti has created one of India's largest **women-led rural income networks**.

A. Financial Empowerment

- Shakti Ammas earns between ₹1,000 to ₹5,000+ per month depending on region.
- Helps families afford education, nutrition, and healthcare.
- Women gain financial independence and mobility.

B. Psychological & Social Empowerment

- Boost in confidence and decision-making power.
- Acceptance in society improves.
- Women become village influencers and trusted advisors.
- They act as role models for younger girls.

C. Community Development Impact

Shakti Ammas often becomes:

- Change agents in hygiene awareness
- Advocates of girl-child education
- Leaders of SHGs
- Participants in village committees

HUL indirectly fosters:

- Better sanitation habits
- Greater FMCG awareness
- Healthier domestic environments

5. Business Impact – Strengthening HUL's Rural Strategy

Project Shakti demonstrates how **social impact can drive business growth**.

A. Increased Rural Market Access

- Enabled HUL to penetrate villages previously unreachable.
- Expanded rural distribution without heavy capex.
- Boosted brand visibility at the last mile.

B. Sales Growth

- Shakti Ammas contributes significantly to rural sales.
- HUL reported higher growth in villages covered by Shakti compared to those without.

C. Trust-based Sales

Rural communities trust local women vendors more than external sales reps → better customer loyalty.

D. Cost Efficiency

- Lower distribution costs
- Better forecasting of rural demand
- Reduced supply chain complexity

6. Why Shakti Succeeded – Key Success Factors

1 Deep Community Embeddedness
Women chosen from inside the village → high trust, social legitimacy.

2 Simple, Low-Risk Business Model
Low investment, low working capital, high support.

3 Strong Training System
HUL trained thousands of women in business & communication.

4 Partnership Approach
Collaboration with:

- NGOs
- Government rural programs
- Self-Help Groups

5 Technology Adoption
Digital tools → better ordering, tracking, and communication.

6 Mutual Value Creation

Community benefits + HUL market expansion = sustainable model.

7. Challenges & Limitations

Despite its success, Shakti faces challenges:

A. Social Barriers

- Patriarchal norms
- Limited mobility for women
- Resistance from male family members

B. Operational Issues

- Low literacy affects financial tracking
- Stock-outs in deep rural areas
- Credit constraints for women

C. Scalability Limitations

- Not all regions have viable SHG networks
- Difficult to maintain consistent sales support
- Competition is increasing in rural FMCG markets

HUL continuously adapts the program to address these gaps.

8. Evolution of Project Shakti – Innovations Over Time

Shakti Vani

Women conduct community sessions on:

- Hygiene
- Sanitation
- Nutrition
- Menstrual health
- Water safety

Shakti Entrepreneurs 2.0
Digital literacy training + smartphone apps.

Shakti Van (Mobility Kit)
Provides bicycles/scooters to expand coverage to more villages.

Partnerships with Government Schemes
Syncing with:

- NRLM (National Rural Livelihood Mission)
- DWCRA groups
- State-level SHGs

9. ESG & Sustainability Angle

Project Shakti strongly supports:

Social (S) Pillar

- Women's empowerment
- Income growth
- Skills development
- Community inclusion

Governance (G) Pillar

- Ethical distribution networks
- Transparent procurement
- SHG partnerships

Indirect Environmental (E) Benefits

- Better awareness of hygiene & waste
- Reduced travel by central distributors

10. Key Learnings for Other Companies

1. See the community as partners, not beneficiaries
Shared value creates sustainable models.

2. Don't impose — co-create
Success depends on working with existing SHGs & community structures.

3. Empower women holistically
Training + confidence building + financial tools.

4. Digital tools improve scale & visibility
Apps, mobile payments, digital ordering.

5. Social impact can strengthen business models
Ethics and profits can grow together.

Quiz Questions & Answers

1. DEI primarily aims to create a workplace that is:

A. Competitive but exclusive
B. Diverse, fair, and psychologically safe
C. Focused only on compliance
D. Driven only by HR policies
Answer: B

2. Which of the following best describes "Equity" in DEI?

A. Giving everyone the same resources
B. Removing barriers and providing support based on individual needs
C. Promoting only gender diversity
D. Treating all employees identically
Answer: B

3. Psychological safety refers to:

A. Employees feel safe to speak up without fear
B. Only mental health leave
C. Providing medical insurance
D. Using CCTV for security
Answer: A

4. Which DEI metric measures a sense of belonging?

A. Revenue growth
B. Employee Inclusion Index
C. Operating margin
D. Sales conversion rate
Answer: B

5. An Employee Resource Group (ERG) is:

A. A disciplinary committee
B. A voluntary employee-led community supporting shared identity
C. A payroll processing team
D. A vendor management unit
Answer: B

6. Unconscious bias can be reduced by:

A. Firing employees
B. Blind hiring and structured interviews
C. Increasing overtime

D. Reducing HR budgets
Answer: B

7. Which is an example of cognitive diversity?

A. Different thinking styles and problem-solving approaches
B. Different lunch schedules
C. Same educational backgrounds
D. Same nationality
Answer: A

8. DEI directly contributes to:

A. Reduced innovation
B. Stronger team performance and creativity
C. Higher absenteeism
D. Lower employee engagement
Answer: B

9. Intersectionality refers to:

A. Hiring only one demographic group
B. Overlapping identities and experiences of discrimination
C. Reducing workforce size
D. Focus only on senior leaders
Answer: B

10. A DEI-aligned organisation prioritises:

A. Uniformity
B. Affirmative action only
C. Fair access to opportunities for all
D. Reducing training programs
Answer: C

11. Which of the following is prohibited under ILO Core Conventions?

A. Collective bargaining
B. Forced and child labour
C. Paid leave
D. Workplace training
Answer: B

12. The UN Guiding Principles (UNGP) are based on:

A. Protect–Respect–Remedy
B. Hire–Train–Fire
C. Work–Earn–Spend

D. Enforce–Punish–Reward
Answer: A

13. Freedom of Association gives workers the right to:

A. Change employers anytime
B. Form or join unions
C. Reduce working hours independently
D. Work without contracts
Answer: B

14. Which is a human rights risk in supply chains?

A. Job rotations
B. Excessive working hours and wage theft
C. Team meetings
D. Holiday bonuses
Answer: B

15. Living wage refers to:

A. Just the legal minimum wage
B. Wage that allows decent living conditions
C. Salary paid only to managers
D. Performance bonuses
Answer: B

16. Occupational Health & Safety (OHS) focuses on:

A. Office decoration
B. Worker safety and hazard prevention
C. Marketing strategies
D. Product pricing
Answer: B

17. A key responsibility of companies under human rights due diligence is:

A. Increase production targets
B. Identify and mitigate human rights risks
C. Outsource HR
D. Reduce wages during crises
Answer: B

18. Which is a form of forced labour?

A. Worker volunteering
B. Passport confiscation
C. Paid lunch breaks

D. Flexible hours
Answer: B

19. GRI 408 and 409 deal with:

A. Only revenue disclosures
B. Child labour and forced labour
C. Procurement systems
D. Carbon emissions
Answer: B

20. Migrant workers are particularly vulnerable due to:

A. Higher salaries
B. Language barriers and dependence on contractors
C. Better training
D. Full-time contracts
Answer: B

21. Employee well-being focuses on:

A. Physical, mental, financial & social health
B. Only physical fitness
C. Only salary increments
D. Holiday parties
Answer: A

22. Which program improves mental well-being?

A. EAP (Employee Assistance Program)
B. Inventory training
C. Overtime tracking
D. Sales incentives
Answer: A

23. Community development aims to:

A. Improve local economies, education, and health services
B. Increase raw material costs
C. Reduce employee count
D. Shift to automation
Answer: A

24. A well-being KPI is:

A. Absenteeism rate
B. Market share
C. Sales conversion

D. Profit margin
Answer: A

25. Financial well-being programs include:

A. Flexible leave
B. Salary advances and financial literacy
C. New logos
D. Awards and gifts
Answer: B

26. Psychologically safe workplaces encourage:

A. Fear-based leadership
B. Speaking up without punishment
C. Strict hierarchy
D. Isolation
Answer: B

27. Community skill-building programs help by:

A. Reducing digital literacy
B. Increasing employability
C. Increasing product prices
D. Reducing teamwork
Answer: B

28. A key benefit of employee well-being programs is:

A. Higher turnover
B. Enhanced productivity and retention
C. Reduced teamwork
D. More absenteeism
Answer: B

29. Livelihood programs in communities are designed to:

A. Train local youth and enhance income
B. Increase working hours
C. Limit rural employment
D. Restrict job creation
Answer: A

30. A comprehensive well-being strategy should be:

A. One-dimensional
B. Holistic and multidimensional
C. Minimal

D. Optional
Answer: B

31. Responsible sourcing ensures:

A. Only the lowest-cost suppliers are selected
B. Suppliers follow ethical, labour, and environmental standards
C. Buying without documentation
D. Avoiding transparency
Answer: B

32. A Supplier Code of Conduct includes expectations related to:

A. Product colour and design
B. Child labour, forced labour, safety, and environment
C. Office aesthetics
D. Bonus structures
Answer: B

33. Which tool is used for monitoring supplier compliance?

A. Social audit
B. Lottery system
C. Artwork review
D. Customer survey
Answer: A

34. The highest human rights risks usually occur in:

A. Corporate offices
B. Tier 2 & Tier 3 suppliers
C. Senior leadership teams
D. Urban retail stores
Answer: B

35. Forced labour risk indicators include:

A. Paid sick leave
B. Retention of passports, recruitment fees
C. Team-building activities
D. Free transport
Answer: B

36. ISO 20400 focuses on:

A. Food safety
B. Sustainable procurement
C. Employee leave

D. Packaging colour
Answer: B

37. Environmental expectations from suppliers include:

A. No waste segregation
B. Pollution control and resource efficiency
C. Discarding chemicals in rivers
D. Using illegal land
Answer: B

38. Responsible sourcing requires:

A. Zero transparency
B. Risk mapping across the supply chain
C. No supplier engagement
D. Ignoring worker complaints
Answer: B

39. A Corrective Action Plan (CAP) aims to:

A. Remove all suppliers
B. Fix non-compliances with timelines
C. Reduce product quality
D. Avoid audits
Answer: B

40. Worker voice tools help by:

A. Silencing grievances
B. Allowing direct feedback without fear
C. Blocking communication
D. Promoting brib

41. The primary goal of Project Shakti is:

A. Reduce HUL employees
B. Empower rural women as micro-entrepreneurs
C. Sell luxury goods
D. Replace distributors
Answer: B

42. Shakti entrepreneurs are known as:

A. Shakti Warriors
B. Shakti Ammas
C. Shakti Trainers

D. Shakti Scouts
Answer: B

43. Project Shakti strengthened HUL's business by:

A. Reducing rural reach
B. Improving last-mile distribution and rural penetration
C. Closing rural outlets
D. Increasing logistics costs
Answer: B

44. A major social impact of Shakti is:

A. Reduced confidence in women
B. Increased income & empowerment for rural women
C. Less community involvement
D. Fewer livelihood opportunities
Answer: B

45. HUL collaborates with which groups to identify Shakti entrepreneurs?

A. IT companies
B. NGOs and Self-Help Groups
C. Luxury brands
D. Hotels
Answer: B