

# GreenWire

ESG MAGAZINE

**HUMAN RIGHTS  
IN THE SUPPLY  
CHAIN**

**REDEFINING 'S'  
IN ESG FOR  
SUSTAINABLE  
BUSINESS GROWTH**

**LEVERAGING AI  
AND DATA FOR  
SOCIAL IMPACT**

**NAVIGATING  
SOCIAL  
REGULATIONS**

**SOCIAL METRICS  
THAT MATTER**

**MARI BISHOP**

Sustainability Data &  
Reporting – AMR Lead, JLL

**IS THE 'S' IN YOUR ESG SILENT?**



# “Unmute” the ‘S’ in your ESG: Build Resilient, Responsible Businesses

8 AM PST | 11 AM EST | 4 PM BST

**17TH DECEMBER 2024**

**Manish kumar**  
AVP - Product Management,  
Lythouse

A black and white portrait of Manish kumar, a man with glasses and a patterned shirt, smiling.

**Benjamin Kelley**  
ESG Consultant,  
Lythouse

A black and white portrait of Benjamin Kelley, a man with a beard and a white shirt with a tie, smiling.

**Derrick Lampe**  
VP - ESG Data Management,  
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## From the Editor

Welcome to this issue of GreenWire! We're digging into a topic that often gets less spotlight but is absolutely crucial—social sustainability. Yes, the "S" in ESG.

When we talk about ESG, environmental and governance topics tend to steal the show, but here's the thing: ignoring the social side of things is like trying to build a house without a foundation. Social factors—think workforce well-being, human rights, diversity—are not just ethical "nice-to-haves"; they're the backbone of resilience, trust, and long-term business success.

This issue is packed with insights on how leading companies are unmuting the "S" in their ESG strategy. You'll find stories, expert tips, and case studies that show exactly how social responsibility is transforming workplaces, building stronger brands, and even reshaping markets. We hope you enjoy exploring this essential side of sustainability with us. Let's turn up the volume on social impact together!

Enjoy the read!

*Amit Shah*

**Editor-in-Chief**



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# The Role of Social Sustainability in Corporate Strategy



With companies dedicating resources to mitigate their environmental impact and strengthen governance frameworks, the "S" in ESG—social sustainability—often gets less attention, overshadowed by the more visible and quantifiable aspects of environmental and governance factors. Social sustainability, which encompasses issues like labour rights, community engagement, employee well-being, and human rights, is equally crucial for building a resilient, sustainable organization.

## Why Does 'S' Matter as Much as 'E' and 'G'?

For years, organizations have focused on the "E" (environment) and "G" (governance) components of ESG, mainly because they're easier to measure, monitor, and manage. Environmental impact can be quantified through emissions, waste reduction, and resource consumption metrics, while governance can be improved with policies, ethical standards, and compliance measures. Social sustainability, however, tends to be more complex and subjective, making it harder to define and measure. But the reality is that social factors have a profound impact on a company's performance, reputation, and resilience.



Social sustainability touches on the well-being of employees, the rights of workers in the supply chain, the safety and inclusivity of communities, and the overall quality of human interactions within and around an organization. Neglecting the "S" can lead to a disconnect between the company and its stakeholders, resulting in decreased employee morale, reputational damage, and potential legal liabilities. The COVID-19 pandemic and movements like Black Lives Matter highlighted how central social issues are to corporate resilience and public trust. Today, consumers and employees increasingly expect companies to act responsibly, not only toward the environment but also in their treatment of people.

Research shows that companies that prioritize social sustainability often experience tangible benefits, such as stronger employee retention, increased productivity, and higher brand loyalty. A study found that companies that prioritize worker well-being, diversity, and community engagement outperform others in the stock market. Social sustainability is thus not just a moral imperative but a business strategy that can drive profitability and long-term value.

## Long-term Impacts of Ignoring Social Factors

Ignoring social sustainability is not only ethically questionable but can also have severe long-term consequences for businesses.

Learn more about the financial  
and reputational costs of  
ignoring social aspects in ESG.



**Some of the risks associated with neglecting social factors include:**

- 1. Reputational Damage:** In today's social media-driven world, corporate missteps related to social issues are likely to go viral. Issues like workplace discrimination, poor labor practices in the supply chain, or inadequate community support can damage a company's brand and erode public trust.
- 2. Regulatory and Legal Risks:** Increasingly, governments and regulatory bodies are implementing policies to ensure companies prioritize social factors. From anti-discrimination laws to health and safety regulations, companies face financial penalties and legal repercussions for failing to meet social standards. In the European Union, the Corporate Sustainability Reporting Directive (CSRD) mandates companies to report on social issues such as workforce diversity and respect for human rights.
- 3. Employee Turnover and Low Morale:** Employees are now more selective about where they work, valuing companies that show genuine concern for their well-being. Companies with a lack of focus on social sustainability often see high turnover rates, poor employee morale, and decreased productivity, all of which impact the bottom line.
- 4. Investor Backlash:** Investors are increasingly incorporating ESG factors into their decision-making. Socially responsible investing is on the rise, and institutional investors are pushing for transparency and accountability in social matters. Failing to prioritize social sustainability can deter investment from socially conscious funds and investors, limiting a company's growth potential.
- 5. Disruption of Supply Chains:** Poor labor conditions, lack of supplier diversity, and human rights abuses in the supply chain can lead to operational disruptions and reputational harm. Companies that neglect social factors in their supply chains may face boycotts, protests, and potential legal action, resulting in costly disruptions and loss of business.



## Companies that Successfully Prioritize the Social Pillar

Let's look at some examples of companies that have effectively integrated social sustainability into their strategies, creating value for both their business and stakeholders.

Unilever has long been a leader in social sustainability, focusing on enhancing livelihoods, fair wages, and community engagement across its supply chains. Through its Sustainable Living Plan, Unilever has committed to improving the lives of millions of people by promoting health, well-being, and opportunities. One of Unilever's key social initiatives is ensuring fair wages for smallholder farmers and workers within its supply chains, helping to uplift communities and support economic development. This commitment has earned Unilever a strong reputation for corporate social responsibility, and the company has reported a positive correlation between social sustainability efforts and brand growth.



Patagonia has consistently championed social causes, particularly labor rights and community support. The outdoor apparel brand is known for paying its workers fair wages, ensuring safe working conditions, and maintaining a transparent supply chain. Patagonia is also actively involved in social advocacy, taking bold stances on issues like fair labor practices and environmental justice. The company's commitment to its social values resonates with consumers, many of whom feel a personal connection to the brand's mission. Patagonia's "1% for the Planet" initiative, where it donates 1% of sales to environmental causes, has inspired other companies to adopt similar practices, demonstrating how social responsibility can enhance brand loyalty.

**patagonia**<sup>®</sup>



Microsoft has integrated social sustainability into its business model through a range of initiatives focused on diversity, equity, inclusion (DEI), and community empowerment. Recognizing that social diversity strengthens innovation, Microsoft has made strides in building an inclusive workplace and ensuring equal opportunities for people from underrepresented communities. Microsoft's global "Tech for Good" program provides resources to non-profits and community organizations, enabling them to leverage technology for social change. This commitment to social sustainability has strengthened Microsoft's reputation as a socially responsible employer and innovation leader, attracting top talent and investor interest alike.



Ben & Jerry's, the ice cream company, is well-known for its commitment to social issues, from economic justice to climate activism. The company actively supports fair trade practices, paying farmers a fair wage and ensuring ethical sourcing of ingredients. Ben & Jerry's also addresses social issues within its business model, promoting employee activism and using its platform to speak out on issues like racial inequality and LGBTQ+ rights. This social focus has not only helped Ben & Jerry's build a loyal customer base but has also enhanced its brand equity and appeal to socially conscious consumers.



## Embracing Social Sustainability for a Resilient Future

Companies that embrace social sustainability can foster stronger relationships with stakeholders and drive long-term value. When social factors are integrated into corporate strategy, businesses can unlock numerous benefits, from improved employee engagement to a more loyal customer base and even better financial performance. Social sustainability also positions companies to be resilient in the face of changing regulatory landscapes, consumer expectations, and investor priorities.



Incorporating social sustainability into corporate strategy requires companies to look beyond profitability and consider the broader impact they have on people and society. This involves not only meeting basic regulatory requirements but also going a step further to create positive social outcomes. Companies that prioritize social factors are more likely to attract talent, inspire loyalty, and secure investments in the long run, making social sustainability a critical component of futureproofing their operations.

For companies embarking on their ESG journey, the "S" should be a pillar of equal importance to the "E" and "G." Only by addressing social sustainability can businesses genuinely fulfil the promise of responsible, ethical, and sustainable operations. In the end, the social pillar is not only about the ethical treatment of people; it is a strategic asset that reinforces the integrity and resilience of the entire corporate structure.

# Workforce Wellbeing: Beyond Policies to Practice



Companies are increasingly recognizing that workforce wellbeing is not just a moral obligation but a critical driver of productivity, retention, and overall success. Many organizations have adopted policies around mental health, work-life balance, and inclusive benefits, but effective workforce wellbeing goes beyond simply having policies in place. It involves creating a genuine culture of care where employees feel supported, valued, and empowered.

## Shifting from Policy to Practice

A policy is just a piece of paper unless it is actively implemented and embraced within the organization. While many companies have adopted wellbeing policies, moving from policy to practice requires a more concerted effort and commitment. Companies that genuinely care about their employees' wellbeing work to foster a supportive environment and offer resources to ensure that employees can thrive.

- **Creating a Culture of Openness:** A critical first step in promoting workforce wellbeing is to create an open culture where employees feel comfortable discussing their mental health and wellbeing needs without fear of stigma or retribution. This starts from the top; leaders and managers need to model openness by being transparent about their own struggles and showing vulnerability.

For instance, Microsoft CEO Satya Nadella has spoken openly about his family and the challenges of balancing personal responsibilities with his work, setting a precedent that allows employees to feel safe sharing their own experiences.

- **Providing Accessible Mental Health Resources:** Mental health is a cornerstone of workforce wellbeing. Companies that prioritize mental health often provide employees with access to mental health services, such as counselling, therapy sessions, or support hotlines. Some companies, like Google, offer employees free access to licensed therapists and mental health apps. These resources should be promoted consistently and made easily accessible so that employees are aware of the support available to them.

- **Encouraging Work-Life Balance Through**

**Actionable Steps:** Companies can encourage work-life balance not only by establishing policies but by actively promoting practices that allow employees to disconnect and recharge. Flexible work hours, remote work options, and respect for personal time can make a significant difference. For example, SAP offers employees “disconnect days,” where the company discourages emails and meetings, allowing employees to take a break and focus on themselves.

- **Offering Comprehensive and Inclusive**

**Benefits:** Inclusive benefits that cater to diverse employee needs go a long way in supporting workforce wellbeing. Inclusive benefits recognize the varied needs of employees based on age, family status, or personal circumstances. For instance, some companies offer parental leave not just for mothers but also for fathers and adoptive parents. Others offer fertility assistance, gender-affirming healthcare, and eldercare support, acknowledging the different challenges employees may face.

Moving from policy to practice requires consistency, leadership buy-in, and active employee involvement. Employees need to see and feel that their wellbeing is truly valued, not just during onboarding or at annual reviews, but as part of everyday work life.



## Measuring and Reporting Workforce Wellbeing

Implementing workforce wellbeing practices is essential, but companies also need to measure and report on these efforts to understand their effectiveness and ensure continuous improvement. Measuring wellbeing can be challenging, as it involves both qualitative and quantitative metrics. However, with the right approach, companies can gain valuable insights into the wellbeing of their workforce and demonstrate accountability to stakeholders.

- 1. Employee Surveys and Feedback Mechanisms:** Employee surveys are a widely used tool for assessing workforce wellbeing. These surveys can include questions about job satisfaction, stress levels, work-life balance, and overall mental health. Regularly collecting and analyzing feedback allows companies to understand employee sentiment and identify areas that need improvement. For example, Salesforce conducts bi-annual wellbeing surveys, which provide valuable data on employee satisfaction and highlight areas where adjustments are needed.
- 2. Wellbeing Indicators:** Companies can track key wellbeing indicators, such as absenteeism, turnover rates, productivity metrics, and even participation rates in wellness programs. High absenteeism or turnover could indicate underlying wellbeing issues, while high engagement in wellness programs suggests employees find value in these resources. Additionally, tracking the usage of mental health resources (while maintaining confidentiality) can help companies gauge the need for further support or adjustments in their offerings.
- 3. Real-Time Monitoring Tools:** Some companies have started to use real-time monitoring tools, such as pulse surveys, to get instant feedback from employees. Pulse surveys, conducted weekly or monthly, provide a more frequent and updated snapshot of employee wellbeing compared to traditional annual surveys. Tools like Culture Amp and Glint allow companies to gather data on employee mood, engagement, and wellbeing, offering valuable insights for timely interventions.
- 4. Transparency in Reporting:** Reporting workforce wellbeing metrics is a powerful way to demonstrate accountability and commitment. Many companies now include wellbeing metrics in their ESG or annual reports, making this information accessible to employees, investors, and other stakeholders. Unilever, for example, reports on its mental health initiatives and employee wellbeing statistics, showing a commitment to transparency and fostering trust with stakeholders.
- 5. Setting and Monitoring Wellbeing Goals:** Just as companies set targets for financial performance, they can also set specific, measurable goals for workforce wellbeing. These might include reducing turnover rates, increasing employee satisfaction scores, or achieving a higher utilization rate of wellness resources. Tracking progress against these goals provides a clear indication of where wellbeing programs are effective and where improvements may be needed.

By measuring and reporting workforce wellbeing, companies can ensure they are taking a data-driven approach to enhancing employee satisfaction and identifying areas for improvement. Transparent reporting also signals to employees that their wellbeing is a core business priority.





## The Impact of Wellbeing on Productivity and Retention

Investing in workforce wellbeing is not just an ethical choice; it's a strategic one with direct business benefits. Numerous studies have shown that companies with high employee wellbeing have higher productivity, lower turnover, and a more engaged workforce. Let's explore the impact of wellbeing on productivity and retention in more detail.

- 1. Enhanced Productivity:** Employees who feel supported tend to perform better. A positive work environment, where mental health is prioritized and work-life balance is respected, can lead to higher motivation, creativity, and focus. Research from the World Health Organization (WHO) found that every \$1 invested in mental health returns \$4 in improved productivity. Employees who feel valued and cared for are less prone to burnout, leading to more consistent performance.
- 2. Reduced Turnover and Increased Retention:** High turnover rates can be costly for organizations, both financially and in terms of lost talent and knowledge. Companies that invest in employee wellbeing can significantly reduce turnover, as employees are more likely to stay in workplaces where they feel appreciated and supported. For instance, Adobe's commitment to workforce wellbeing has helped it maintain a low turnover rate in a highly competitive industry. Offering robust wellbeing resources can also make a company more attractive to top talent, as job seekers are increasingly looking for employers that prioritize health and work-life balance.
- 3. Building Resilience and Engagement:** Workforce wellbeing programs can also help build a resilient and engaged workforce, which is essential during times of crisis or rapid change. When employees feel supported by their employer, they are more likely to stay committed to the organization, even in challenging times. An engaged workforce is also more likely to contribute new ideas, collaborate effectively, and go above and beyond in their roles. For example, during the COVID-19 pandemic, companies that had already established wellbeing programs found that employees were better equipped to adapt to remote work and deal with the challenges of the new normal.

**Strengthened Company Reputation:** Companies known for prioritizing employee wellbeing often enjoy a stronger reputation, both as an employer and as a brand. Consumers and investors are increasingly drawn to companies that treat their employees well, and a reputation for positive workforce wellbeing can enhance brand loyalty and public trust. In a world where corporate responsibility is under constant scrutiny, a commitment to employee wellbeing can be a differentiator that attracts customers, investors, and top talent alike.

Explore How Diversity and Inclusion Drive Corporate Success in ESG

# Diversity, Equity, and Inclusion (DEI) Beyond Numbers

**Diversity, Equity, and Inclusion (DEI) has become a priority for businesses across industries, driven by social pressures, regulatory requirements, and the growing understanding that a diverse and inclusive workplace contributes to better business outcomes. However, for DEI initiatives to be truly impactful, they need to go beyond surface-level changes or the mere representation of diverse identities. DEI cannot be reduced to a "box-ticking" exercise to meet quotas; it must involve a genuine commitment to creating an inclusive environment where every employee feels valued and empowered.**

## **Building an Inclusive Workplace that Empowers Underrepresented Groups**

Building an inclusive workplace goes beyond just hiring people from diverse backgrounds. It requires creating an environment where individuals feel that they belong, can be themselves, and have equal opportunities to thrive. An inclusive culture doesn't happen overnight; it is cultivated through intentional practices, policies, and a commitment to equity at every level.



- 1. Representation and Inclusion:** True inclusivity means ensuring that underrepresented groups have not only a place within the company but also a voice in decision-making. For instance, many companies now implement employee resource groups (ERGs) for various demographics, such as women, LGBTQ+ individuals, and people of colour. These groups provide a platform for underrepresented voices, allowing them to share their experiences, address challenges, and build community within the organization. However, for ERGs to be effective, they must be empowered with resources and supported by leadership.
- 2. Promoting Psychological Safety:** Inclusion is not just about having diverse voices but also about creating a safe environment where employees feel comfortable expressing themselves without fear of bias, retaliation, or judgment. Companies like Google have embraced the concept of psychological safety, where employees are encouraged to take risks and speak openly. Psychological safety is essential for innovation and growth, as it encourages employees to bring their full selves to work.
- 3. Providing Equal Growth Opportunities:** Empowering underrepresented groups involves giving them access to the same career advancement opportunities as others. This includes mentorship programs, leadership training, and clear, unbiased criteria for promotions. Research shows that having diverse representation in leadership positions is crucial, as it reinforces the message that anyone can succeed within the organization, regardless of their background. For example, companies like Accenture have mentorship programs specifically designed to support women and minorities in achieving leadership roles, helping to break down barriers to advancement.
- 4. Fostering Allyship:** Allyship plays a vital role in building an inclusive workplace. Allies—those who actively support marginalized groups—are essential in championing inclusivity. Companies can encourage allyship by providing training and resources on how to be a supportive colleague. For example, PwC offers allyship training to help employees understand the importance of supporting underrepresented colleagues and how to act as advocates. Building a culture of allyship encourages everyone to contribute to a more inclusive environment, making diversity a shared responsibility across the organization.

Creating an inclusive workplace is an ongoing process that requires leadership commitment, employee involvement, and regular reassessment. By fostering an environment where underrepresented groups feel empowered and valued, companies can build a culture of true inclusivity that goes beyond numbers.





## How to Avoid Performative DEI Initiatives

Performative DEI initiatives are actions that are outwardly progressive but lack depth and genuine impact. These "token" actions often serve as a company's way of appearing socially conscious without committing to meaningful change. Examples of performative DEI include hiring a diverse group of employees to meet quotas, making public statements without acting, or organizing one-off events that do not address systemic issues.

- 1. Aligning DEI Goals with Core Values:** For DEI initiatives to be authentic, they must align with the company's core values. When DEI is seen as a business imperative rather than a PR move, companies are more likely to commit to long-term change. Patagonia, for example, has woven inclusivity and social responsibility into its corporate ethos, making DEI a natural part of its mission rather than a superficial addition.
- 2. Backing DEI Efforts with Resources:** One way to distinguish genuine DEI initiatives from performative ones is by examining the resources allocated to them. Real commitment requires funding, dedicated teams, and executive sponsorship. Companies that are serious about DEI invest in training programs, establish dedicated DEI teams, and set aside budgets for continuous education and development. Starbucks, for instance, committed substantial resources toward DEI training for all employees after a highly publicized incident involving racial bias. The company not only acknowledged the issue but invested in long-term solutions to address it.
- 3. Engaging Leadership in DEI Efforts:** Leaders play a pivotal role in setting the tone for DEI efforts. If DEI is merely a human resources initiative without support from top management, it is unlikely to result in meaningful change. Companies can avoid performative DEI by holding leadership accountable for DEI goals, which may include including DEI metrics in performance reviews or tying executive compensation to DEI outcomes. Leaders who are vocal and proactive about DEI inspire genuine change within the organization.
- 4. Avoiding "One-Size-Fits-All" Approaches:** Each organization and team is unique, and DEI initiatives should reflect that diversity rather than adopting generic, one-size-fits-all approaches. Companies should assess the specific needs of their employees and tailor DEI initiatives accordingly. For instance, instead of a single mandatory DEI training, companies can offer a variety of programs addressing different issues, such as unconscious bias, cultural competence, and inclusive leadership, so that employees can choose areas relevant to their experiences and needs.



## Measuring the Impact of DEI on Business and Society

For DEI initiatives to have a lasting impact, companies must measure their effectiveness. While it can be challenging to quantify inclusion and equity, there are key metrics and indicators that can help companies assess the impact of their DEI efforts on both business performance and social outcomes.

- 1. Diversity Metrics:** Traditional metrics, such as the demographic composition of employees at different levels, are essential for assessing representation within the company. Companies can track metrics related to gender, race, ethnicity, and other demographics across departments, roles, and leadership positions. However, these metrics alone are insufficient—they provide a snapshot of diversity but do not measure inclusion or equity.
- 2. Inclusion and Belonging Surveys:** Surveys are a powerful tool for measuring how employees feel within the workplace. Inclusion and belonging surveys assess whether employees feel valued, respected, and accepted for who they are. They also measure psychological safety, which is critical for productivity and innovation. Companies like LinkedIn conduct “belonging pulse” surveys that provide insights into employees’ perceptions of inclusion, helping to identify areas for improvement.
- 3. Retention and Promotion Rates:** Tracking retention and promotion rates among underrepresented groups can reveal inequities within the organization. If diverse employees are consistently leaving at higher rates or not advancing as quickly as others, it may indicate a lack of inclusivity or systemic bias. Companies can use this data to identify barriers and implement targeted solutions, such as mentorship programs or leadership development opportunities.



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4. **Business Performance Metrics:** Numerous studies link diversity and inclusion with better financial performance, as diverse teams tend to be more innovative and adaptable. Companies can track metrics such as productivity, employee engagement, and profitability to see if DEI initiatives contribute to improved outcomes. For example, McKinsey’s research consistently shows that companies with diverse leadership teams outperform less diverse counterparts, making a compelling business case for DEI.
5. **Social Impact Metrics:** Beyond internal metrics, DEI also has a broader social impact. Companies can measure their societal influence by tracking community engagement, partnerships with diverse suppliers, and corporate social responsibility (CSR) initiatives that support marginalized communities. For instance, Nike tracks its impact on communities by measuring the diversity of suppliers and the outcomes of its CSR programs, demonstrating a commitment to equity beyond the organization.

By measuring the impact of DEI, companies can hold themselves accountable and demonstrate the value of DEI to stakeholders, including employees, investors, and customers. Metrics allow organizations to track progress, set goals, and refine their strategies over time, ensuring that DEI remains an integral part of their business model.

See How Experts Are [Leveraging Dei for Long-Term Business Success](#).

# Human Rights in the Supply Chain: A Growing Responsibility

In this globalized world, businesses often rely on complex, multi-tiered supply chains that span numerous countries and industries. While this interconnectedness can drive efficiency and cost-effectiveness, it also raises significant challenges, particularly concerning human rights and labour practices. As consumer awareness grows and regulations tighten, companies are facing increased scrutiny over the treatment of workers within their supply chains. The responsibility to uphold human rights has become not just a legal or ethical imperative but a key component of sustainable business practices.



## Identifying and Addressing Human Rights Risks in the Supply Chain

The supply chain is often an unseen part of a company's operations, and for many years, it was left largely unexamined by those outside procurement and logistics teams. However, with increasing awareness of labour abuses, child labour, forced labour, and poor working conditions in various regions, human rights in the supply chain have become a top concern for businesses and consumers alike.

Experts suggest that identifying human rights risks requires a comprehensive approach that begins with mapping the entire supply chain. "Many companies don't have visibility beyond their first-tier suppliers, making it difficult to know where risks lie," says a human rights consultant who works with multinational corporations to improve supply chain transparency. According to a recent study, in 2024, only 45% of companies reported having a clear view of human rights risks beyond their direct suppliers. This lack of transparency leaves companies vulnerable to reputational and operational risks associated with human rights abuses.

To address these risks, companies are increasingly adopting proactive risk assessment strategies. A risk assessment often involves analyzing factors such as geographic location, industry, and the specific processes involved in producing goods or services. For example, the garment industry, which is known for labour-intensive processes, poses significant risks due to its reliance on low-cost labour in developing countries. Experts recommend that companies should conduct regular audits and partner with local organizations to gain insights into labour practices and address violations when they occur.

Moreover, addressing human rights risks in the supply chain requires companies to set clear policies and expectations for their suppliers. These policies should be aligned with internationally recognized standards, such as the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the International Labour Organization (ILO) standards. By establishing a code of conduct that suppliers must adhere to, companies can create a baseline for acceptable practices and communicate their commitment to ethical sourcing.

In an interview, a supply chain analyst at a global technology company, shared that her organization has developed a "human rights scorecard" for evaluating suppliers. "We assess each supplier based on factors like worker safety, wage fairness, and overall working conditions. Suppliers who fall below our standards are given a period to improve; if they don't comply, we phase them out," she said. Such practices enable companies to take a more systematic and consistent approach to human rights across their supply chains.

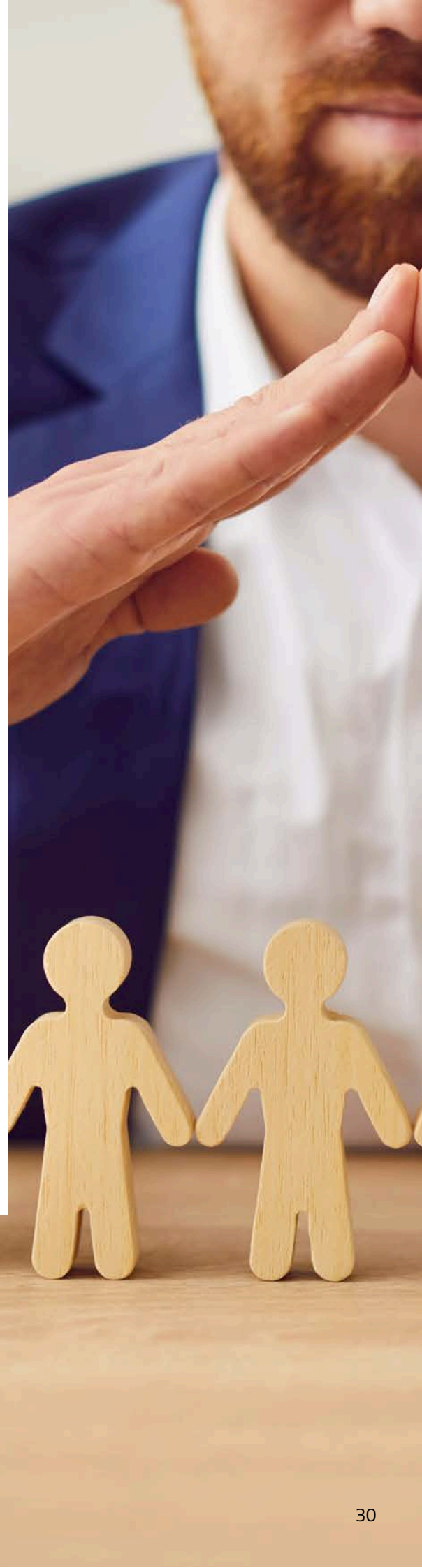
### Know Why Ethical Supply Chains Are Essential for ESG Compliance

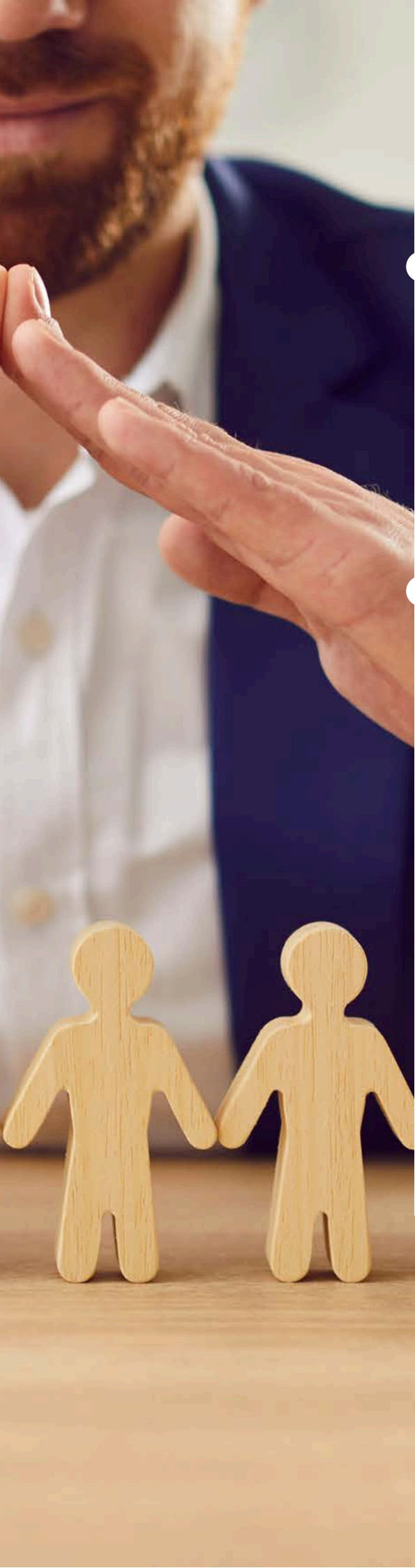


## Tools and Frameworks for Transparency and Accountability

In recent years, a range of tools and frameworks has emerged to help companies monitor and improve human rights practices within their supply chains. These tools not only enhance transparency but also hold suppliers accountable, providing companies with actionable data to drive continuous improvement.

- 1. Blockchain for Supply Chain Transparency:** Blockchain technology has been gaining traction as a powerful tool for enhancing transparency in supply chains. By creating an immutable record of transactions, blockchain enables companies to trace products back to their origins, ensuring that they meet ethical standards. "Blockchain allows us to track each stage of production, so we can identify if and where labour abuses might occur," says a technology specialist focused on ethical sourcing. Blockchain's decentralized nature makes it more difficult for any single entity to manipulate data, which is particularly valuable in preventing fraudulent reporting by suppliers.
- 2. Supplier Audits and Certifications:** Conducting supplier audits is a fundamental practice for ensuring compliance with human rights standards. Certifications like Fair Trade, SA8000, and BSCI (Business Social Compliance Initiative) serve as third-party validations that suppliers are meeting certain labour standards. These certifications often require regular audits, which help companies maintain oversight of their suppliers. According to industry data, 64% of companies surveyed in 2024 now mandate some form of third-party certification for high-risk suppliers, underscoring a shift toward greater accountability.





- 1. Human Rights Due Diligence (HRDD):** HRDD frameworks are structured approaches to identifying, preventing, and mitigating human rights risks within supply chains. The UNGP provides a widely recognized framework for HRDD, recommending that companies conduct due diligence not only in their direct operations but also across their entire value chain. HRDD involves assessing risks, integrating findings into corporate policies, tracking performance, and communicating transparently with stakeholders. Companies that implement HRDD are better positioned to detect potential human rights violations early, minimizing risk and reinforcing their commitment to ethical practices.
- 2. Digital Platforms for Real-Time Monitoring:** Advances in technology have led to the development of specialized platforms like Lythouse, which provide real-time insights into supplier practices and human rights compliance. Lythouse offers digital dashboards that track supplier adherence to labour standards, providing a centralized, data-driven view of human rights practices across the entire supply chain. By leveraging the Lythouse platform, companies can quickly detect any non-compliance issues, initiate corrective actions, and ensure a higher level of transparency and accountability.
- 3. Stakeholder Collaboration:** Companies are also working collaboratively with NGOs, industry groups, and governmental organizations to improve supply chain transparency. Multi-stakeholder initiatives, such as the Ethical Trading Initiative (ETI) and the Responsible Business Alliance (RBA), bring together companies, civil society, and government agencies to promote ethical practices. Through these partnerships, companies can share best practices, gain insights, and develop industry-wide solutions to complex human rights issues.

## Real-World Examples of Companies Leading in This Area

Many companies are taking proactive steps to protect human rights within their supply chains, serving as examples for others to follow. By committing to transparency, setting rigorous standards, and holding suppliers accountable, these organizations demonstrate that ethical sourcing is not only feasible but also beneficial for business.



**Nestlé:** Nestlé, one of the world's largest food and beverage companies, has long faced scrutiny over labour practices in its cocoa supply chain. In response, Nestlé developed the Nestlé Cocoa Plan, which focuses on tackling child labour, improving working conditions, and providing fair wages for cocoa farmers. The company also introduced a traceability system, supported by blockchain technology, to monitor its supply chain and ensure compliance with human rights standards. "Transparency has been instrumental in building trust with our consumers and investors," Nestlé's Chief Sustainability Officer said in an interview. The company's efforts are a testament to the power of transparency and accountability in improving human rights practices.

**Patagonia:** Known for its commitment to social and environmental responsibility, Patagonia has implemented stringent policies to ensure human rights are upheld in its supply chain. The company has established a comprehensive code of conduct for suppliers and regularly conducts third-party audits to ensure compliance. In addition, Patagonia works closely with NGOs to address specific human rights issues in regions where it sources materials. In one of its recent reports, Patagonia disclosed its entire supply chain, including a list of factories, creating a new standard for transparency in the apparel industry.

**Apple:** Apple has been proactive in addressing human rights in its global supply chain, particularly in its efforts to eliminate forced labour and improve working conditions at its suppliers' facilities. The company conducts rigorous audits across its supply chain and partners with local organizations to provide workers with resources on labour rights. Apple also publishes an annual Supplier Responsibility Report, detailing its efforts to uphold human rights and address violations. According to Apple's 2024 report, the company achieved 100% compliance with its Supplier Code of Conduct for direct suppliers, a significant milestone in its commitment to ethical sourcing.

**IKEA:** IKEA has implemented the IWAY Standard, a code of conduct for suppliers that includes strict guidelines on working conditions, wages, and environmental impact. The company regularly conducts unannounced audits to ensure compliance and works with suppliers to address non-compliance issues. IKEA's transparent approach has allowed it to quickly address human rights risks, earning it a reputation as a socially responsible brand. In recent interviews, IKEA's sustainability director emphasized that ethical sourcing is integral to the company's business model, not merely a reaction to public pressure.

Employee activism has become a transformative force within modern organizations, with workers increasingly using their collective voice to champion social, environmental, and ethical changes. This shift signals a new era where employees expect companies to align with their values, pushing for transparency, accountability, and action on issues they care about. As companies respond, they face the challenge of balancing business priorities with the evolving expectations of a more vocal and socially conscious workforce.

# Employee Activism and Corporate Responsiveness





## Listening to Employees as Stakeholders

In a traditional business model, employees were seen mainly as labour providers, tasked with executing corporate objectives. However, the modern workforce increasingly views itself as a core stakeholder group whose concerns and values deserve to be heard and considered. Treating employees as stakeholders means acknowledging their role in shaping the company's culture, reputation, and social impact. By listening to employees and involving them in decision-making, companies can build a more inclusive, engaged, and loyal workforce.

Experts suggest that employee activism often stems from a disconnect between corporate values and employee values. "Employees want to feel that they are part of an organization that aligns with their own beliefs and principles," says a workplace psychologist specializing in employee relations. "When they feel that their voices are ignored or that the company is acting in a way that contradicts its stated values, they are more likely to speak out." 68% of companies reported a significant increase in employee-led initiatives advocating for environmental, social, and ethical issues, according to a survey by the Global Business Ethics Association.

One of the most effective ways to listen to employees is through regular communication channels, such as town hall meetings, focus groups, or employee surveys. These forums allow employees to share their concerns and ideas directly with leadership. For instance, at Salesforce, employees have regular opportunities to engage with CEO Marc Benioff and other executives through Q&A sessions and feedback forums. Salesforce's leadership team has established a culture where employee input is encouraged and valued, fostering a sense of trust and empowerment.

Moreover, involving employees in corporate social responsibility (CSR) and sustainability planning can ensure that their concerns are genuinely integrated into the company's strategic objectives. Some companies, like Unilever, have formalized this process by creating employee councils or advisory groups that provide input on CSR policies and decisions. These groups help bridge the gap between leadership and employees, ensuring that the company's direction aligns with the values of its workforce.

**"Empowered employees are a company's greatest asset in driving meaningful change."**





## How to Manage and Respond to Activism Constructively

Employee activism can be challenging for organizations, especially when it brings attention to controversial or divisive issues. However, companies that respond constructively to employee activism can harness it as an opportunity for growth, innovation, and positive change. Responding to activism requires a balanced approach that respects employees' voices while considering the company's broader business objectives.

Experts emphasize on the importance of creating a safe space for employees to express their views. "If companies try to suppress activism or dismiss employees' concerns, it only creates more resentment and fuels the movement," explains a corporate governance consultant. "Instead, companies should engage in open dialogue and acknowledge the legitimacy of employees' perspectives."

- 1. Encourage Open Dialogue:** When employees feel empowered to voice their opinions without fear of retaliation, they are more likely to engage constructively. Open dialogue creates a foundation for mutual understanding and collaboration. For example, Google introduced an internal platform called "Dory," where employees can submit questions or comments on any topic, and other employees can upvote or downvote these posts. The most popular questions are then addressed directly by leadership, ensuring that employees feel heard and valued.



2. **Acknowledge and Validate Concerns:** Even if a company cannot implement every suggestion from employees, acknowledging their concerns can go a long way in building trust. For instance, Amazon faced criticism from its employees in 2020 over its climate policies. In response, the company launched the "Climate Pledge" and committed to achieving net-zero carbon emissions by 2040. Although Amazon may not have met all employee demands, its willingness to respond and make changes demonstrated a respect for employee voices.
3. **Provide Constructive Channels for Activism:** Companies can channel employee activism into constructive initiatives by providing avenues for employees to participate in social impact projects. This approach allows companies to align employee activism with business goals. For example, Microsoft's "Hack for Good" program allows employees to work on social impact projects related to issues like climate change and community support. This initiative not only gives employees a platform for activism but also allows Microsoft to leverage their passion and skills to drive positive change.
4. **Establish Clear Guidelines for Advocacy:** While open dialogue is essential, companies should also set guidelines for employee advocacy to ensure that activism is aligned with company values and policies. These guidelines should clarify acceptable forms of activism, such as petitions, open letters, or peaceful demonstrations, and explain any restrictions on activities that may conflict with the company's operational goals. By setting expectations, companies can create a constructive environment for activism without disrupting business operations.

## Companies Adapting to This Shift

Several companies have set strong examples of how to navigate employee activism successfully, showing how responsive and inclusive practices can strengthen organizational resilience and reputation.

- 1. Google and Employee Walkouts:** In 2018, thousands of Google employees participated in a walkout to protest the company's handling of sexual harassment allegations and its policies on forced arbitration. Rather than ignoring the demonstration, Google's leadership responded by implementing new policies, including ending forced arbitration for sexual harassment claims. This response showed Google's willingness to listen to employees and make changes, even on sensitive issues. Although the walkout highlighted significant internal issues, Google's constructive response helped rebuild trust and demonstrated a commitment to evolving its policies in line with employee expectations.
- 2. Starbucks and Racial Bias Training:** In 2018, Starbucks faced backlash after an incident in which two Black men were arrested while waiting in a Philadelphia store. This event led to calls for increased awareness and sensitivity to racial bias within the company. In response, Starbucks took swift action, closing more than 8,000 U.S. stores for an afternoon of racial bias training for 175,000 employees. The company also committed to long-term changes, including new diversity initiatives and more inclusive hiring practices. Starbucks' decision to acknowledge the incident and take immediate action demonstrated its responsiveness to employee and public concerns.
- 3. Microsoft's Climate Commitment:** Microsoft has been proactive in addressing employee activism related to climate change. In 2019, Microsoft employees organized to demand that the company take stronger action on climate issues, specifically calling for the company to cut ties with fossil fuel companies. Microsoft responded by announcing an ambitious plan to become carbon negative by 2030, remove all carbon it has ever emitted by 2050, and establish a \$1 billion Climate Innovation Fund to accelerate the development of climate solutions. This response reinforced Microsoft's commitment to environmental responsibility and showed its readiness to listen to employees and adapt its policies accordingly.
- 4. Amazon and Employee Activism for Climate Action:** Amazon employees formed the group Amazon Employees for Climate Justice, advocating for the company to adopt more stringent environmental policies. This group has been vocal in pressing Amazon to commit to greater transparency and accountability in its environmental practices. In response, Amazon launched The Climate Pledge, committing to achieve net-zero carbon emissions by 2040 and become a leader in sustainability. Although some tensions remain, Amazon's climate commitments are a significant step toward aligning the company's operations with its employees' environmental values.



# Navigating Social Regulations: Staying Ahead of Global Standards

As businesses expand across borders and stakeholders demand higher standards of accountability, social regulations are evolving rapidly worldwide. These regulations, which often address issues like labour rights, human rights, supply chain transparency, and diversity and inclusion, are no longer optional for companies aiming to stay competitive and compliant. For organizations, staying ahead of these global standards is not just a matter of avoiding penalties—it's about protecting brand reputation, fostering sustainable growth, and meeting the expectations of investors, consumers, and employees.



## Overview of Global Social Regulations

The landscape of social regulations is constantly evolving, with new directives and frameworks being introduced to ensure businesses operate ethically and transparently. From the UN Guiding Principles on Business and Human Rights to the EU Corporate Sustainability Reporting Directive, these regulations set the foundation for responsible business practices.

Experts suggest that companies that proactively engage with social regulations not only mitigate legal risks but also enhance their competitive advantage. "Social regulations are no longer just about compliance," says an international law consultant specializing in corporate responsibility. "They are about demonstrating a commitment to ethical business practices, which is increasingly valuable to stakeholders."

Around 75% of large corporations reported that they had strengthened their compliance programs to address evolving social regulations, according to a survey by the World Business Council for Sustainable Development (WBCSD).

**UN Guiding Principles on Business and Human Rights (UNGP):** The UNGP, established in 2011, outlines the corporate responsibility to respect human rights, emphasizing the need for due diligence and risk management. This framework applies globally, urging companies to identify, prevent, and mitigate any negative human rights impacts in their operations and supply chains. While not legally binding, the UNGP has influenced many national and regional regulations, including the EU's Corporate Sustainability Reporting Directive (CSRD).

**EU Corporate Sustainability Reporting Directive (CSRD):** The CSRD, introduced by the European Union, requires companies to report on a range of ESG factors, including social and human rights impacts, supply chain practices, and diversity.





It significantly expands the scope of the previous Non-Financial Reporting Directive (NFRD) and is expected to impact around 50,000 companies operating in or trading with the EU. Non-compliance can lead to substantial fines and reputational damage, making it imperative for businesses to understand and prepare for these reporting requirements.

- 1. Modern Slavery Act (UK and Australia):** The UK and Australia have introduced legislation that mandates companies to disclose efforts to prevent slavery and human trafficking within their supply chains. This requires companies to conduct regular risk assessments, develop anti-slavery policies, and report on their actions to mitigate modern slavery risks. Non-compliance can lead to legal action and exclusion from public procurement opportunities, putting companies at a disadvantage.
- 2. California Transparency in Supply Chains Act:** In the United States, California's transparency law mandates companies with a certain revenue threshold to disclose information about their efforts to eliminate human trafficking and forced labour in their supply chains. While compliance is only required for businesses operating in California, it sets a standard that companies with a global presence may wish to follow to avoid reputational risk.
- 3. ILO Conventions on Labor Standards:** The International Labour Organization (ILO) sets global standards for labour practices, including child labour, forced labour, and freedom of association. Many countries have incorporated ILO standards into their laws, meaning companies operating internationally need to ensure compliance with these fundamental labour rights to avoid sanctions.

These regulations reflect a global trend toward transparency, ethical practices, and corporate accountability. Businesses that comply with these standards not only meet legal requirements but also enhance their credibility and trustworthiness.

## How to Prepare for Compliance and Avoid Penalties

Given the complexity and regional variations in social regulations, compliance can be challenging for companies, particularly those with global operations. However, a proactive approach to compliance can minimize the risk of penalties, legal repercussions, and reputational harm.

Experts suggest that companies should adopt a structured approach to regulatory compliance. "Compliance is not a one-time task; it requires ongoing commitment and adaptation," explains a compliance officer at a multinational technology company. "Companies that integrate compliance into their business strategy are better positioned to adapt to changing regulations."

**Conducting Comprehensive Social Audits:** Social audits are a valuable tool for assessing a company's current practices and identifying areas where they may fall short of regulatory requirements. Regular audits, often conducted by third-party firms, can help companies evaluate their policies on labour rights, workplace safety, diversity, and supply chain practices. For example, Nestlé regularly conducts social audits within its cocoa supply chain to ensure compliance with the Modern Slavery Act and other human rights standards. By identifying gaps, companies can take corrective actions before facing regulatory scrutiny.

**Implementing Due Diligence Processes:** Due diligence is essential for identifying and mitigating risks related to human rights and labour standards within the supply chain. This involves conducting risk assessments, monitoring supplier practices, and establishing procedures to address any potential violations. The UNGP encourages companies to adopt a risk-based approach, focusing on high-risk regions and industries. Companies like Unilever have developed due diligence frameworks that allow them to identify human rights risks proactively, thereby reducing their exposure to legal and reputational risks.





### **Developing Robust Reporting**

**Systems:** Social regulations often require companies to report on their efforts to uphold human rights and ethical practices. Developing a transparent reporting system enables companies to meet these requirements and demonstrate their commitment to stakeholders. The EU's CSRD, for example, mandates that companies report on a wide range of ESG factors, including social impacts. Many companies are now investing in specialized reporting software that helps them collect, analyze, and disclose social data effectively.

### **Training and Capacity Building:**

Compliance is not just the responsibility of the legal department; it requires a company-wide effort. Companies can prepare for regulatory compliance by training employees on social standards, ethical practices, and reporting requirements. Training programs should be tailored to different roles within the organization, ensuring that everyone—from executives to supply chain managers—understands their role in maintaining compliance.

### **Establishing Clear Policies and Codes of Conduct:**

**of Conduct:** A clear code of conduct can set the foundation for compliant practices across the organization and its supply chain. Companies should establish policies that reflect the requirements of social regulations, such as anti-discrimination, anti-slavery, and human rights standards. These policies should be communicated to all stakeholders, including employees, suppliers, and business partners.



## Tools for Tracking Social Regulatory Changes

With the pace of regulatory change accelerating, it can be challenging for companies to keep track of new and evolving standards. Fortunately, a range of tools and platforms is available to help businesses monitor regulatory updates, assess compliance, and respond proactively.

- 1. Regulatory Intelligence Software:** Regulatory intelligence platforms, such as Thomson Reuters Regulatory Intelligence and LexisNexis Compliance Insight, allow companies to track social and ESG regulations across different jurisdictions. These tools provide real-time updates on new laws and amendments, enabling companies to adjust their policies and practices in response to regulatory changes. According to a survey, over 80% of multinational corporations now use regulatory intelligence software to monitor changes in social regulations.
- 2. Compliance Management Platforms:** Compliance management platforms, such as MetricStream and NAVEX Global, enable companies to centralize and manage their compliance processes. These tools often include features for tracking regulatory changes, conducting risk assessments, and generating reports for regulatory agencies. By integrating compliance data in a single platform, companies can streamline their processes and reduce the risk of oversight.
- 3. Third-Party Audits and Certifications:** For companies with extensive supply chains, third-party audits and certifications provide an additional layer of oversight. Certifications like BSCI (Business Social Compliance Initiative) and SA8000 ensure that suppliers meet social standards, particularly in high-risk areas. These certifications not only help companies stay compliant but also enhance transparency with stakeholders.
- 4. Regular Engagement with Legal and Industry Experts:** Staying updated on regulatory changes often requires input from legal experts and industry associations. Many companies regularly consult with legal teams or engage in industry forums to discuss upcoming regulations and best practices. For example, companies that are part of the Responsible Business Alliance (RBA) benefit from resources, training, and networking opportunities related to social compliance.
- 5. Internal Compliance Committees:** Establishing an internal compliance committee dedicated to tracking social regulations can ensure that the organization remains up to date on legal requirements. These committees, which often include representatives from legal, HR, and supply chain departments, regularly review regulatory updates and advise on necessary adjustments to policies and practices.

# Social Metrics that Matter: Measuring the Intangible

As Environmental, Social, and Governance (ESG) factors become central to business strategies, the “S” or social pillar is gaining increasing attention from stakeholders and investors. However, measuring and reporting on social impact remains a challenge, as these metrics often feel intangible and difficult to quantify. While it’s relatively straightforward to track carbon emissions or energy use, social impact metrics like employee well-being, community engagement, and human rights adherence require nuanced and carefully considered approaches

## Identifying KPIs for the Social Pillar

The first step in measuring social impact is identifying relevant KPIs that align with a company’s goals and resonate with stakeholders. Social metrics cover a broad range of areas, from labour practices and community impact to diversity and inclusion and selecting the right KPIs is crucial for capturing meaningful insights. Experts suggest that companies should tailor their KPIs to reflect the unique aspects of their industry and the social issues most relevant to their business.





- 1. Employee Well-being and Retention:** One of the most commonly tracked social metrics is employee well-being, which encompasses physical and mental health, job satisfaction, and work-life balance. According to a 2024 survey by the Society for Human Resource Management, 78% of companies reported that tracking employee well-being has improved their retention rates. Common KPIs in this area include employee satisfaction scores, absenteeism rates, and voluntary turnover rates. These indicators can provide insight into workplace culture and help identify areas where employee support can be enhanced.
- 2. Diversity, Equity, and Inclusion (DEI):** DEI metrics are essential for demonstrating a commitment to fair treatment and opportunity for all employees, regardless of gender, race, age, or other attributes. Relevant KPIs may include representation of diverse groups at different levels, pay equity ratios, promotion rates for underrepresented groups, and inclusivity scores from employee surveys. For example, Starbucks tracks its DEI progress by publishing annual reports on workforce diversity and pay equity, providing transparency and accountability in its commitment to inclusivity.
- 3. Community Engagement and Impact:** Companies that engage meaningfully with local communities are often better positioned to build trust and brand loyalty. KPIs for community engagement may include the number of volunteer hours contributed by employees, funds donated to community programs, or the number of people impacted by specific initiatives. Walmart, for instance, reports on its philanthropic efforts and community impact metrics annually, detailing the reach and outcomes of its programs to stakeholders.

**4. Supply Chain Human Rights:** As global supply chains become more complex, tracking human rights in the supply chain has become a key social metric for companies in industries like retail, technology, and manufacturing. KPIs in this area may include the percentage of suppliers audited for labour compliance, child labour and forced labour incidents, and supplier adherence to ethical sourcing standards. According to a report from the World Business Council for Sustainable Development, 67% of companies in 2024 are now tracking supplier compliance with human rights standards.

**5. Customer and Stakeholder Satisfaction:** Stakeholders, including customers, are increasingly interested in the social impact of the companies they support. Metrics such as customer satisfaction scores, brand reputation scores, and stakeholder engagement metrics can provide insights into public perception and trust. Customer surveys, social media sentiment analysis, and public opinion polls are all effective ways to gauge how well a company's social impact efforts are resonating with its audience.

By identifying the right KPIs, companies can create a clear framework for measuring their social impact, ensuring that their efforts align with stakeholder expectations and address the most relevant issues for their business.





## Best Practices for Transparent Reporting

Transparent reporting on social metrics is essential for building trust with stakeholders, meeting regulatory requirements, and differentiating a brand in the market. However, social metrics can be sensitive and reporting them accurately and transparently requires careful planning and a commitment to openness.

Companies should also be willing to report on areas where they have challenges or room for improvement. This builds credibility and shows stakeholders that the company is committed to continuous improvement.

- 1. Consistent Reporting Frameworks:** Many companies use established reporting frameworks, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), which provide guidance on disclosing social metrics. These frameworks ensure consistency and comparability, helping stakeholders understand and evaluate the company's impact. 85% of large corporations reported using a standardized framework for social reporting, according to a survey by the International Corporate Governance Network.
- 2. Clear and Objective Metrics:** To maintain credibility, social metrics should be as objective and clear as possible. Using standardized indicators, such as those recommended by GRI or SASB, helps ensure that metrics are based on measurable data rather than subjective interpretations. For example, instead of reporting on "increased employee happiness," companies could report on specific indicators like job satisfaction scores or turnover rates.

3. **Balanced Reporting:** Balanced reporting means including both achievements and areas for improvement. By acknowledging challenges, companies demonstrate honesty and a commitment to addressing issues. Microsoft, for example, reports on both positive outcomes and ongoing challenges in its diversity initiatives, showing a realistic view of its progress. This balanced approach can enhance credibility and help build stronger relationships with stakeholders.

4. **Regular Updates and Progress Tracking:** Social metrics should not be static; instead, they should be tracked over time to show progress and trends. Annual or quarterly reporting allows companies to provide updates on their social impact goals, demonstrating accountability and commitment. Regular updates also help stakeholders see how the company's social efforts are evolving and contributing to long-term impact.

5. **Third-Party Verification:** Independent verification adds credibility to social impact reports. By partnering with third-party auditors, companies can ensure that their metrics are accurate and trustworthy. Patagonia, for instance, collaborates with external organizations to verify its labour and environmental practices, providing an added layer of accountability.

Transparent reporting builds a foundation of trust and reliability, showing stakeholders that the company is committed to social responsibility. By following best practices, companies can improve the quality of their reporting and ensure that their efforts are seen as credible and impactful.

[Explore How to Measure and Improve Social Reporting](#)





## How to Communicate Social Metrics Effectively

The final piece of the puzzle is effectively communicating social metrics to stakeholders. Clear communication allows investors, customers, and employees to understand the company's social impact, fostering support and trust. Effective communication should highlight the relevance of social metrics, simplify complex data, and demonstrate the tangible impact of the company's efforts.

The most effective social impact communications are those that resonate with the audience's values. It's about making data relatable and showing why it matters. Stakeholders want to see the real-world impact behind the numbers.

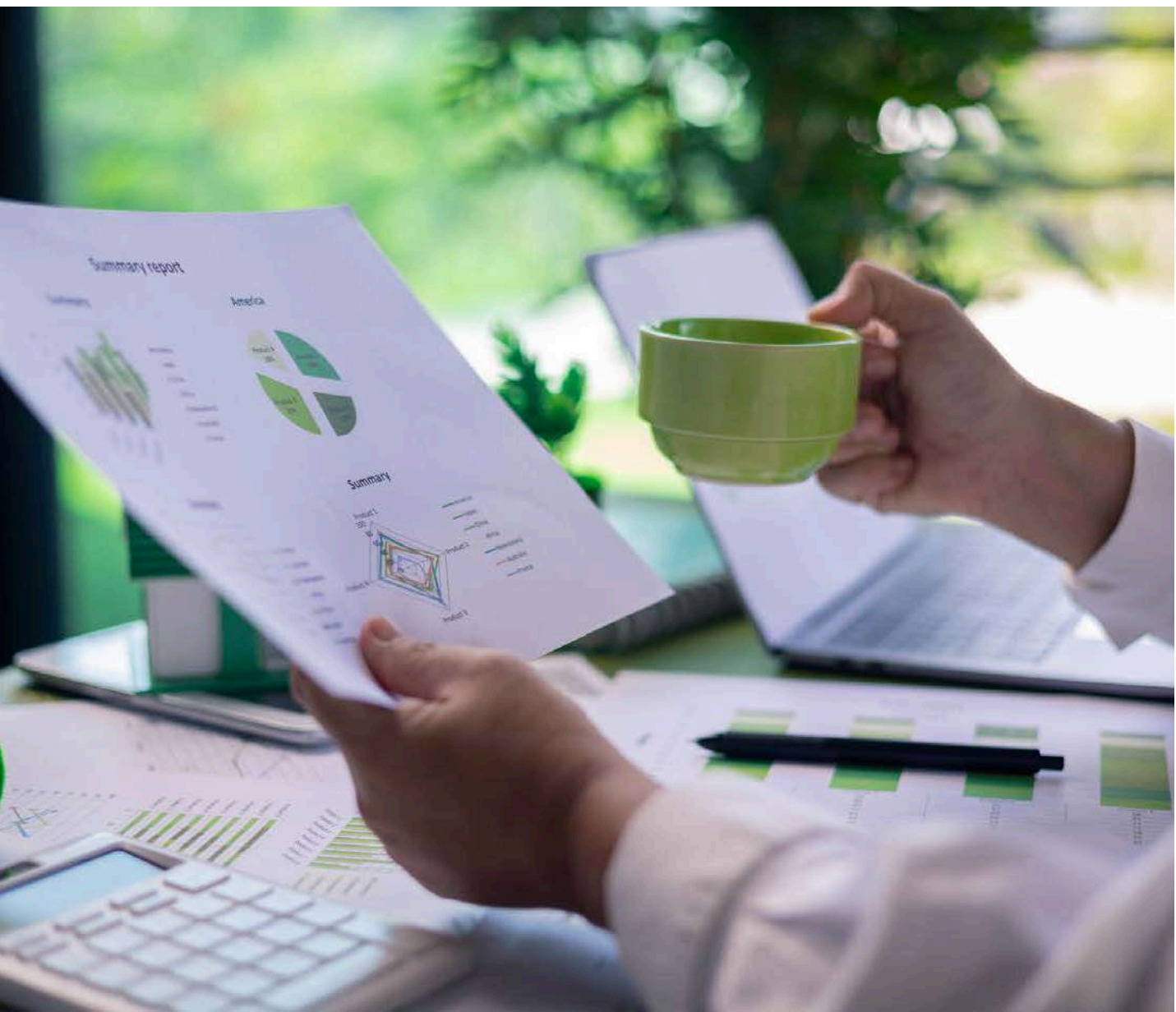
- 1. Using Visuals and Storytelling:** Visuals like infographics, charts, and videos can help simplify complex data and make social metrics more engaging. Companies like Coca-Cola use storytelling to showcase their social impact, sharing real stories from employees or community members to humanize their metrics. Storytelling bridges the gap between data and human experience, allowing stakeholders to see the real-world impact of the company's social efforts.
- 2. Tailoring Communications for Different Stakeholders:** Different stakeholders have different interests, and companies should customize their communications to address each audience's needs. For example, investors may want detailed metrics and progress updates, while customers might prefer an overview of community engagement initiatives. Tailoring content ensures that stakeholders receive the information that is most relevant to them.

**3. Linking Metrics to Business Goals and Values:** Effective communication shows how social metrics align with the company's broader business goals and values. By linking social impact to corporate objectives, companies can demonstrate that their efforts are part of a cohesive strategy. For instance, Unilever integrates its social metrics with its sustainability mission, helping stakeholders understand how social responsibility drives business growth.

**4. Creating Accessible Reports:** Social impact reports should be easily accessible to all stakeholders. Many companies publish social and sustainability reports on their websites, often creating user-friendly PDF documents or interactive web pages. Accessible reports make it easier for stakeholders to find information and understand the company's social impact efforts.

**5. Highlighting Key Achievements:** To capture attention, companies should highlight their most significant achievements, such as reaching a major milestone or winning an award for social responsibility. Emphasizing these accomplishments helps convey progress and reinforces the company's commitment to social goals.

Effective communication allows companies to showcase their social impact efforts meaningfully, helping stakeholders see the value of the company's commitment to social responsibility.



# Be the Face of Change

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# Leveraging AI and Data for Social Impact

**As businesses increasingly prioritize Environmental, Social, and Governance (ESG) initiatives, Artificial Intelligence (AI) and data analytics are emerging as powerful tools to enhance social impact. From employee sentiment analysis to supply chain transparency, AI and data can help organizations measure, manage, and optimize their social performance with unprecedented precision. However, using AI for social impact also raises ethical considerations that companies must navigate carefully.**



## Tools and Technologies to Quantify Social Performance

Quantifying social performance has always been challenging due to the subjective nature of social impact metrics, such as employee satisfaction, community engagement, and ethical supply chain practices. However, new tools and technologies powered by AI and data analytics are making it easier for companies to track, analyze, and report on their social initiatives effectively.

68% of companies reported using AI-powered tools to enhance their social performance metrics, according to the Global Data & AI Sustainability Survey.

**1. Employee Sentiment Analysis:** Employee sentiment analysis is a powerful AI application that helps companies understand the mood, satisfaction, and engagement levels within the workforce. Using Natural Language Processing (NLP), AI-powered sentiment analysis tools can assess employee feedback from surveys, emails, chat messages, and social media. This data can help HR teams identify issues related to morale, burnout, or workplace culture, allowing them to address concerns proactively. For instance, companies like Microsoft use sentiment analysis to monitor employee feedback and adapt workplace policies in real time based on insights.

**2. Supply Chain Transparency and Ethics Monitoring:** AI-driven tools are helping companies achieve greater transparency and accountability in their supply chains. Tools like blockchain-enabled AI systems and real-time monitoring platforms can track the origins of materials, labour practices, and compliance with human rights standards. IBM's Food Trust, for example, uses blockchain to trace the journey of food from farm to table, ensuring transparency and ethical sourcing. In sectors like fashion and electronics, companies are using similar AI-driven supply chain monitoring tools to reduce instances of child labour and unsafe working conditions.





### 3. **Predictive Analytics for Workforce Well-being:**

Predictive analytics can help companies identify potential risks to employee well-being and implement preventive measures. By analyzing data on work hours, project loads, and employee health records (with privacy safeguards), AI algorithms can predict which employees are at risk of burnout or stress. For instance, Salesforce uses predictive analytics to monitor workload patterns and recommend interventions, such as offering mental health support or adjusting project timelines. This proactive approach can reduce absenteeism and improve job satisfaction, creating a healthier work environment.

### 4. **AI-Based DEI Analytics Platforms:**

Diversity, Equity, and Inclusion are critical aspects of social performance, and AI is transforming the way companies track and improve DEI metrics. AI-powered DEI platforms can analyze recruitment patterns, promotion rates, pay equity, and demographic representation to identify areas for improvement. According to a 2024 survey by the Human Capital Institute, 74% of companies using AI for DEI reported more informed decision-making around hiring and promotion practices. Tools like Entelo and Textio analyze job descriptions and hiring data to ensure that recruitment processes are free from bias and promote diversity.

### 5. **Community Impact Measurement Tools:**

AI can also help quantify the impact of community engagement programs by analyzing data on outreach, volunteer hours, and beneficiary feedback. Some companies use AI to track the long-term effects of their social programs, such as improvements in educational outcomes or economic growth within the community. AI enables companies to measure their impact in a quantifiable way, making it easier to report on social contributions and refine programs based on data-driven insights.



## **Data-Driven Approaches to Improving Workforce Well-being and DEI**

Workforce well-being and DEI are essential components of the social pillar in ESG, and AI-driven data analysis has opened new possibilities for improving these areas within companies. Data analytics enables organizations to implement targeted initiatives, track progress, and create a more supportive and inclusive workplace.

Some experts agree that AI-powered data analysis provides companies with valuable insights that can inform policy changes and organizational adjustments. "Data-driven DEI and well-being initiatives create a culture where employees feel supported, leading to better engagement and productivity," explains a DEI strategist for a global tech firm.

- 1. Customized Well-being Programs:** By analyzing data on employee needs and preferences, companies can tailor their well-being programs to be more relevant and effective. For example, AI tools can analyze data from employee health surveys, medical claims, and usage patterns of wellness programs to identify the types of resources employees value most. If the data indicates high levels of stress among employees in certain departments, the company might offer targeted resources, like counselling or flexible work arrangements, for those teams. This data-driven approach ensures that well-being programs are customized, relevant, and impactful.

2. **Reducing Bias in Hiring and Promotions:** AI tools for DEI can help companies minimize unconscious bias by providing data-driven insights into recruitment and advancement practices. Some AI platforms analyze hiring patterns to ensure diverse representation, while others use algorithms to scan resumes without considering demographic information, focusing purely on skills and experience. For instance, Unilever uses AI-powered recruitment tools to assess candidates based on objective criteria, ensuring a fairer and more inclusive hiring process.
3. **Real-Time DEI Progress Tracking:** AI enables companies to track DEI metrics in real time, providing actionable insights on areas such as promotion rates, pay equity, and employee demographics. Real-time data allows companies to monitor progress toward DEI goals continuously and make adjustments as needed. For instance, Accenture uses AI to track its DEI initiatives and publishes an annual DEI report detailing demographic data and progress on gender equality goals. This transparency strengthens stakeholder trust and demonstrates the company's commitment to DEI.
4. **Improving Employee Engagement through Data:** Engagement levels are critical to workforce well-being, and AI can provide insights that help companies enhance engagement. By analyzing survey responses, turnover data, and employee feedback, AI can identify engagement drivers and recommend strategies to boost morale. For instance, Adobe uses AI-powered surveys to monitor engagement and respond to emerging trends in employee needs, such as requests for remote work options or more flexible hours.



## Ethical Considerations of Using AI for Social Analysis

While AI and data analytics offer numerous benefits for enhancing social impact, their use in analyzing social metrics comes with ethical challenges. Concerns around data privacy, potential biases in AI algorithms, and transparency must be carefully managed to avoid unintended consequences.

Ethical considerations should be at the forefront when implementing AI in social impact initiatives. The risks of using AI for social analysis are significant, particularly in terms of privacy and bias. Companies must prioritize ethical AI practices to ensure they don't unintentionally harm the very people they're trying to help.

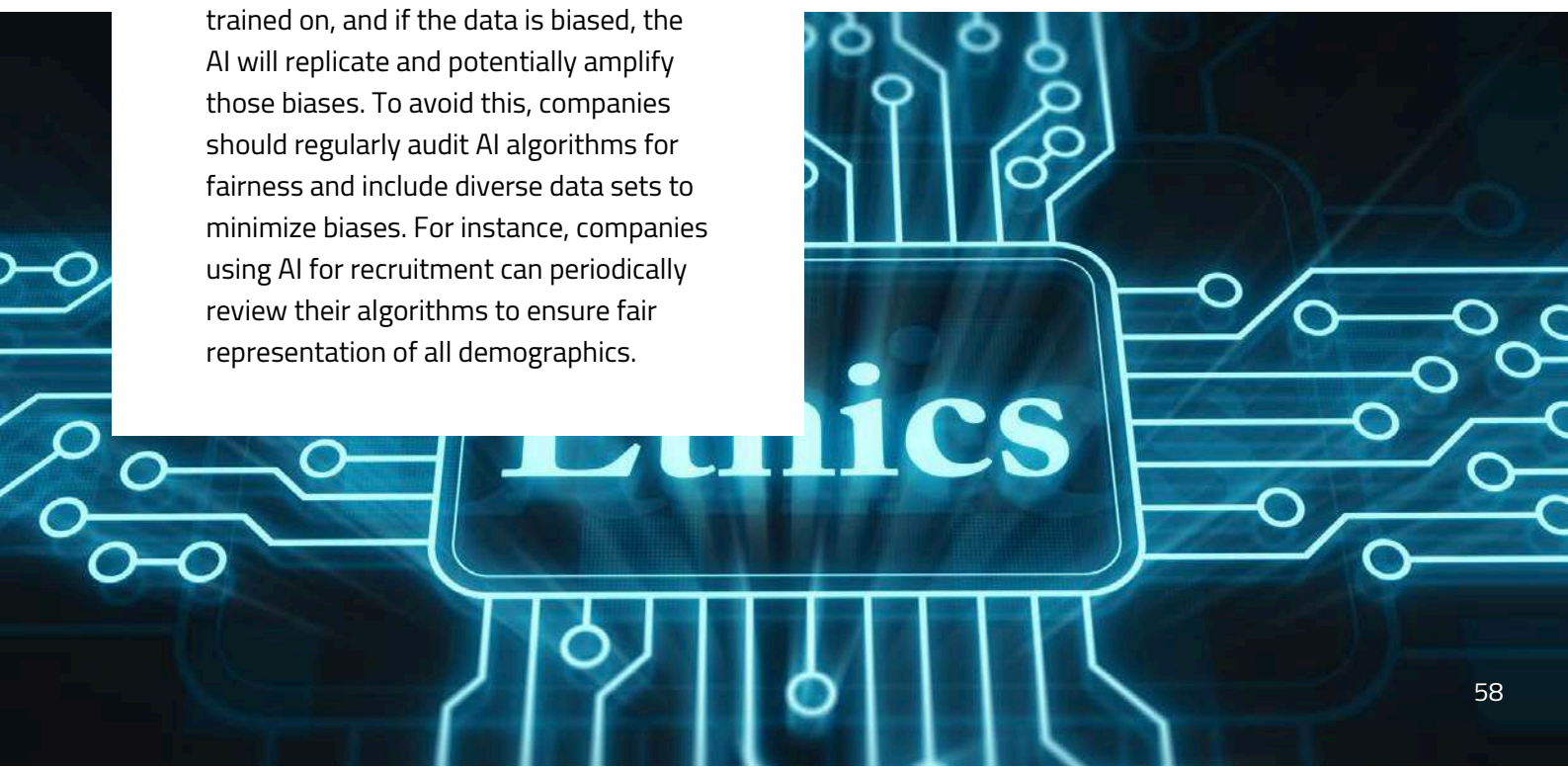
- 1. Data Privacy and Consent:** Employee and community data are sensitive, and companies must prioritize privacy and obtain consent when collecting and analyzing personal information. Companies should be transparent about data usage and ensure that data is anonymized wherever possible.
- 2. Avoiding Algorithmic Bias:** AI algorithms are only as unbiased as the data they are trained on, and if the data is biased, the AI will replicate and potentially amplify those biases. To avoid this, companies should regularly audit AI algorithms for fairness and include diverse data sets to minimize biases. For instance, companies using AI for recruitment can periodically review their algorithms to ensure fair representation of all demographics.

### 3. Transparency in AI Decision-Making:

Transparency is critical when using AI for social metrics, as stakeholders need to understand how AI-generated insights are derived. Providing explanations for AI-driven decisions—such as why certain well-being programs are prioritized—helps build trust with employees and stakeholders. Companies like IBM advocate for "explainable AI," ensuring that their AI systems are transparent and easily understood.

- 4. Limiting Over-Reliance on AI:** While AI provides valuable insights, it should not be the sole decision-making tool, especially in sensitive areas like employee well-being and DEI. Companies must combine AI insights with human judgment and ensure that human oversight is part of any AI-driven initiative.

By carefully considering these ethical challenges, companies can leverage AI responsibly to enhance social impact without compromising privacy or fairness.



# Redefining 'S' in ESG for Sustainable Business Growth

**Mari Bishop**

Sustainability Data &  
Reporting - AMR  
Lead, JLL



GreenWire Magazine recently sat down with Mari Bishop, Head of Sustainability Data & Reporting, AMER at JLL, to discuss the importance of the social pillar in ESG strategies and how businesses can prioritize social impact for long-term success. Known for her practical, data-driven approach, Mari shared her thoughts on the role of social factors in corporate ESG, the need for inclusivity in business practices, and actionable insights to help companies elevate their social impact.

## REDEFINING 'S' IN ESG FOR SUSTAINABLE BUSINESS GROWTH

## A CONVERSATION WITH MARI BISHOP



**Magazine:** Mari, thank you for joining us! Let's start with the basics. ESG reporting often centres around environmental metrics. How do you see the role of social metrics evolving in the context of ESG reporting frameworks?

**Mari Bishop:** Thanks for having me! Social metrics are gaining prominence as stakeholders demand transparency on issues like diversity, equity, inclusion, and community engagement. As regulatory requirements around sustainable investing remain steadfast globally, social aspects of climate resilience are an important part of this. For example, SFDR stipulates an investment as sustainable if it includes an economic activity that contributes to an environmental or social objective.

**Magazine:** That makes a lot of sense. From your perspective, what are the key challenges companies face when gathering and analyzing data for social sustainability?

**Mari Bishop:** Companies often encounter difficulties such as 'data standardization'. Lack of uniform metrics for social factors complicates benchmarking. The diversity of approaches for quantifying performance across frameworks is another challenge. 'Organizational image risks' - tracking and reporting on certain issues can bring attention to certain issues that the organization might not be ready to tackle. There's 'Data Availability' - Collecting comprehensive data across multiple departments and teams inside and outside an organization can be resource-intensive and often not bear fruit.



**Magazine: What role does technology play in enhancing transparency and accuracy in reporting on the 'S' pillar of ESG?**

**Mari Bishop:** Absolutely. Technology facilitates:

- **Data Integration:** Combining data from various sources for comprehensive analysis under one unified methodology, in alignment with universal frameworks that relate to regulatory compliance.
- **Data capture in real or near real time:** Tracking social metrics continuously to identify trends and areas for improvement, while also driving engagement.
- **Disclosure:** Providing stakeholders with accessible and accurate information on social performance and easing reporting.

**Magazine: What advice would you give to companies that are just beginning to incorporate social sustainability metrics into their ESG reporting?**

**Mari Bishop:** Firstly, Integrate your strategy with other business operations: Coupling efforts of strategy, engagement, data and analytics ultimately results in savings in both effort and capital to push initiatives forward. In the past I have had teams quantify from a data and reporting perspective that investment in the tech and people effort pieces of strategy implementation in this way results in less than half of what would have been required otherwise, also cutting down the timeline by about a third (and we know, time is money). Through the traction created by education, engagement, data gathering, feedback, analytics-powered planning, and reporting of progress activities other aspects of the organization's ESG strategy becomes stronger.

Secondly, Leverage Existing Frameworks to set clear objectives: Utilize established reporting standards to guide data collection and reporting and to define what is material for your organization. Ensure your approach aligns with your regulatory and other reporting needs, such as investor reporting.



**Magazine: Looking ahead, how do you envision advancements in data analytics reshaping the reporting and integration of the social pillar in ESG?**

**Mari Bishop:** From an opportunity perspective, pinning down data points, sources, and flows is most impactful and what remains significantly challenging regardless of technology solutions that may be implemented.

To drive further focus and dollars to this, I foresee approach shifting to a more double materiality strategy, where you couple a push for business and community impact to push both the budget and targets challenge.

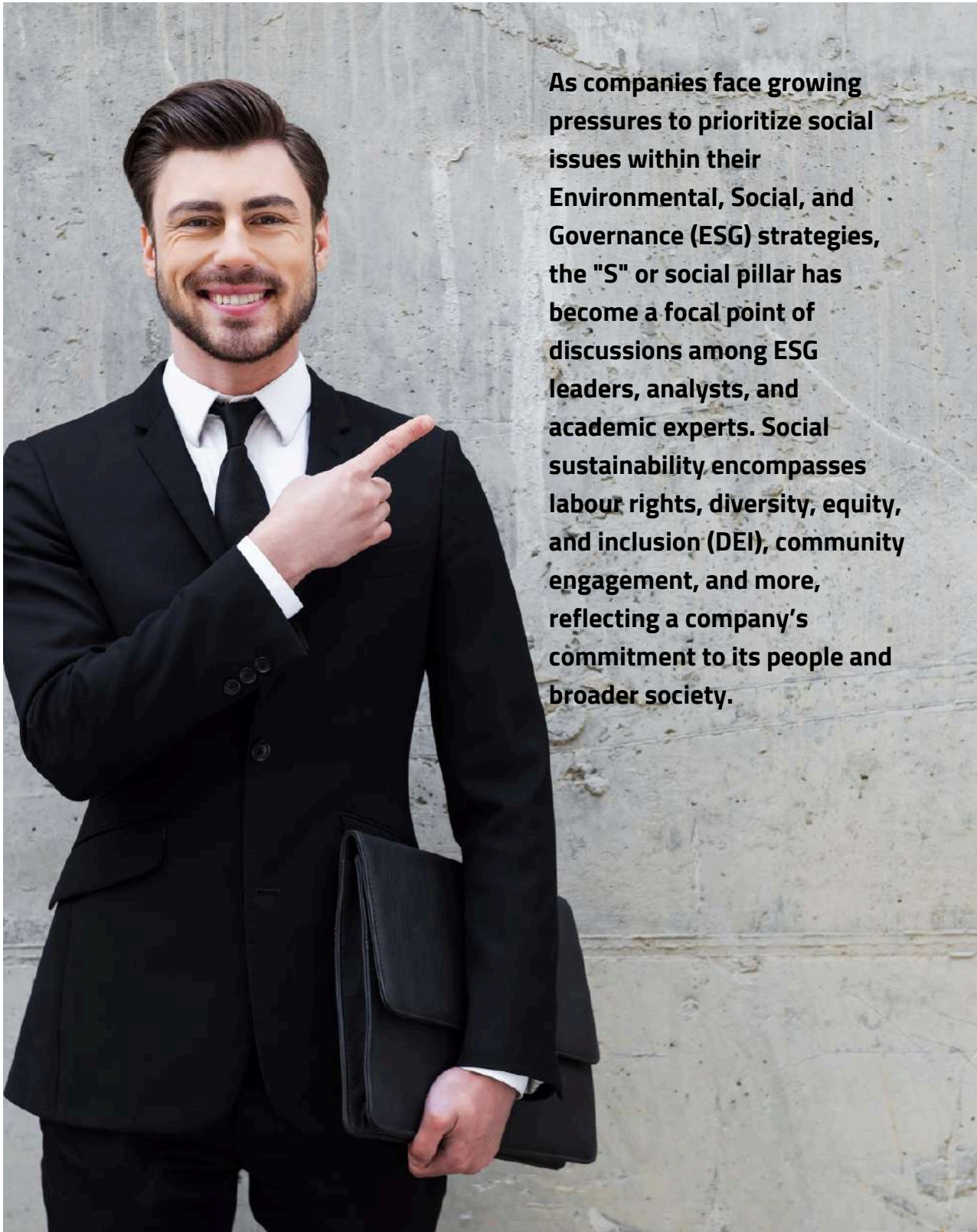
To frame an example, consider a Real Estate portfolio with significant footprint in senior and medical-centric uses, where there is an opportunity to tie customer community's aspects to their corporate reporting and trajectory story, creating goals for community partnerships and user networks and charitable or volunteering donations. The organization creates two corporate programs and gives them both a key goal to contribute to a set % of the other's targets. One with the main goal of creating/managing goal-driven partnerships with local organizations focusing on employment and transportation & connectivity issues, and the other with a goal to facilitate residents and users utilizing their services. In taking this opportunity, the organization manages to leverage stakeholders for information and data gathering and analytics usage better than they would otherwise, because of a better relationship and engagement strategy is in place. As an added bonus, having a strong quantitative story helps the organization meet requirements for investor reporting and is a key part of what informs their annual planning and target setting.

Beyond this, technology solutions are expected to focus on facilitating and standardizing the following:

- Enhance Precision: Provide more accurate measurements of social impacts.
- Predict Trends: Identify potential social issues before they escalate.

Facilitate Benchmarking: Allow companies to compare their social performance against peers effectively.

# Point of View: Insights from Industry Experts



**As companies face growing pressures to prioritize social issues within their Environmental, Social, and Governance (ESG) strategies, the "S" or social pillar has become a focal point of discussions among ESG leaders, analysts, and academic experts. Social sustainability encompasses labour rights, diversity, equity, and inclusion (DEI), community engagement, and more, reflecting a company's commitment to its people and broader society.**

## Why 'S' is Becoming Central to ESG Investing

1. In recent years, there has been a notable shift in the priorities of investors, with social factors moving to the forefront of ESG criteria. Investors now recognize that companies committed to social sustainability are not only building stronger brands but also fostering resilient and adaptable business models. Experts emphasize that this change is largely driven by stakeholder expectations, regulatory developments, and the realization that social factors have a direct impact on financial performance.
2. Social issues have become inescapable. Employees and consumers alike are demanding that companies take responsibility for their impact on people—whether through fair labour practices, diversity, or human rights.
3. One reason for the heightened focus on social sustainability is the growing emphasis on human rights and supply chain ethics. In an increasingly globalized world, companies are expected to ensure that their supply chains uphold fair labour practices and ethical sourcing. Investors recognize that companies failing to address these issues face reputational and financial risks, as seen in recent controversies where brands were scrutinized for supply chain abuses. As Meyers points out, "Investors are acutely aware of the financial risks associated with ignoring social issues, and they're now pressuring companies to integrate these factors into their ESG frameworks."
4. Another factor driving the focus on social sustainability is employee well-being. The COVID-19 pandemic brought mental health, work-life balance, and job security into the spotlight, making employee well-being a top priority. Companies that fail to address these aspects risk low productivity, high turnover, and ultimately, financial instability. In response, many investors are rewarding companies that prioritize workforce well-being, seeing it as a marker of long-term viability.



## How Businesses Can Innovate for Greater Social Impact

As social expectations evolve, companies are exploring innovative ways to enhance their social impact. Beyond traditional CSR efforts, organizations are embedding social goals into their core strategies, creating a win-win scenario where social good aligns with business success. Industry experts argue that innovation in social sustainability requires a mindset shift—from viewing social initiatives as add-ons to recognizing them as essential elements of a successful business model.

- 1. Leveraging Technology for Social Good:** Technology has become a critical tool for companies looking to innovate in the social space. AI and data analytics, for instance, are helping businesses track and optimize their DEI efforts, supply chain transparency, and employee engagement in real time. "We're seeing companies use predictive analytics to prevent burnout, AI to detect bias in hiring, and blockchain to trace ethical sourcing," explains a technology advisor specializing in ESG solutions. By using technology to enhance social impact, companies can measure and improve their initiatives with precision and transparency.
- 2. Public-Private Partnerships:** Collaboration between corporations and public institutions has proven effective in driving social impact at scale. For instance, pharmaceutical companies partnering with governments to provide affordable healthcare in underserved areas not only fulfil social responsibilities but also expand their market reach. Cross mentions a notable example: "During the pandemic, companies and governments worked together to ensure vaccine availability, setting a precedent for future public-private initiatives aimed at social issues." In 2024, 52% of companies surveyed by the Corporate Responsibility Institute reported that they plan to increase their engagement in public-private partnerships.





**3. Employee-Led Initiatives:** Allowing employees to drive social initiatives has become a popular approach, as it fosters engagement and builds a stronger organizational culture. Employee-led volunteer programs, internal DEI councils, and social advocacy groups provide platforms for employees to champion causes that matter to them. This approach not only improves workforce morale but also makes social impact a collective responsibility within the organization. "When employees have a voice in social programs, they're more likely to participate actively and take ownership of the company's impact," says an HR consultant. Salesforce, for instance, encourages employee-led philanthropy by offering matching donations and volunteer time off, empowering its workforce to give back to their communities.

**4. Inclusive Product Design:** Some companies are innovating for social impact through the very products they offer. By designing products and services that address social challenges, such as accessible technology or affordable healthcare solutions, businesses can make a direct impact. For example, Google's accessibility team is dedicated to creating products that accommodate people with disabilities, ensuring that their technology is inclusive for all users. As Cross points out, "Innovating for social impact doesn't always mean new programs—it can mean embedding social values into the core of what you offer."

By embracing innovative approaches, companies can align their business goals with social priorities, creating positive outcomes for both their stakeholders and society at large.

## Predictions for the Future of Social Sustainability

Looking forward, social sustainability is set to play an even greater role in corporate strategy and investment decisions. We recently interviewed a few industry leaders, they predict that social sustainability will continue to evolve, with companies facing higher expectations, more stringent regulations, and a need to demonstrate real impact.

- 1. Increased Regulatory Pressure:** As governments recognize the importance of social sustainability, companies can expect more regulations aimed at protecting human rights, promoting fair labour practices, and ensuring supply chain transparency. The European Union's Corporate Sustainability Reporting Directive (CSRD) is one example of this trend, requiring companies to report extensively on their social impacts.
- 2. Rising Importance of Data and Transparency:** With transparency central to ESG, data and technology will be essential. Real-time data on DEI, employee well-being, and supply chain ethics will become increasingly common, allowing companies to provide evidence of their progress. By using data to measure social initiatives, companies can foster trust with stakeholders and adapt their strategies based on real-time insights.
- 3. Shift Toward Social Impact Investment Funds:** Investors are likely to focus more heavily on funds and portfolios that emphasize social impact, driving companies to prioritize their social efforts. Social impact investment funds, which target companies with strong social performance, are expected to become more mainstream, particularly among younger investors who prioritize ethical investing.
- 4. Focus on Community Resilience and Well-being:** Community resilience will likely become a focal point for social sustainability as companies recognize the interdependence between their success and the well-being of the communities they operate in.
- 5. Holistic Integration of ESG in Business Strategy:** The future of social sustainability will see a shift from isolated CSR projects to fully integrated ESG strategies, where social impact is embedded across all aspects of the business. Companies will increasingly adopt a holistic approach, integrating social goals into their supply chains, product designs, and workforce practices. This shift will reflect a more mature understanding of the role businesses play in shaping society.



# Social Pioneers in Action

**In the evolving landscape of social sustainability, certain companies have emerged as pioneers, setting new standards for how businesses can drive positive social change. From trailblazing Diversity, Equity, and Inclusion (DEI) initiatives to tackling mental health holistically and championing human rights in the supply chain, these companies demonstrate the tangible impact of prioritizing the "S" in ESG.**

## **A Corporation Revolutionizing DEI – Unilever**

Unilever, one of the world's largest consumer goods companies, has gained recognition for its pioneering approach to Diversity, Equity, and Inclusion (DEI). With a global workforce spanning over 190 countries, Unilever has taken significant strides to create an inclusive culture that values the diversity of its employees. Unilever's DEI strategy goes beyond policies and targets; it encompasses systemic changes and programs that promote inclusion at every level of the organization.

Experts suggest that Unilever's commitment to DEI has had a ripple effect on its brand and operational performance. "Unilever's DEI initiatives have become central to its identity," says a DEI consultant with a focus on multinational corporations. "Their efforts have not only created a more engaged workforce but also strengthened customer loyalty, as consumers see Unilever as a socially responsible brand." According to a 2024 report by the Global Diversity Council, 82% of employees at Unilever feel that the company genuinely values diversity, a statistic that demonstrates the impact of its initiatives.



## Unilever's approach to DEI includes several innovative programs

- 1. Gender Equality and Pay Parity:** Unilever has achieved gender balance across its global management teams, with women making up 50% of management roles as of 2024. Additionally, Unilever has committed to pay parity, ensuring equal pay for equal work regardless of gender. By establishing clear metrics and conducting regular audits, Unilever monitors and maintains pay equity across all its global offices.
- 2. Unstereotype Alliance:** Unilever is a founding member of the Unstereotype Alliance, a UN initiative focused on eliminating harmful stereotypes in advertising and media. The company's advertising content now showcases people of different races, genders, and body types, challenging outdated norms and fostering inclusivity.
- 3. Empowerment Programs for Underrepresented Groups:** To support employees from underrepresented backgrounds, Unilever offers leadership development programs and mentorship opportunities. The company has also launched "Inclusive Hiring" guidelines that require diverse candidate slates and reduce bias in recruitment processes.

Unilever's DEI initiatives have not only improved employee engagement and satisfaction but have also had a positive impact on its financial performance. According to Zhao, "Companies like Unilever that lead in DEI tend to attract a broader customer base and have better brand resilience, especially among socially conscious consumers."





## **A Tech Company Addressing Mental Health Holistically – Microsoft**

Microsoft has emerged as a leader in addressing mental health and well-being holistically, both within its workforce and in its broader community. Recognizing that mental health is a critical component of employee well-being, Microsoft has developed a comprehensive approach that includes mental health resources, work-life balance initiatives, and proactive well-being programs.

Experts we interviewed emphasize that Microsoft's approach to mental health has set a benchmark in the tech industry, where burnout and stress are often prevalent. "Microsoft's commitment to mental health goes beyond surface-level programs; it's woven into the company's culture and work environment," says a workplace psychologist who collaborates with tech companies. In 2024 alone, over 70% of Microsoft employees reported improvements in their mental well-being as a result of the company's initiatives, according to an internal survey.

### **Key components of Microsoft's mental health strategy include:**

- 1. Mental Health Resources and Counselling:** Microsoft provides employees with access to mental health counselling, therapy, and well-being apps at no cost. Through partnerships with mental health organizations, employees and their families can access professional support whenever they need it. Microsoft also offers access to virtual mental health resources, making it easier for employees to seek help privately.
- 2. Flexible Work Policies:** Microsoft has adopted flexible work policies that prioritize employee well-being. Employees have the option to work remotely, set flexible hours, and take time off as needed for mental health days. "Microsoft's flexible work environment has empowered employees to manage their work-life balance and avoid burnout," explains Harrington. By giving employees greater control over their schedules, Microsoft reduces stress and promotes a healthier work culture.

**3. Training Managers to Support Mental Health:** Microsoft has implemented training programs for managers to help them recognize signs of stress and burnout within their teams. Managers are encouraged to foster open communication around mental health, create a supportive environment, and connect employees with resources. By equipping leaders with mental health training, Microsoft promotes a culture where employees feel safe discussing their challenges.

**4. Workplace Wellness Initiatives:** Microsoft organizes wellness events and workshops that focus on mindfulness, stress management, and physical health. The company has created dedicated wellness spaces in its offices where employees can take breaks, meditate, or engage in relaxation activities during the workday.

Microsoft's holistic approach to mental health has not only improved employee retention but also contributed to a more productive and engaged workforce. "Companies that invest in mental health see returns in the form of higher employee satisfaction and reduced turnover," says Harrington. Microsoft's mental health strategy exemplifies how businesses can prioritize well-being in a way that benefits both employees and the organization.





## **A Supply Chain-Focused Organization Championing Human Rights – Patagonia**

Patagonia, a leader in outdoor apparel, has long been recognized for its commitment to environmental and social responsibility. In addition to its focus on sustainable materials, Patagonia is a pioneer in championing human rights throughout its supply chain. The company's approach to human rights is rooted in transparency, ethical sourcing, and fair labour practices, ensuring that workers across its global supply chain are treated with dignity and respect.

Experts say that Patagonia's commitment to human rights has raised the bar for supply chain practices in the apparel industry. "Patagonia's human rights policies are some of the most rigorous we've seen," says a supply chain analyst focused on ethical sourcing. "They've shown that ethical supply chains are not just possible but profitable.

## Patagonia's human rights initiatives include:

1. **Fair Trade Certification:** Patagonia has made significant strides in certifying its supply chain factories as Fair Trade, ensuring that workers receive fair wages and work in safe conditions. Today, a large percentage of Patagonia's products are made in Fair Trade Certified™ factories, which benefit from improved wages, safety measures, and community resources.
2. **Supplier Code of Conduct and Regular Audits:** Patagonia has a stringent Supplier Code of Conduct, which covers labour rights, health and safety, and environmental practices. The company conducts regular audits of its suppliers, focusing on high-risk areas such as Southeast Asia and Latin America. "Patagonia's audits go beyond ticking boxes; they involve detailed assessments and long-term improvement plans," says Mehta.
3. **Worker Empowerment Programs:** Recognizing the importance of giving workers a voice, Patagonia has implemented worker empowerment programs that educate employees on their rights and provide grievance mechanisms. These programs allow factory workers to report issues confidentially, helping to address labour concerns at the source.
4. **Transparency in Reporting:** Patagonia publishes an annual supply chain report that details the company's progress in meeting human rights and labour standards. By being transparent about its successes and areas for improvement, Patagonia builds trust with customers and stakeholders.

Patagonia's human rights initiatives demonstrate that companies can create ethical supply chains without sacrificing profitability. Patagonia has shown that a commitment to human rights can coexist with business success. Their practices have become a blueprint for other companies aiming to achieve social impact in their supply chains.



## Conclusion

Unilever, Microsoft, and Patagonia serve as powerful examples of companies leading the way in social sustainability. By addressing DEI, mental health, and human rights, these organizations have demonstrated that prioritizing social impact can create value not only for employees and communities but also for the business itself.



# From Theory to Practice: Implementing 'S' in ESG Programs

While Environmental, Social, and Governance (ESG) programs have traditionally focused on environmental and governance factors, the "S" or social pillar is increasingly gaining prominence. Social factors encompass everything from employee well-being and DEI (Diversity, Equity, and Inclusion) to human rights and community impact. For ESG managers, integrating social factors into a sustainability strategy can be challenging, as social metrics are often less tangible than environmental ones.



## Mapping Social Goals with Business Objectives

The first step in integrating social factors into an ESG strategy is to align social goals with broader business objectives. By creating a direct connection between social impact and business performance, companies can embed social responsibility into their core mission, rather than viewing it as a separate initiative.

- 1. Identify Material Social Issues:** The first step is to conduct a materiality assessment to identify which social issues are most relevant to the business. Material issues may vary depending on the industry, region, and stakeholder expectations. For example, in the technology sector, employee well-being and data privacy are critical, while in retail, labour rights in the supply chain are often top priorities. By focusing on material issues, ESG managers can allocate resources more effectively and ensure that social initiatives directly impact the company's strategic goals.

2. **Set SMART Goals:** Once material issues are identified, ESG managers should set Specific, Measurable, Achievable, Relevant, and Time-bound (SMART) goals for social initiatives. For instance, instead of broadly aiming to "improve DEI," a company could set a goal to increase gender diversity in management roles by 15% over three years. SMART goals make it easier to track progress and demonstrate the impact of social initiatives.
3. **Align Social Goals with Business KPIs:** Social goals should support business Key Performance Indicators (KPIs), such as employee retention, customer satisfaction, and brand reputation. For example, a company that aims to reduce employee turnover may focus on enhancing workforce well-being by implementing mental health programs and flexible work policies. By linking social goals to business KPIs, companies can show that social sustainability contributes to business resilience.
4. **Engage Stakeholders in Goal-Setting:** Involving stakeholders in the goal-setting process builds credibility and ensures that social goals align with stakeholder expectations. Engaging employees, investors, customers, and community representatives can provide valuable insights and increase support for social initiatives. When stakeholders are part of the conversation, they feel invested in the company's social goals. This collaborative approach can also enhance transparency and accountability.





## Tools for Social Impact Assessment

Assessing the impact of social initiatives is essential for measuring progress, identifying areas for improvement, and communicating results to stakeholders. Social impact assessment tools help ESG managers quantify and analyze data on various social metrics, from employee well-being to community engagement.

Experts we interviewed emphasize that social impact assessments must be both comprehensive and adaptable. "ESG managers need tools that provide a holistic view of social performance while allowing for flexibility across different metrics," says James Lee, a sustainability analyst. In 2024, 68% of companies reported using at least one dedicated tool for social impact assessment, according to the Social Metrics Survey.

- 1. Social Return on Investment (SROI):** SROI is a popular tool for assessing the financial value of social initiatives relative to their costs. By calculating the monetary value of social impact (such as employee satisfaction or community benefits) compared to the investment, companies can determine the ROI of their social programs. SROI is particularly useful for justifying social initiatives to executives and investors by quantifying the business case for social sustainability.
- 2. Employee Engagement and Sentiment Analysis Tools:** Platforms like Culture Amp, Peakon, and Glint allow companies to assess employee engagement and sentiment in real time. These tools use surveys and analytics to gather feedback on workplace culture, job satisfaction, and well-being. By tracking changes in engagement and sentiment, ESG managers can gauge the impact of employee-focused social initiatives and make data-driven adjustments as needed.

3. **Supply Chain Transparency Platforms:** Lythouse provides a powerful platform for supply chain transparency, enabling companies to monitor social risks within their supply chains, including labour conditions, human rights compliance, and ethical sourcing practices. By using Lythouse, companies can map their supply chains in detail, pinpoint high-risk areas, and respond proactively to social issues. The platform offers real-time monitoring and data visualization, allowing ESG managers to identify non-compliance early, take corrective action, and uphold ethical standards across the entire supply chain.
4. **DEI Analytics Software:** Diversity, Equity, and Inclusion (DEI) analytics tools, such as Entelo and Textio, use AI and data analytics to monitor hiring, promotion, and pay equity metrics. These platforms help companies identify disparities and make informed decisions to improve DEI. "DEI analytics provide hard data that shows where progress is needed, helping companies move beyond surface-level diversity goals," explains Lee.
5. **Community Impact Measurement Tools:** Tools like Impact Reporting and CSR software platforms help companies measure the outcomes of community engagement initiatives, from volunteer hours to financial donations. These tools can track program reach, beneficiary feedback, and overall impact on the community, providing ESG managers with data to report on community-focused social initiatives.





## How to Mobilize Teams Around Social Initiatives

Mobilizing teams around social initiatives is crucial for ensuring that social sustainability efforts are embraced across the organization. When employees are engaged and invested in social goals, they become advocates for the company's mission, amplifying its impact and contributing to a positive workplace culture.

Experts suggest that building a culture of social responsibility requires more than policy changes—it needs active participation and enthusiasm from employees at all levels. "A truly effective social initiative is one that resonates with employees, motivating them to be part of the change," says an organizational behaviour expert.

- 1. Create Employee-Led Social Committees:** One way to engage employees is to form employee-led social committees that oversee specific initiatives, such as volunteer programs, DEI efforts, or mental health support. These committees allow employees to take ownership of social goals, ensuring that initiatives are relevant and impactful. For example, Google has employee resource groups (ERGs) dedicated to issues like gender equality and cultural diversity, providing platforms for employees to advocate for causes they care about.
- 2. Incorporate Social Goals into Performance Reviews:** Integrating social goals into performance evaluations reinforces the importance of social impact as part of an employee's role. Managers can set social objectives, such as contributing to DEI initiatives or participating in volunteer programs and assess progress during reviews. This approach shows employees that social sustainability is valued within the organization and incentivizes participation.

**3. Offer Incentives and Recognition:** Recognizing and rewarding employees for their contributions to social initiatives can increase engagement and motivation. Some companies offer paid volunteer hours, charitable matching programs, or awards for outstanding contributions to social impact projects. For instance, Salesforce's "Volunteer Time Off" program gives employees time to volunteer, enhancing morale and encouraging social responsibility.

**4. Provide Training and Resources:** To mobilize employees effectively, companies should offer training and resources on social sustainability topics, such as DEI, mental health, and community outreach. Training can help employees understand the importance of social issues, equipping them with knowledge and skills to drive change. By offering resources like workshops, webinars, and toolkits, companies can empower employees to be active participants in social initiatives.

**5. Communicate Impact and Progress:** Regularly sharing updates on social goals, progress, and achievements keeps employees informed and engaged. ESG managers can use newsletters, town halls, and digital platforms to highlight milestones and recognize the contributions of individuals or teams. Transparency around progress shows employees that their efforts are making a difference. Communication reinforces the organization's commitment to social impact and motivates employees to stay involved.

By mobilizing teams and building a culture of social responsibility, companies can create a more engaged and purpose-driven workforce that actively supports and amplifies social initiatives.



# Future of Social Sustainability: Trends to Watch

As social sustainability becomes a central pillar in ESG strategies, the business landscape is rapidly evolving to meet new expectations from consumers, investors, and employees.

## Rise of B Corps and Social Enterprises

One of the most prominent trends in social sustainability is the rise of B Corporations (B Corps) and social enterprises. Certified B Corps are companies that meet rigorous standards of social and environmental performance, transparency, and accountability. By adopting B Corp certification, companies demonstrate a commitment to using business as a force for good, prioritizing positive societal impact alongside financial success.

B Corps and social enterprises are setting a new standard for responsible business practices. B Corps represent a fundamental shift in how we define business success. Their impact extends beyond their own operations; they're influencing traditional corporations to raise their own social and environmental standards.



### Did you know?

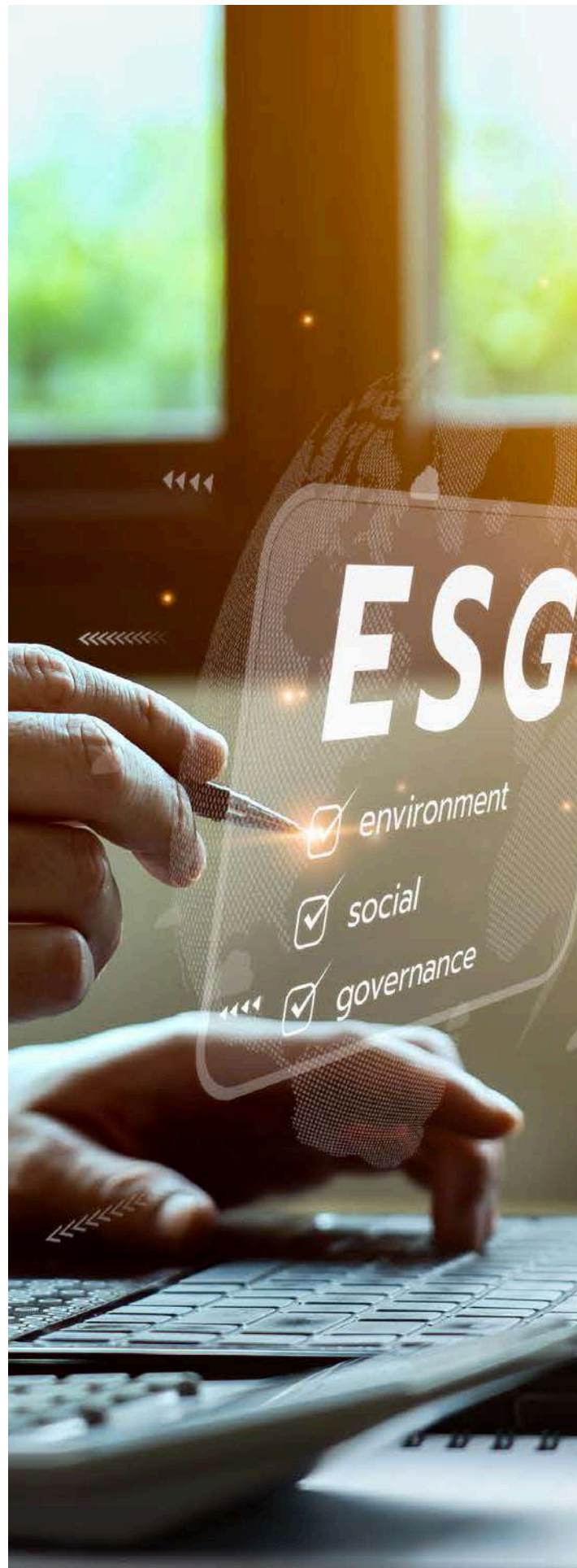
In 2024, nearly 45% of consumers reported that they prefer to buy from B Corps or social enterprises, according to the Global Consumer Sustainability Survey.

**1. Purpose-Driven Business Models:** B Corps and social enterprises often have purpose-driven models that place social impact at the heart of their operations. For example, Patagonia, a well-known B Corp, is committed to environmental conservation and ethical labour practices, integrating these values into every part of its business. By emphasizing a clear purpose, B Corps attract consumers and employees who prioritize ethical values, building loyalty and trust.

**2. Increased Accountability and Transparency:** B Corps are held to higher standards of transparency and accountability, requiring them to disclose their social and environmental impacts annually. This level of openness is reshaping the expectations for all companies, as consumers and investors seek brands that are honest about their practices. Transparency is crucial in building trust. As more companies pursue B Corp certification, we're seeing a greater emphasis on openly sharing impact data and social performance metrics.

**3. Catalysts for Industry Change:** B Corps and social enterprises are not only setting examples but also inspiring traditional corporations to adopt similar practices. This is evident in the rise of companies voluntarily adopting ESG reporting frameworks and pursuing social impact goals without formal certification. In 2024, 68% of traditional corporations indicated that B Corp values have influenced their own social responsibility programs, according to the Business Sustainability Index.

As B Corps and social enterprises grow in influence, they're reshaping the business landscape, creating an environment where social impact is valued alongside profit.



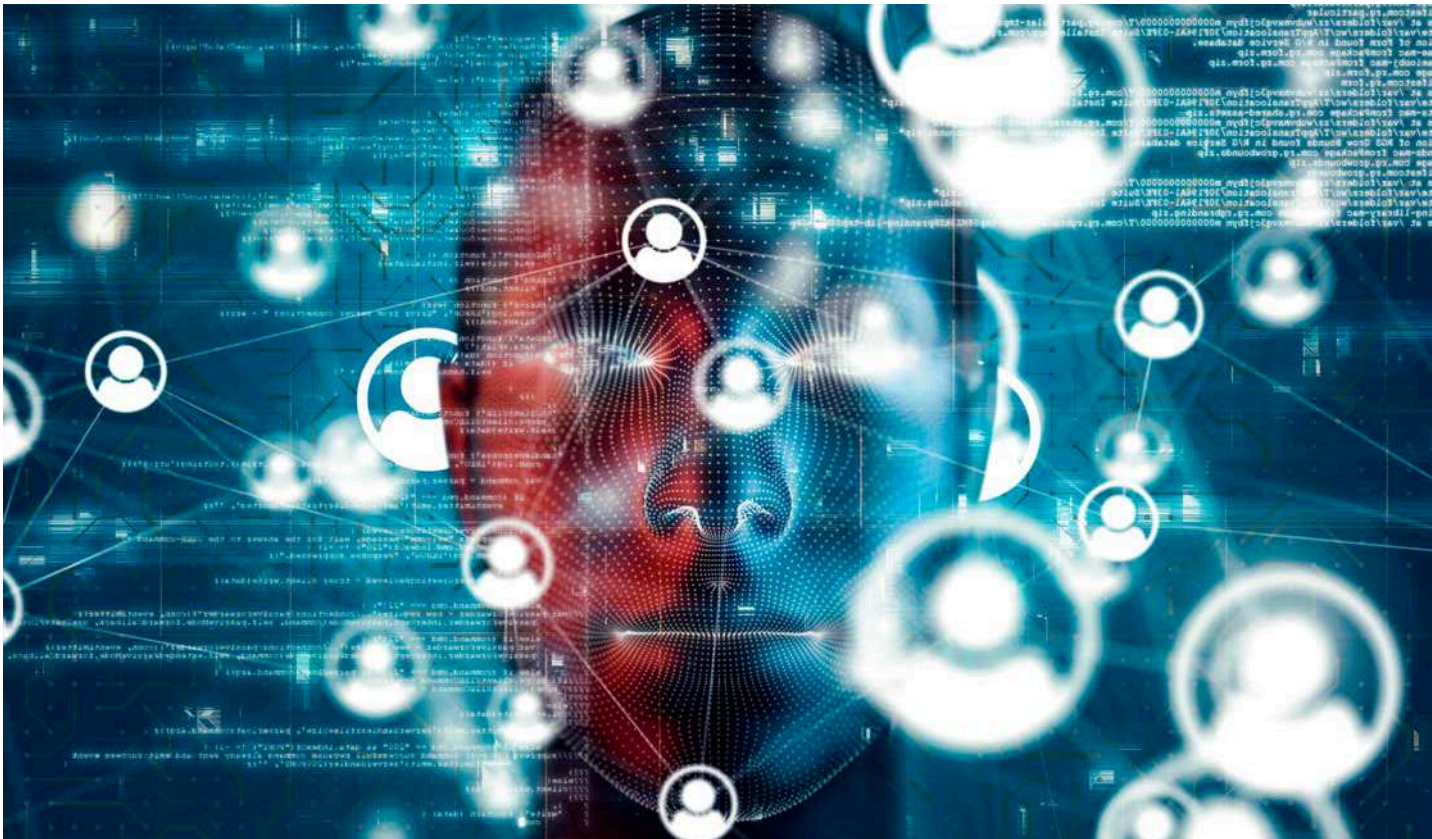
## The Role of Gen Z and Millennials in Reshaping Corporate Priorities

Gen Z and millennials, two demographics known for their strong stance on social issues, are driving significant changes in corporate priorities. These generations are not only conscious consumers but also value-driven employees and vocal advocates, demanding that companies prioritize social impact, transparency, and ethical practices. Their influence is pushing companies to adopt more socially responsible practices to attract talent and build brand loyalty.

- 1. Demand for Ethical Products and Practices:** Gen Z and millennials are more likely to support companies that prioritize ethical sourcing, fair labour practices, and DEI. For instance, brands that promote fair wages, diverse representation, and cruelty-free products are particularly popular among these demographics. Companies like TOMS Shoes, which donates a pair of shoes for every pair purchased, resonate with younger consumers by directly addressing social issues.
- 2. Employee Expectations of Social Responsibility:** Millennials and Gen Z employees expect their employers to be socially responsible and transparent about their impact. Companies that ignore these values risk losing talent to competitors with stronger ESG commitments. In response, many businesses are incorporating social goals into their missions, creating opportunities for employees to contribute to social initiatives, and fostering a culture of corporate responsibility. Today's workforce wants to feel that their work has purpose. Social impact is a deciding factor for job seekers when choosing where to work.
- 3. Digital Advocacy and Accountability:** Gen Z and millennials are digital natives who use social media as a platform for advocacy. They can quickly amplify social justice issues and mobilize public opinion, putting pressure on companies to respond to social and environmental concerns. This generation's digital influence is reshaping brand reputations in real time, making it essential for companies to address social issues proactively.

The influence of Gen Z and millennials is accelerating corporate shifts towards greater social responsibility. As these generations become the primary workforce and consumer base, their values will continue to shape corporate priorities for years to come.





## Future Technologies and Policies Shaping the Social Aspect of ESG

Technology and policy advancements are creating new possibilities for measuring, managing, and enhancing social sustainability. From AI-driven tools to government regulations, these developments are shaping the future of social sustainability, enabling companies to create more meaningful and measurable impacts.

Experts suggest that technology and policy are transforming how companies approach social issues, providing the tools and frameworks needed to drive change. "Technology is enabling companies to measure social metrics in ways that were previously impossible, while policies are creating accountability structures," says a policy analyst specializing in ESG regulations.

- 1. AI and Data Analytics for Social Metrics:** Artificial intelligence and data analytics are enhancing companies' ability to measure social impact accurately. Tools powered by AI can analyze employee sentiment, track supply chain compliance, and assess DEI efforts, providing real-time insights into social performance. For instance, AI-driven platforms like Textio help companies detect biases in job descriptions and recruitment processes, improving DEI outcomes. AI is making it easier for companies to quantify the 'S' in ESG, enabling data-driven improvements in social practices.
- 2. Blockchain for Supply Chain Transparency:** Blockchain technology is helping companies achieve greater transparency and accountability in their supply chains, particularly in relation to labour practices and ethical sourcing. By creating a secure, immutable record of each step in the supply chain, blockchain enables companies to verify that their products meet social responsibility standards. IBM's Food Trust, for example, uses blockchain to track food sources, promoting ethical sourcing and reducing risks of labour abuses.

**3. Emerging Social Policies and Regulations:** Governments worldwide are implementing policies that compel companies to address social issues, such as labour rights, fair wages, and human rights in supply chains. In the EU, the Corporate Sustainability Reporting Directive (CSRD) mandates that companies report extensively on social impacts. Similar policies are being considered in the United States, where the SEC is discussing regulations requiring companies to disclose workforce metrics. We'll see a wave of new policies focused on social transparency, forcing companies to adopt stronger social responsibility frameworks.

**4. Digital Platforms for Community Engagement:** Digital platforms and social media are transforming how companies engage with communities, allowing for more meaningful interactions and feedback. Platforms like Benevity provide tools for corporate volunteering, donation matching, and community engagement, helping companies build relationships with local communities and measure their social impact. By integrating technology with community initiatives, companies can enhance transparency and foster greater stakeholder trust.

The combination of technology and policy advancements is setting a new standard for social sustainability, making it easier for companies to assess and improve their social impact.



**ESG OUTLOOK**

**2025 AND**

**BEYOND**

