



# Social Procurement

Paving the Way for Business Resilience and Sustainability

January 2025

## Credits

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# Preface



At Impact Europe, we aim to accelerate positive social and environmental change by mobilising more capital for impact. Social enterprises within the impact ecosystem play a crucial role, providing innovative solutions for people and the planet while contributing to fulfilling Sustainable Development Goals. However, these enterprises often face challenges in accessing funding and expanding.

Social procurement integrates social enterprises and impact-driven businesses into corporate value chains, offering an opportunity for faster scaling of effective solutions. This approach also holds promise for accelerating the corporate transition to net zero (and even net positive) impact.

Our report shares insights and case studies from over 30 global companies, with a particular emphasis on India, that have embraced social procurement.

It explores what facilitated the change, the value it created, challenges faced, successful strategies, and lessons learned. By highlighting the need for cross-functional collaboration, the report provides a comprehensive view of how social procurement can drive positive social and environmental change and guides corporates in their implementation.

The launch of the Social Procurement report aligns with Business of Impact 2024, the European gathering of corporate impact actors hosted by Impact Europe in The Hague. We aim to spotlight this topic, foster discussions, and mobilise corporate action. We hope you find it insightful!

*Roberta Bosurgi*  
CEO, Impact Europe



# Foreword

As a global leader in innovation, SAP is committed to making a positive impact on the world. Our purpose remains steadfast: to help the world run better and improve people's lives. As part of our Corporate Social Responsibility (CSR) initiatives, we strive to generate equitable access to economic opportunity, education, and employment worldwide. One of the ways in which we do this is by supporting the impact business ecosystem.



The World Economic Forum released a report on the state of the social enterprise sector, revealing surprising insights. There are now over 10 million impact businesses, known as social enterprises, prioritizing people and the planet globally. Notably, one in every two social enterprises is led by a woman. These enterprises offer quality goods and services that benefit both companies and consumers alike. They create over 200 million jobs and generate an economic impact of over \$2 trillion annually, surpassing even the apparel industry. However, the sector is also experiencing a significant \$1.1 trillion funding gap, hindering the efforts of social enterprises and in turn, their impact.

One way SAP is helping address the funding gap is through our commitment to advance the social procurement movement. Over the past 15 years, our CSR team has invested in social enterprises and their ecosystems while learning how to integrate them into mainstream supply chains. With more than \$5.1 trillion in annual commerce transacted on SAP's Business Network alone, we want to help shift a percentage of spend to organizations offering quality goods and services that also prioritize people and planet. Ultimately, we recognize that our collective spending power can create an investment in sustainable development in a way that is not possible through corporate philanthropy alone. We could help fill the funding gap with money that has already been budgeted and approved for spend.

Social procurement holds immense potential for companies to create sustainable supply chains and achieve their ESG and diversity and inclusion goals. By embracing businesses that prioritize people and planet, companies can not only stay ahead of ESG regulations and manage risk, but also attract and retain employees to name a few benefits. This report serves as a valuable resource for all stakeholders in the ecosystem, empowering them to explore and enhance their individual and collective contributions to social procurement. Together, we can shape a more inclusive and responsible future.

*Alexandra van der Ploeg*

*Global Head of Corporate Social Responsibility, SAP*





# Foreword

In today's ever-evolving business landscape, compliance plays a pivotal role in driving ESG and sustainability agendas. However, we are at a transformative juncture where companies are investing in **Social Procurement** not solely due to compliance but to create genuine value for people and the planet across business value chains.



A company's HQ country often becomes a starting point to anchor strategies due to the local regulatory environment. European companies often focus on environmental factors due to regulations and reporting norms. Similarly, companies in India have prioritised social development to meet the unique needs of the country. Though social procurement is driven by statutory norms, our experience in India shows there are more compelling factors, such as stronger community engagement, partnerships with promising social enterprises, risk mitigation associated with over-reliance on certain geographies, and greater visibility through flagship programs.

Social procurement offers significant opportunities to engage social enterprises and, SMEs, stimulating underleveraged parts of the economy and generating widespread value. The benefits are clear—working with large companies helps social entrepreneurs grow their businesses, become resilient, and increase their impact, by providing jobs to the socio-economically disadvantaged. However, for it to be effective, ecosystem-level initiatives are essential where enterprises can access capacity building, financing, expertise, and other resources.

Implementing social procurement in companies requires a comprehensive operating model characterised by cross-functional and cross-departmental collaboration. It necessitates integration across company policies and processes, and building stakeholder buy-in, hence involving procurement, finance, CSR, sustainability, and other teams. Further, infrastructure development to increase the discoverability and integration of social enterprises necessitates investment from diverse players, including philanthropic foundations and DFIs.

Despite the growing focus on social procurement, companies face significant challenges today. These include accessing a pipeline of social enterprises, their limited capacity to meet the criteria of larger companies, and lower procurement volumes compared to mainstream suppliers. Philanthropy can address these challenges by funding grant-based programs for livelihood generation, creating a pipeline of reliable social enterprises, and reinforcing the social procurement mandate through capacity-building programs.

Through this collaboration with SAP and Impact Europe, we're excited to share how more than 35 companies have adopted social procurement, navigated its complexities, and demonstrated good practices in action. Our goal is to advance social procurement agendas across the Global North and South, and we look forward to supporting ecosystems where companies are striving to enhance their procurement to drive enduring impact.

*Srikrishna Sridhar Murthy (Krishna)*  
*Co-founder and CEO, Sattva Consulting*





# Contents

<b>Executive Summary</b>	1
<b>The Emergence of Social Procurement in Business Value Chains</b> Understanding social procurement: what it is, the need, community, environmental and economic benefits and key tailwinds driving the adoption of social procurement	7
<b>About the Study</b> Study scope, framework, and approach	18
<b>What Companies are doing to Advance Supply Chain Inclusivity</b> Snapshot of key trends and good practices among companies that have adopted social procurement	24
<b>How Companies are Adopting and Scaling Social Procurement</b> Case studies of Social Procurement in action	44
<b>The Road Ahead</b> Overview of challenges impeding social procurement in India and way forward	58
<b>Bibliography</b>	60



# Executive Summary

Social procurement is emerging as a significant pathway for companies to meet their sustainability goals while creating social value, particularly evident in the ecosystem of EU-based companies with a global presence, and is now beginning to gain traction in India. As companies adopt social procurement to engage with mission-aligned social enterprises, it contributes to ESG strategies, the Sustainable Development Goals (SDGs), stimulates underleveraged sections of the economy and ensures compliance with emerging regulations.

Further, social procurement serves multiple benefits for businesses at large:

- ♦ Reducing environmental footprint
- ♦ Furthering innovation in new business models and new markets
- ♦ Cascading ethical practices among supplier networks
- ♦ De-risking supply pressures
- ♦ Bolstering financial performance
- ♦ Creating an impact premium
- ♦ Enhancing brand reputation

Some early drivers of social procurement include geo-political unrest, black swan events like the COVID-19 pandemic, and extreme weather events due to climate change that significantly disrupt supply chains, giving rise to the necessity to create more resilient and inclusive supply chains.

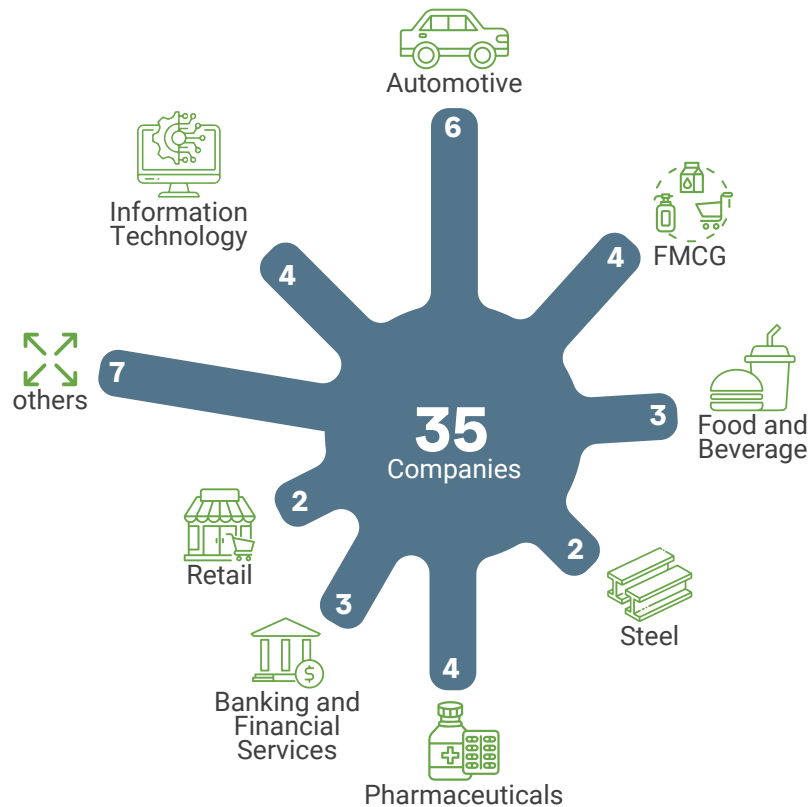
As we deep-dive into the experience of EU-based companies with an Indian footprint, we observe that the changes in the regulatory environment, such as EU-level procurement directives, India's BRSR reporting mandates, and policies in business and digital, are providing momentum for social procurement. For example, the European Union's public procurement directives, the Critical Raw Materials Act, and the 'Buying Social' Guide have significantly influenced the social procurement and supply chain strategies of companies.

Within India, the government has taken significant steps to enable the growth of MSMEs and small producers across the country—these span initiatives such as the Government eMarketplace (GeM), Open Network for Digital Commerce (ONDC), and Make in India. Additionally, the government's schemes, such as the 10,000 Farmer Producer Organizations (FPOs) initiative and the Lakhpati Didis scheme, aim to strengthen rural livelihoods, enhance agricultural value chains, and empower women entrepreneurs, further accelerating the ecosystem's development.. Additionally, reporting mandates like BRSR have encouraged listed companies to engage more deeply with supply chain sustainability and social procurement.





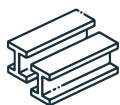
Given this backdrop, this study sought to understand trends and best practices in social procurement across supply chains of global companies with headquarters outside and in India. The study analysed the social procurement strategies of 35 companies, of which 17 are headquartered in India and 18 are spread globally. The selected companies represent diverse industries:



The study of these 35 companies revealed the following eight trends:

- 1 Over 50% of the companies support indigenous communities and actively engage with local producers in their procurement.
- 2 40% of the companies report comprehensive supplier diversity programs integrating under-represented groups through their enterprises to achieve inclusion in procurement.
- 3 Close to 90% of companies studied reported a transition to sustainable manufacturing and production, adopting circular supply chain practices.
- 4 More than 50% of the companies focus on green logistics, with a third of them optimising transportation routes in their supply chains to enable it.
- 5 While all companies have robust risk management, there is a high prevalence of initiatives reported in Pharmaceuticals, Automotive, Information Technology, and FMCGs
- 6 More than 60% of companies enhance supply chain transparency by utilising digital platforms for real-time traceability, monitoring and compliance.
- 7 More than 50% of the companies offer capacity building for suppliers to amplify transparency, accountability, safety, and environmental performance in supply chains.
- 8 All companies support community development in their areas of procurement through CSR.

# Sector Level Insights



For industrial manufacturers like those in the steel and building materials sectors, CSR initiatives are focused on community empowerment through education, skills development, healthcare, infrastructure development, and environmental sustainability. These initiatives aim to uplift communities, particularly those surrounding operational areas, and demonstrate a commitment to responsible business practices.



The banking and financial services sector prioritises social initiatives for youth, small businesses, and marginalised groups through programs focused on education, vocational skills, and financial empowerment. These efforts collectively enhance employability, address systemic inequalities, and foster financial inclusion.



Conglomerates, FMCG companies and retailers prioritise supporting local vendors and suppliers by sourcing from small and medium enterprises and partnering with local communities. This approach enhances local entrepreneurship and competitiveness, driving economic growth and community development.



Pharmaceutical companies prioritise supplier risk assessment, responsible sourcing, and supplier diversity. Their CSR initiatives focus on skilling and empowering local communities, alongside training and raising awareness about healthcare, well-being, hygiene, and related issues.



IT companies prioritise green procurement by adopting environmentally friendly standards to reduce carbon emissions, energy consumption, and water usage. They source from local, diverse, and MSME-owned businesses. This focus is driven by the sector's significant contribution to energy consumption and the need to mitigate environmental impact and promote sustainable practices.



Automotive companies have adopted internal guidelines and policies that extend beyond traditional Supplier Codes of Conduct, driven by the need to mitigate significant environmental impacts. These measures include sustainable procurement, responsible sourcing, green procurement, and sustainable supply chain models. There is a strong emphasis on building supplier and vendor capacity to ensure adherence to these standards.

**Going forward, we see the following areas as critical to accelerate the momentum around social procurement:**

- ♦ A strategic focus at the leadership level from companies to unlock a percentage of their annual procurement from social enterprises, MSMEs and community-based organisations such as FPOs and SHGs from underrepresented communities.
- ♦ Assessment, certification, capacity building and measurement focused frameworks and initiatives to strengthen the ecosystem for social procurement.
- ♦ Stronger discovery mechanisms and platforms for social enterprises, credible small suppliers and corporates to come together.
- ♦ Policy incentives in India to encourage social procurement in the private sector.





# **The Emergence of Social Procurement in Business Value Chains**

The emergence of social procurement in business is driven by a multitude of factors impacting companies and their supply chains. A historically significant driver has been geo-political unrest and black swan events like pandemics that impose great risks to business continuity, pushing corporations to reevaluate robustness of their supply chains. For example, the COVID-19 pandemic exposed multiple faultlines in interconnected supply chains, pushing organisations to procure and produce more locally and provide opportunities to new and diverse suppliers.<sup>1</sup> Further, climate change and physical risks to supply chains associated with extreme weather events are also causing businesses to restructure their supply chains for better resilience.<sup>2</sup>

However, increasingly, the conversation surrounding business resilience is linked to the topic of sustainability—sustainable approaches to business and procurement benefit both business resilience as well as stakeholders that businesses routinely interact with. In fact, there is a global recognition that the net-zero targets can be achieved only through inclusive approaches, particularly from evidence of global policies, trade agreements, and voluntary commitments that extend across the supply chain.<sup>3</sup> Additionally, an equally significant factor is the growing role of consumers and markets demanding and expecting sustainable sourcing, which is becoming a powerful driver for businesses to embrace social procurement and sustainability practices.





Owing to this, there are now stricter compliance norms for meeting and reporting among global companies- particularly in the EU.<sup>4,5</sup> Meeting ESG targets necessitates innovation in business models and approaches – for example, the social procurement manual by Yunus Social Business furnishes a 5-S model<sup>6</sup> to social procurement entailing the following steps:

<b>STRATEGY</b>	Create a viable case for social procurement and link it to your core business model
<b>STAKEHOLDERS</b>	Secure key stakeholder buy-ins, including from your senior leadership
<b>SYSTEMS</b>	Understand where your systems and processes support social procurement – and where they may need to be adjusted
<b>SCALE</b>	Understand your path to scale – from individual engagement with social businesses to their strategic integration into procurement
<b>STORYTELLING</b>	Communicate the benefits of social procurement effectively



Specifically, India is a country of small businesses and suppliers (MSMEs form 29% of the GDP and more than 90% of businesses in India are micro and small). To that end, the Indian environment has seen significant momentum from the policy environment lately to support MSMEs in their growth, providing them access to markets through ONDC and other DPIs, through credit access and a unique focus on farmers and FPO growth.<sup>7</sup> Within the Indian context and its requirements, there is a unique context for businesses to integrate small suppliers and businesses in larger supply chains to achieve their environmental and social outcomes. Further, social enterprises are growing in revenue and size as well - they are generating around EUR 1.84 trillion in revenue each year while creating positive impact.<sup>8</sup>

However, social procurement, defined as the purchase of goods and services by companies from social businesses, is more nascent, as our conversations with leading Indian and Global corporations indicate. The nascency of the concept, juxtaposed with the rich presence of social enterprises and MSMEs in India, rise of digital transformation approaches, and the green transition targets undertaken by India, present an opportunity to build a strong business case for social procurement.



Social procurement also presents a number of other irrefutable benefits:

**Reducing environmental footprint**

Social procurement helps reduce the environmental footprint by engaging with suppliers who practise sustainable methods, going local and indigenous with manufacturing and procurement, thereby decreasing resource use and environmental impact.

**Furthering innovation in new business models and new markets**

Engaging with ethical suppliers drives innovation by enabling the development of sustainable products, circular economy practices, and resource-efficient solutions. It also opens access to untapped markets, allowing businesses to pioneer models that cater to evolving consumer preferences for sustainability.

**Cascading ethical practices in supply chains**

Social procurement helps businesses build relationships with key suppliers committed to ethical practices and sustainability, hence supporting the cascade of better practices in their supplier networks across the value chain.

**De-risking supply pressures**

Strategic sustainable procurement helps de-risk and future-proof organisations when it comes to supply chain pressures, resource scarcity, and consumer purchasing trends.

**Bolstering financial performance**

Effective sustainable procurement can increase revenue by 5-20% and reduce procurement costs by 9-16%.

**Creating an impact premium**

Social procurement can lead to a tangible positive impact on key non-financial business levers that serve as potential indicators of future value creation including customer loyalty and employee engagement.

**Enhancing brand reputation**

Businesses with inclusive supply chains are seen favourably by consumers, buyers, investors, talent, and suppliers in the market.

\* Source: <https://www.4cassociates.com/benefits-of-sustainable-procurement/>



**Yunus Social Business** conducted a study<sup>9</sup> interviewing company leaders on why they engage with and commit to integrating social businesses into their value chains, with the following takeaways

**80%** engage to align with the company's core values, purpose, and culture.

**60%** respond to customer demand for socially sourced products and seek brand differentiation.

**55%** aim to develop new business, distribution, or innovation models with social enterprises.

**50%** strive to meet Environmental, Social, and Governance (ESG) or Sustainability targets.

**40%** address rising public concern about the sustainability and inclusivity of global supply chains.

Further, according to a survey<sup>10</sup> conducted by **McKinsey**,

**93%** of senior supply chain leaders plan to make supply chains more agile and resilient.

**71%** of Chief Procurement Officers aim to diversify supply chains for greater stability.

This report seeks to delve into good practices implemented by various global and Indian companies to initiate a dialogue and move the needle on social procurement as an agenda in the Global South.



## Social procurement directly addresses 7 out of the 17 SDG goals.

Social enterprises and, more broadly, Small and Medium-sized Enterprises (SMEs) are often more agile and innovative, driving economic growth and job creation while addressing social and environmental challenges. The benefits of social procurement are clear — working with large companies helps social entrepreneurs grow their businesses and scale their impact. For micro and small enterprises, integrating into the value chains of big companies fosters their enterprise development, business resilience, and elevates their impact in multiple ways, including through employment provided to socio-economically underprivileged communities. For social procurement to be effective, however, ecosystem level initiatives are important, over and above company-level investment, to create a stronger environment where SMEs and social enterprises can access capacity building, finance, and resources to thrive.



### No Poverty

Social procurement boosts livelihoods for disadvantaged groups by creating job opportunities and economic empowerment through engagement with marginalised suppliers and producers.



### Gender Equality

Promotes gender equality by empowering women through entrepreneurship, leadership opportunities, and fair working conditions via gender-responsive procurement practices.



### Decent Work and Economic Growth

Encourages inclusive and sustainable economic development by supporting small businesses, job creation, and economic prosperity, particularly for marginalised groups.



### Reduced Inequalities

Reduces discrimination and enhances social inclusion and diversity in the supply chain by prioritising fair labour practices, inclusive procurement approaches, and diversifying suppliers.



### Responsible Consumption and Production

Advances ethical sourcing, promotes circular economy principles, and reduces environmental impact, fostering responsible consumption and production.



### Climate Action

Supports climate action by prioritising environmentally friendly suppliers and products, reducing greenhouse gas emissions, advancing net-zero emission interventions through social enterprises, and enhancing climate resilience.



### Partnership for the Goals

Enhances impact through collaborations between industry, government, and the philanthropic ecosystem to effectively address global challenges and contribute to building strong partnerships that drive positive social and environmental impact, with businesses at the centre.



**Various global events have shown how supply chain disruptions can arise from geopolitical events, natural disasters, infrastructure failures and more, driving the necessity for social procurement.**

**Covid-19 shocks**

The pandemic exposed **vulnerabilities** in supply chains that prioritised **cost reduction and efficiency over resilience**. Within weeks of the outbreak, 75% of companies faced transportation-related disruptions. With 200 Fortune Global 500 firms having a presence in Wuhan, the pandemic highlighted the **risks of concentrated production in one region**. Firms are now shifting to a "China plus one" strategy to diversify their supply bases.<sup>11</sup>

**Conflicts**

The war in Ukraine has disrupted global supply chains, causing **wheat shortages** (28% of global exports), soaring **natural gas prices** in Europe (120-130% increase), and **critical metal shortages** (30% nickel, 13% titanium, 11% platinum group elements). These disruptions underscore the need for resilient and diversified sourcing.<sup>12</sup>

**The urgency of climate change**

From extreme weather events to shifting precipitation patterns and rising sea levels, climate change is manifesting in various forms, leading to profound repercussions for supply chains. These disruptions are felt most acutely in sectors heavily reliant on consistent environmental conditions, transportation networks, and natural resources.<sup>13</sup>





**EU-level procurement directives, India's BRSR reporting mandates, and policies to boost business and digital growth are providing momentum for social procurement.**

## EU-level actions

### **European Union public procurement directives**

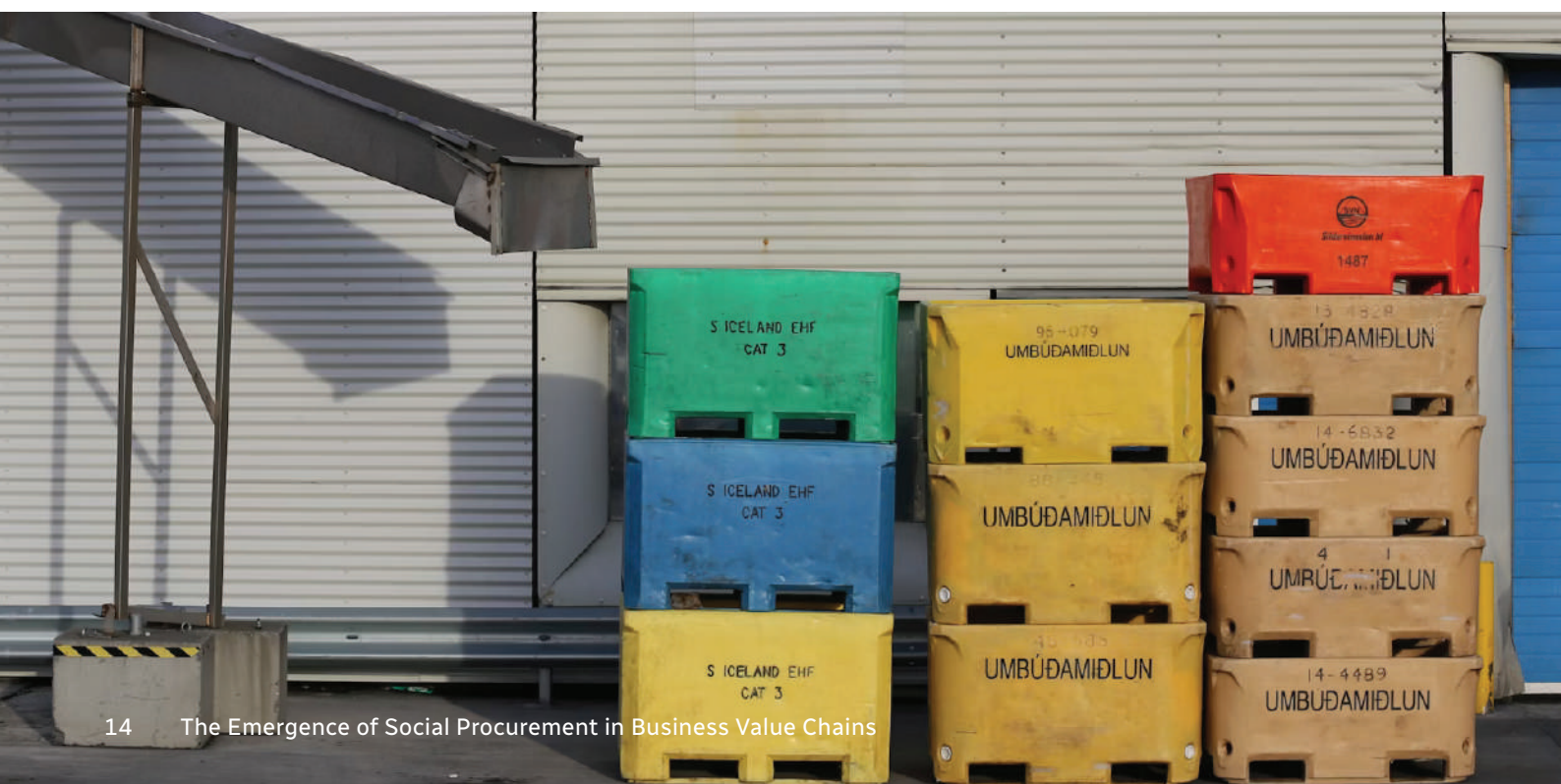
Driving a culture of integrity and compliance through education on ethical conduct, anti-corruption policies, and promoting accountability, ensuring adherence to legal and ethical standards.<sup>14</sup>

### **European Critical Raw Materials Act**

European regulations took a step ahead to further EU's green and digital future by regulatory actions ensuring the EU's access to a secure, diversified, affordable and sustainable supply of critical raw materials. The policy sets a regulatory framework to support the development of domestic capacities and to strengthen the sustainability and circularity of key raw material supply chains in the EU. The communication proposes measures to support the diversification of supply chains through new international mutually supportive partnerships.<sup>15</sup>

### **European Commission's 'Buying Social' Guide and Socially Responsible Public Procurement (SRPP)**

The European Commission's 'Buying Social' Guide is a practical tool for public buyers to incorporate social considerations into procurement processes. SRPP is about achieving positive social outcomes in public procurement contracts by considering factors such as employment opportunities, decent work, social inclusion, accessibility, and compliance with social and labour rights.<sup>16</sup>





# India-level actions

## Government efforts

### **Government eMarketplace (GeM)**

GeM is a platform for online procurement by government departments and Public Sector Undertakings (PSUs) in India. It promotes transparency and efficiency in public procurement. GeM has specific provisions for inclusion of Micro and Small Enterprises (MSEs), including those led by women. For women-led enterprises, there is a dedicated category for procurement. Procurement of services through GeM has grown significantly, from nearly EUR 96.6 million in FY21 to nearly EUR 733 million in FY23 to nearly EUR 1978.26 million in FY24 (as on February 22, 2024).<sup>17</sup>

### **Open Network for Digital Commerce (ONDC) and DPI**

ONDC is a government initiative to create an open network for digital commerce, allowing any seller to connect with any buyer on any platform. It aims to break down the dominance of large e-commerce companies and empower small businesses. DPI (DPI stands for Discovery and Price Information) is a key component of ONDC that allows buyers to discover products and services offered by sellers on the network. The DPI is actively working with stakeholders to onboard sellers and establish ONDC as a robust alternative for B2C (Business-to-Consumer) transactions. So far, ONDC has 546k+ sellers / service providers, aggregated 90 million buyers through 13 buyer platforms on the network. As ONDC grows, we can expect a significant rise in the number of small businesses participating in online sales.<sup>18</sup>

### **Make in India**

Launched in 2014, the Make in India initiative aims to transform India into a global manufacturing hub by facilitating investment, fostering innovation, and building top-notch infrastructure. The initiative now focuses on 27 sectors under Make in India 2.0 and is implemented across various ministries, central and state Governments. Key policy measures like Atmanirbhar Bharat, Production Linked Incentive (PLI) Schemes for 14 sectors, National Infrastructure Pipeline (NIP), and National Monetisation Pipeline (NMP) have been introduced to boost economic growth post-COVID-19. Other significant reforms include GST, corporate tax reduction, and FDI policy reforms. The One District One Product (ODOP) initiative promotes regional development by identifying unique products from each district. Since its inception, the Make in India initiative has resulted in a 57% increase in FDI equity inflow in the manufacturing sector from 2014-2022 compared to the previous eight years.<sup>19</sup>

### **Business Responsibility and Sustainability Reporting (BRSR)**

BRSR guidelines, mandated by the Securities and Exchange Board of India (SEBI), require certain companies to disclose their environmental, social, and governance (ESG) performance in their annual reports. These guidelines apply to listed companies with a net worth of EUR 54.35 million or more, or a turnover of EUR 108.7 million or more. The BRSR framework seeks to promote transparency and accountability on ESG issues among companies.<sup>20</sup>

# Other Government Initiatives

## **Support for Farmer Producer Organisations (FPO)**

The government has been promoting FPOs to empower farmers by enabling them to collectively bargain for inputs and sell their produce directly to consumers or businesses, improving their income. This effort is further strengthened by the 10,000 FPO Scheme, which aims to establish and support Farmer Producer Organizations nationwide, ensuring better access to resources, markets, and technology for small and marginal farmers.

## **Doubling Farmer Income**

The government is focused on improving farm productivity, reducing post-harvest losses, and better marketing for farm produce by providing high-yielding seeds, promoting micro-irrigation techniques to reduce water wastage, and improving rural storage infrastructure to minimise post-harvest losses. Additionally, the government is encouraging crop diversification and facilitates better market access for farmers through initiatives like kisan mandis (farmers' markets). As a result, average monthly income per agricultural household rose from EUR 73 in 2012-13 to EUR 113 in 2018-19, with significant improvements in productivity, sustainability, and market access.<sup>2</sup>

## **Support for Craft Persons**

PM-Vishwakarma Yojana (PM-VY)<sup>22</sup> not only provides financial assistance to SC artisans and craftspersons but also helps them upgrade their skills through training programs. PM-VY also supports marketing and branding of their products, helping them reach a wider audience and generate sustainable income.



# Business Tailwinds

- › **Global coalitions such as the RISE Ahead Pledge<sup>23</sup> with 17+ companies and WEF Global Alliance for Social Entrepreneurship<sup>24</sup>** are bringing ecosystems together as missions to advance social procurement.
- › **ESG compliance and reporting norms:** Environmental, Social, and Governance (ESG) compliance is becoming a standard in procurement functions, driving the adoption of social procurement to meet sustainability goals and enhance corporate reputation.
- › **Corporate innovation through new business partnerships:** There is increasing evidence of corporations focusing on incubating new innovations in sustainability through partnerships, demonstrating working mechanisms for social enterprise partnerships with big business value chains.<sup>25</sup>
- › **Focus on Impact and Value Creation:** Social procurement is shifting from compliance to value creation with a focus on creating social and environmental impact through strategic sourcing decisions.



## Challenges



- › **Investments towards shifts in mindsets and practices:** Transitioning from traditional to social sourcing requires shifts across multiple levels, from mindsets to corporate procurement policies and operational practices, which requires substantial upfront investment before the benefits of social procurement can be demonstrated.



- › **Structures and mechanisms to integrate small-volume suppliers:** Meeting large-scale volume requirements of companies can be challenging for social businesses, necessitating formulation of appropriate structures, capacity-building, long-term partnerships, philanthropic investments, and collaboration with intermediaries.



- › **Addressing Stakeholder Myths:** Stakeholders may have misconceptions about engaging with social businesses, requiring procurement managers to challenge myths and provide factual information to build stakeholder excitement.



- › **Nascent support ecosystem:** The ecosystem for social procurement in many regions, including India, is still in its nascent stages. The absence of established networks, supportive policies, and mechanisms for scaling social businesses poses a significant challenge, requiring coordinated efforts to build and mature the ecosystem.



# About the Study

The study on the social procurement agendas of companies globally has been undertaken using a mixed methods approach, consisting of a detailed review of sustainability, annual and CSR reports of 35 companies, combined with insights from 1:1 interviews with sustainability heads from the selected corporations. Our observation from the study is that while sustainable procurement has been adopted widely by corporations and reported on as part of their ESG disclosures, the conversation around social procurement is more nascent, requiring a deeper understanding of company agendas through conversations with sustainability heads.

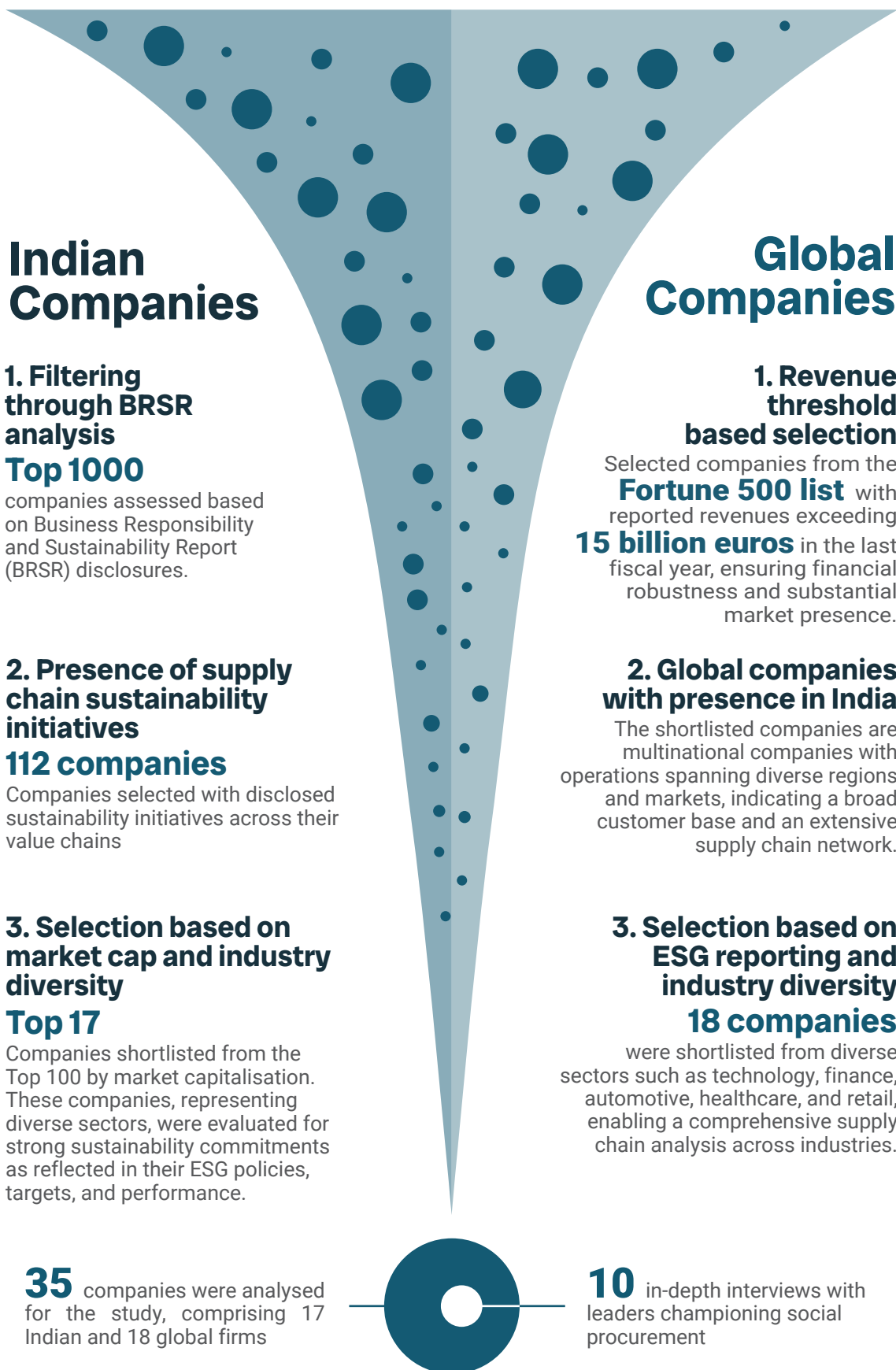
Further, the 35 companies selected consisted of a combination of companies headquartered in India and outside. In order to shortlist global companies for the study, 18 companies with over EUR 12.75 billion in revenue with presence in India and robust disclosures on ESG and sustainability were chosen. For the Indian companies, the BRSR reporting was leveraged to identify which of the top 1000 listed companies had reported sustainability agendas across their supply chains. From the 112 companies that had some level of reporting around sustainability initiatives across the supply chain, 17 companies fell within the top 100 by market capitalisation.
























## These 35 shortlisted companies span various industries, comprising 17 Indian and 18 global companies

Sectors	Indian Companies	Global Companies with presence in India
 Automotive	Eicher Hero Mahindra Samvardhana Motherson	Mercedes-Benz Group BOSCH
 Pharmaceuticals	Sun Pharma Sai Pharmaceuticals Zydus	BAYER
 Information Technology	Siemens Wipro LTIMindtree	Microsoft
 Steel	TATA Steel JSW	
 Banking and Financial Services		Deutsche Bank HSBC
 Food and Beverage		Nestle PEPSICO WhatIF Foods
 Retail		H&M IKEA
 FMCG	Reliance Industries Ltd ITC Godrej	Unilever
 Others		Henkel Shell L'oreal Philips Beiersdorf Saint-Gobain Schneider Electric



**Social procurement entails engaging with players along a corporate value chain who inherently create greater value to society and the environment**

Social procurement can be prioritised across various categories of spend within a company		
Component of Value Chain	Nature of Initiative	Type of Spend
 <p><b>Sourcing of commodities and manufactured products</b></p>	<p>Environmentally conscious / socially inclusive sourcing</p> <hr/> <p>Working with local and indigenous producers and communities</p> <hr/> <p>Integrating small and marginalised enterprises (marginalised entities, SMEs, FPOs, women-owned enterprises)</p>	<b>Direct Spend</b>
 <p><b>Manufacturing</b></p>	<p>Circular economy practices (In manufacturing and packaging)</p>	
 <p><b>Distribution &amp; Retail</b></p>	<p>Green logistics</p> <hr/> <p>Diverse and inclusive retail channels</p> <hr/> <p>Product end of life management</p>	<b>Services Spend</b>
 <p><b>Organisation Management</b></p>	<p>Labour and HR services</p> <hr/> <p>DEI across IT, marketing, housekeeping, finance, office management, etc.</p>	
		<b>Indirect Spend</b>

# **What Companies are doing to Advance Supply chain Inclusivity**

# We observed 8 trends across the 35 companies studied in detail

Trends

1

## Sourcing of commodities and manufactured products

18

out of 35 companies **are supporting indigenous communities and actively engaging with local producers** in their procurement

2

14

companies **report comprehensive supplier diversity programs** integrating under-represented groups to achieve inclusion in procurement.

## Manufacturing

3

30

companies prioritise **circular economy practices** within their supply chains. Similar trends have been observed across different industries.

## Distribution and Retail

4

18

companies focus on **green logistics**, with high prevalence of initiatives in Information Technology, FMCG, Food & Beverage and Retail industries.

## Across the supply chain

5

18

companies have **risk assessment processes** in place, with higher prevalence in industries such as Pharmaceuticals, Automotive, Information Technology, and FMCGs.

6

21

companies ensure **supply chain transparency** through audits, real-time monitoring, etc.

7

18

companies focus on **capacity building programs** for suppliers, predominantly from among Automotive and FMCG companies.

8

35

companies have **community development programs** in their procurement areas through CSR.



# 1

**Over 50% of the companies support indigenous communities and actively engage with local producers in their procurement strategy**



## **Companies are diversifying their supply base across countries to reduce over-reliance on specific areas**



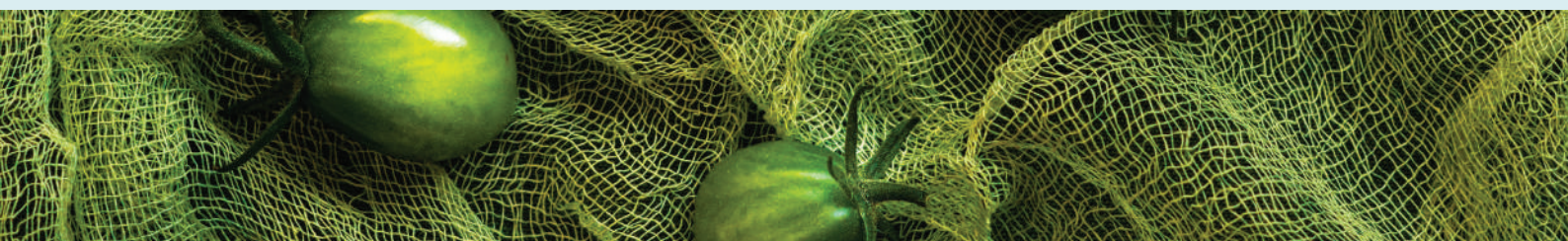
Companies distinctly report geographical diversification in their supplier base, working with suppliers across numerous countries to mitigate risks associated with over-reliance on a single region. Examples include Siemens, PepsiCo, Bosch, HSBC, IKEA, Shell globally, and LTIMindtree, Schneider Electric in India.



## **Companies are actively engaging and developing local enterprises to produce commodities and manufacture goods**



Companies have dedicated MSME programmes in source countries to supply raw materials and ingredients and manufacture finished goods, while all companies studied engage with MSMEs in their sourcing countries. Examples include Zydus (global), Hero, JSW, Godrej group, Visa, ITC, HSBC and LTI Mindtree (India).



## **Companies are increasingly developing alternatives to critical raw materials and resource-heavy manufacturing processes through partnerships**



Companies studied are engaged in strategic alliances to secure ingredients, tap into clean energy sources in production and demonstrate alternative raw materials in manufacturing processes across production sites. Examples include IKEA, Tata Steel and Mercedes Benz.

*\*N (companies engaged in social procurement): 35*

## Good Practices

# Local sourcing from smallholder farmers within the agricultural landscape

As agricultural raw materials are used across most of IKEA's<sup>26</sup> products, in FY23, IKEA began developing requirements for the new Agriculture Section in IWAY, the IKEA supplier code of conduct. This marks a significant step in their responsible sourcing efforts, with a strong focus on addressing human rights and environmental impacts, including the risks of deforestation and animal welfare across the value chain.

To this end, IKEA has embarked on a long-term initiative (estimated five years) to empower local producers and landscapes, tracking progress in soil health, landscape restoration, and community wellbeing. As IKEA expands into additional markets and collaborates with regional supply chains, they are exploring different engagement methods, ranging from direct control to partnerships.

In FY23, the total volume of cotton in IKEA products, including non-virgin cotton, was 109,000 tonnes (compared to 144,100 tonnes in FY22). Approximately 80% of virgin cotton originated from smallholder farmers, with the remaining 20% sourced from large landholding farmers. IKEA continues to prioritise physical segregation, end-to-end traceability, diversification, risk mitigation, and the promotion of circular cotton supply chains to minimise the environmental and social impacts of cotton supply chains.



## Alternative sourcing of raw materials to reduce ecological footprint

- **Forestry (wood):** IKEA<sup>27</sup> has partnered with the Forest Stewardship Council® (FSC®) to understand the impact of FSC-certified forests on biodiversity. In FY23, 97.8% of IKEA's wood (compared to 99.9% in FY22) was FSC-certified or recycled, meeting their IWAY forestry minimum requirements.
- **Agriculture:** IKEA is developing IWAY requirements to guide responsible sourcing of agricultural raw materials. The company is piloting projects to measure and scale regenerative agriculture across its value chain and has become an active member of One Planet Business for Biodiversity (OP2B).
- **Inorganics:** IKEA has completed pilot mappings of prioritised supply chains for inorganic raw materials back to their sources.
- **Secondary Raw Materials (recycled metal, plastic, glass, chemicals, etc.):** IKEA has joined The Circulate Initiative (TCI) forum to support the TCI Responsible Sourcing Initiative, which aims to improve human rights in recycled plastic value chains, ensuring these practices are measurable, manageable, and compliant with regulations.



## Good Practices

# Engaging with MSMEs to foster growth of micro and small enterprises

LTIMindtree<sup>28</sup> reports a preference for local and small vendors, assigning priorities to small enterprise procurement, specifically for Non-IT products 20.47% of LTIMindtree's total procurement is spent on MSMEs, and small producers. As a practice, the company procures their non-IT products from local businesses, giving preference to diverse, MSME- owned businesses.

Godrej<sup>29</sup> emphasises direct sourcing from MSMEs and small producers, with defined targets to source input materials. Godrej prioritises sourcing raw materials locally within India, supporting local businesses and reducing environmental impact. 39% of Godrej Group's input materials are directly sourced from MSMEs or small producers.

Further, Godrej Capital, the non-banking finance company (NBFC) arm of the Godrej Group provides value-added services to MSMEs through its digital platform, Nirmaan. These services include business growth opportunities, ease of business, and knowledge and networking avenues. This initiative is a first in the BFSI industry in India and goes beyond core lending offerings. Godrej has also partnered with Amazon Global Selling (e-commerce exports programme), Onsurity (employee healthcare platform), Zolvit (tax and compliance support for MSMEs), and MSMEx (advisory platform for MSMEs) to increase small businesses' potential market reach, simplify legal and compliance processes, enhance employees' health and welfare, and provide business coaching.



# 2

**40% of the companies report comprehensive supplier diversity programmes integrating under-represented groups through their enterprises to achieve inclusion in procurement**



## Women integration in production chains



Companies actively integrate women in their production chains and procure from women enterprises. In addition to procurement spend, supplier diversity programs for women often provide technical support and business development resources to help women entrepreneurs thrive and compete. Examples in India include ITC, Mahindra & Mahindra, Reliance Industries Limited, PepsiCo, IKEA, Bayer, Deutsche Bank and Nestle.

## Disability-inclusive procurement



Companies emphasise disability-inclusive procurement, providing opportunities and accessible technology to support suppliers among the differently abled. Examples include L'Oreal, Wipro and Deutsche Bank.

## Underrepresented ethnic minorities and communities



Companies focus on including suppliers from underrepresented ethnic minorities, historically disenfranchised communities and under-supported geographical areas. Examples include PepsiCo, Tata Steel, ITC, LTIMindtree and Wipro.

## LGBTQIA-owned businesses



Companies actively seek procurement from LGBTQIA-owned businesses and undertake programmes to promote workplace equality. Examples include PepsiCo, Bayer and Wipro (global).

*\*N (companies engaged in social procurement): 35*





## Good Practices

### Engaging with women farmers in the dairy value chain

The Milk District model in over 30 countries, initiated by Nestlé<sup>30</sup>, has empowered women farmers in China, India, Indonesia, and Pakistan. Nestlé India leverages the strength of women collectives in adopting good dairying practices in dairy farms and regularly conducts special programs to accelerate them. The model provides sustainable livelihoods to 100,000 dairy farmers, including 70,400 women dairy farmers. The model consists of a three-pronged approach in India:

- › Setting up 1,408 milk collection districts across three states
- › Boosting income of 70,400 women farmers - assuring fair prices, including regular monthly income and easier access to the market.
- › Building their technical know-how through training on good cattle feeding practices, breeding practices, and mechanisation of farms.

### Procuring from small, marginalised suppliers across geographies

The Supplier Diversity Program by Bayer<sup>31</sup> aims to enhance its competitive advantage by fostering a diverse supplier portfolio and delivering innovative and cost-effective products to its customers.

- › Bayer focuses on underrepresented groups, including women, members of ethnic minorities, people with disabilities, and members of the LGBTQ+ community.
- › Together with chambers of commerce and other organisations, they help small and diverse suppliers to further their professional development and assist them in qualifying for tendering processes.
- › Bayer has partnered with WEConnect International, an NGO that connects women-owned businesses to buyers around the world, on co-branded capacity-building programs for women entrepreneurs – in Mexico in 2022 and Brazil in 2023 – in addition to actively participating in other NGO-facilitated capacity-building programs.
- › The procurement spend with certified women-owned enterprises was €109.2 million in 2023.
- › In 2023, Bayer committed to disability-inclusive procurement by signing up for the Disability Procure Access initiative that connects companies which recognise the importance of buying and selling technology that is accessible to people with disabilities.

### Engaging with small suppliers to cascade responsible practices

L'Oréal's<sup>32</sup> Solidarity Sourcing program, which started in 2010, directs a proportion of global purchases to suppliers who employ people from vulnerable communities – those excluded from the jobs market – to allow them access to work and incomes. It focuses on social inclusion across all stages of the purchasing process (raw materials, packaging, subcontracting, promotional items, and indirect distribution) in every country where it operates.

- › In 2023, the company led 429 projects across local communities in 67 countries, helping 93,165 beneficiaries – notably women, people with disabilities, and disadvantaged communities. They also encourage their suppliers to deploy similar programs within their ecosystems – and 13% of these suppliers did so in 2018.
- › Supporting suppliers committed to hiring people with disabilities in France: L'Oréal sub-contracts (co-packing, repacking, assembling) to companies employing people with disabilities, supporting 2,889 full-time job beneficiaries in 33 countries.

# 3

**Close to 90% of companies studied report a transition to sustainable manufacturing and production, adopting circular supply chain practices**



## Optimising the use of energy



Companies are minimising waste, optimising resource and energy use, utilising renewable fuels, and instituting waste recycling and reuse initiatives. Examples include Godrej, Wipro, Beiersdorf, Shell, Sai Pharmaceuticals, Unilever, Mercedes Benz, ITC, and Reliance Industries Limited.

## Sequestering carbon



Companies are employing nature-positive solutions such as agroforestry, soil management, and forest restoration to sequester carbon in their production areas. Examples include Mahindra & Mahindra, H&M, Microsoft, and Siemens.

## Innovating with eco-packaging



Companies are investing in packaging innovations and new business models to reduce waste and promote sustainable material use. Examples include ITC, PepsiCo, Beiersdorf and Nestle.

## Encouraging suppliers to undertake circular economy practices



Companies are working with producers, suppliers and communities to source in ways that protect ecosystems, reduce emissions and enhance livelihoods. Examples include H&M, IKEA, Bosch, Philips, and Mercedes Benz.

## Companies are extending end-of-life for materials and products



Companies like HUL, ITC and H&M, implement extended producer responsibility (EPR) measures, holding producers accountable for end-of-life product disposal and promoting the development of reverse supply chains.

*\*N (companies engaged in social procurement): 35*





## Good Practices

# Bringing down water consumption across the manufacturing process

Hindustan Unilever Limited (HUL)<sup>33</sup> spearheads water conservation initiatives through the "Water for Public Good" program. This multi-pronged program comprises three pillars: Know More (water literacy), Save More (sustainable practices), and Use Less (behaviour change), alongside initiating water efficiency initiatives in manufacturing. These programs reduce freshwater consumption, implement rainwater harvesting, and reduce water usage within HUL factories. So far, HUL has achieved:

- 2.6 trillion litres of cumulative water potential through improved water management practices (in partnership with various stakeholders).
- 48% reduction in water consumption across HUL's factories since 2008.

## Green supply chain management

Through the Carbon Reduction@Suppliers program, Siemens<sup>34</sup> collaborates with partners and suppliers to track carbon, reduce emissions, and check water and energy loss using need-based audits and apps. Key initiatives undertaken include:

- Using a web tool called supplier+s to identify and reduce suppliers' CO<sub>2</sub> emissions. Suppliers categorised by product or service and country of origin are assigned an industry average for CO<sub>2</sub> emissions. Suppliers provide information on their CO<sub>2</sub> reduction measures and management via supplier+s. Siemens uses this data to calculate emissions reductions and the supplier's remaining carbon footprint.
- Conducting evaluations of suppliers based on risk categories, ranging from supplier self-assessments of their sustainability practices to on-site sustainability audits conducted by external auditors, by their risk assessment framework.
- Deploying SiGREEN, an emissions tracking tool on their Siemens Xcelerator platform, enabling companies to connect to all their suppliers through data-driven decisions to reduce product carbon footprints and decarbonise at scale.
- Developing specifically for the water and wastewater industry, SIWA helps operators optimise energy efficiency, avoid water loss, reduce contamination of water bodies, and improve predictive maintenance measures.

## Decarbonising supply chains and circular procurement

Philips<sup>35</sup> is actively reducing emissions across its supply chain through various initiatives. Programs / initiatives include:

- Motivating suppliers to disclose emissions, incorporate climate change responsibility at the board level, and actively pursue carbon reduction activities.
- Setting a target of at least 50% of suppliers (by spend) committed to science-based carbon reduction goals by 2025 (announced in October 2021).
- Integrating climate action considerations into supplier selection based on accurate insights.
- Offering tailored guidance to suppliers on climate action based on their maturity level.
- Conducting on-site assessments to identify energy efficiency opportunities for cost-effective carbon reduction.

- Further, Phillips has set the following targets: 50% of suppliers to have science-based carbon reduction goals by 2025, with 28% of purchases made from suppliers with such goals in 2021 and 89% of strategic suppliers supported with climate action guidance in 2021.
- Integrating recycled materials into consumer product design (e.g., recycled plastics) and co-creating with recycled material organisations to improve material quality.

## CSR programmes to support communities around farm livelihoods

ITC's Water Stewardship approach centres on facilitating water security for all stakeholders primarily in its catchments spread across agri-value chain and manufacturing geographies.

**The key elements of the approach include:**

- **Supply Management:** Over the years, ITC has created rainwater harvesting potential through extensive investments in its Integrated Watershed Development Projects. The programme promotes the development and management of local water resources in moisture-stressed areas by facilitating community participation in planning and implementing such measures while building, reviving, and maintaining water-harvesting structures. The watershed projects cover 0.66 million hectares resulting in cumulative rainwater harvesting potential of 55 million kl.
- **Soil Health:** ITC works to improve soil health through various initiatives that are specifically aimed at improving Soil Organic Carbon (SOC) percentage in soil. SOC is the bedrock for soil health as it improves soil structure and texture, promotes growth of microorganisms in the soil, and increases nutrient intake by crops and the water-holding capacity of the soil. Till 2023-24, 84 lakh tons of tank silt has been applied in fields apart from promotion of 61,000 compost pits.
- **Biodiversity:** In the agri-catchments, ITC works for biodiversity conservation along with soil and water, as these three are essential natural capitals vital for the sustainability of agriculture. Also, rural communities depend on the ecosystem services offered by nature and the local biodiversity for their livelihoods. Till 2023-24, about 0.2 million hectares have been conserved, including a new project on mangrove conservation in about 200 hectares.
- **Demand Management:** ITC actively works with farmers, a crucial part of its supply chain, to conserve and replenish water by promoting water-efficient agronomic practices. Besides substantial water savings, these practices also contribute towards enhancing farmer livelihoods by improving yields and consequently farmer income, as well as reducing costs and are also carbon efficient as compared to conventional practices. These practices spread over 0.6 million hectares covering 15 crops have potentially saved around 1,090 million kl during 2023-24,
- **River basin interventions:** This was initiated few years back considering the magnitude of water stress so that competing demands from neighbouring areas of our catchments are also addressed and a more holistic and sustainable impact is created. Work has been done in four river basins to date: Maharashtra (Ghod basin), Madhya Pradesh (Kolan's basin), Tamil Nadu (Upper Bhawani basin), and Telangana (Murreru basin). In three basins, the water balance gap that was estimated at the time of inception has been bridged over a period of time. Upper Bhawani is close to becoming water-positive in 2024-25. In addition to these four basins, a programme has also been initiated in Karnataka (South Pennar basin).

As a result of the above interventions, Nine of the ITC Units have received Alliance for Water Stewardship Platinum Certification. ITC also entered the prestigious A List for CDP Water 2023.

# 4

**More than 50% of the companies focus on green logistics, with a third of them optimising transportation routes in their supply chains to enable it**



## Green logistics



Companies use electric vehicles, biofuels, and optimised routes to reduce emissions through green transportation. Examples include ITC, Bosch, H&M, Beiersdorf, PepsiCo, Eicher Motors, Nestle, Reliance Industries Limited, IKEA, and Sun Pharma.

## Green packaging



Companies use recycled, biodegradable, and sustainable materials in green packaging. Examples include ITC, Unilever, IKEA, Henkel, Bosch, and PepsiCo.

## Energy-efficient technologies



Companies implement energy-efficient technologies, utilise renewable energy sources, and optimise energy use for sustainable operations under green supply chain management. Examples include H&M, Wipro, Siemens, ITC, and Nestle.

## Green warehousing



Companies optimise inventory positioning and warehouse automation under green warehousing. Examples include ITC and Beiersdorf.

*\*N (companies engaged in social procurement): 35*





## Good Practices

# Greening of logistics by optimising routes and using lower-emissive modes of transportation

Bosch<sup>36</sup> aims to reduce CO<sub>2</sub> emissions during the transport of goods by increasing its transport capacity from 65% to 80% by 2025, thereby reducing carbon emissions through multiple initiatives:

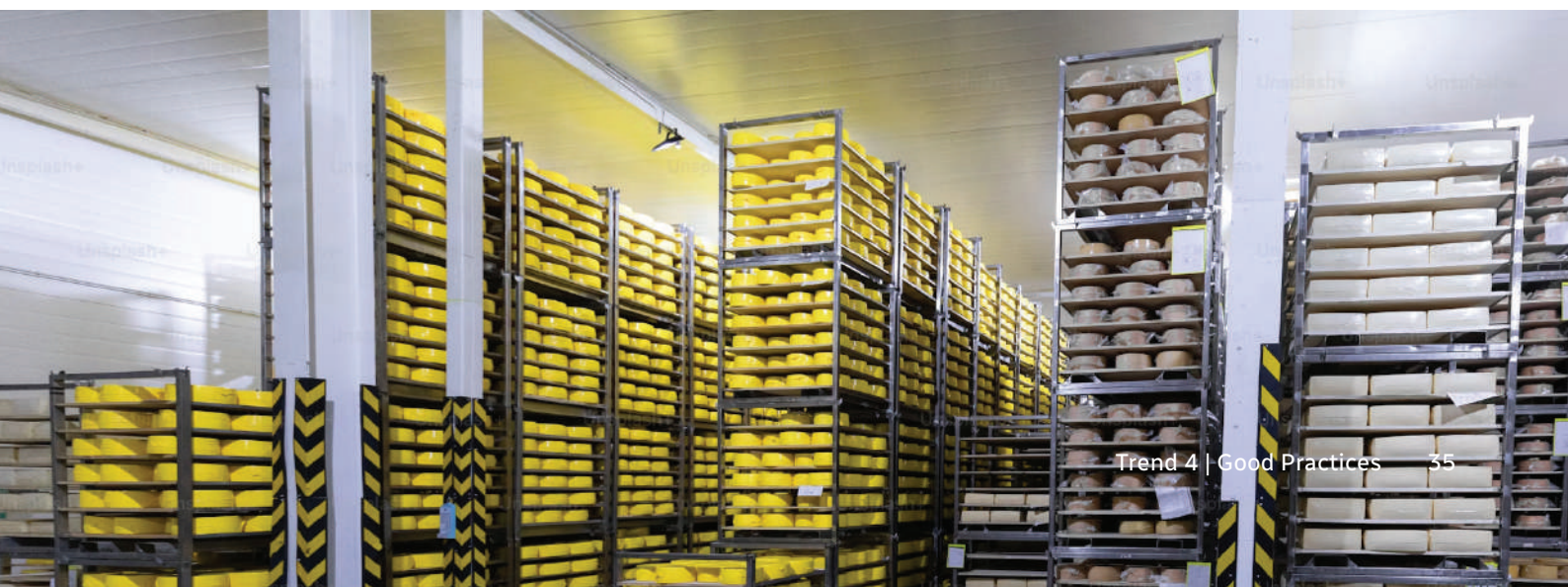
- › Optimising freight by establishing Transport management centres (TMC) to manage shipments between suppliers, Bosch plants, and customers. To secure an even higher capacity, especially for road shipments, a new transport management system was introduced at Bosch in 2023. This system enables cyclical strategic planning of the transport network and short-term operational planning of routes, modes of transport, and load quantities, reducing transport emissions by up to 10%.
- › Shifting from road to rail transport: BSH Hausgeräte GmbH has been operating 'Vierecks-Zug' since 2023, supplying four locations in Germany and Poland with components and finished appliances. This shift has resulted in an annual reduction in carbon emissions compared to previous road transport, saving approximately 1,200 metric tons of CO<sub>2</sub>, corresponding to a 36% reduction.
- › Reducing air transport and shifting to rail transport: While air cargo remains economically viable for certain parts such as electronic components or smaller and lightweight parts, Bosch now avoids air cargo as a general rule and only uses it in exceptional cases. This shift is significant, considering that roughly 70% of all of Bosch's transport-related CO<sub>2</sub> emissions are attributable to air transport.

## Decarbonising value chains

To mitigate the value chain's impact on the environment, ITC<sup>37</sup> is taking steps to decarbonise its value chains, reducing energy consumed in the transportation of raw materials, finished goods, and waste to and from warehouses, by optimising the positioning of goods and also automation as required.

Key initiatives undertaken:

- › Strategically locating integrated manufacturing and logistics units (ICMLs) and warehouses to reduce the distance across which products are transported.
- › Optimising routes through The 'ITC One Supply Chain' initiative by deploying higher capacity vehicles and electric vehicles while shifting to lower emissions modes like rail, waterways, and sea routes to reduce transportation-related GHG emissions.
- › Integrating green features into all new and old warehouses to meet 100% of its purchased grid electricity requirements from renewable sources by 2030. More than 50% of its energy requirements are currently met from renewable sources.
- › Automating warehouses to minimise energy usage, from lighting to temperature control.





# 5

**While all companies have robust risk management frameworks, there is a high prevalence of initiatives reported in the Pharmaceuticals, Automotive, Information Technology, and FMCG sectors.**



## **Commitment to reducing environmental impact, promoting human rights, and ensuring fair labour practices**



Companies emphasise their commitment to reducing environmental impact, promoting human rights, and ensuring fair labour practices throughout their supply chains.

## **Evaluation frameworks**



Companies have established frameworks to evaluate suppliers based not only on cost and quality but also on their adherence to ethical, social, and environmental standards.

## **Risk assessments and audits**



Companies conduct risk assessments and supplier audits, along with management processes for various risks, including geopolitical, environmental, social, and operational risks.

## **Ongoing monitoring and improvement**



Companies are undertaking continuous monitoring and improvement processes to address emerging risks and ensure suppliers comply with established standards.

## **Procedures for discontinuing relationships**



Companies have outlined procedures and guidelines for discontinuing relationships with suppliers due to ethical or sustainability concerns.

*\*N (companies engaged in social procurement): 35*





## Good Practices

# Supply chain risk and ESG management through a holistic prevent-detect-respond approach

Siemens'<sup>38</sup> rigorous risk assessment processes, embedding sustainability and risk management into every stage of its value chain, have enabled it to manage supply chain risks while setting up processes to ensure adherence to ESG standards.

## Proactive supplier selection

From the outset, Siemens' process incorporates strict criteria for supplier selection and qualification to identify and address potential risks before they materialise. Siemens targets suppliers with specific risk characteristics, including:

- › High-risk locations
- › Responsible sourcing of minerals
- › High carbon footprints

## Rigorous risk assessment

To identify and classify risk characteristics, Siemens employs a comprehensive categorisation system:

- › **Purchased material and service fields:** Suppliers are classified based on the specific types of materials and services they provide, allowing Siemens to incorporate relevant contract clauses, request proof of compliance, or flag suppliers for on-site audits.
- › **Country risk levels:** Suppliers are assigned risk levels based on country-specific sustainability indicators. These indicators encompass legal compliance, corruption and bribery, human rights in the workplace, and child labour.



# 6

**More than 60% of companies enhance supply chain transparency by utilising digital platforms for real-time traceability, monitoring and compliance.**



## Tracing materials and products



Companies focus on ensuring that materials and products can be traced back to their origins, providing transparency and accountability in the supply chain. Examples include ITC, Nestle, and Mercedes Benz.

## Ongoing monitoring and evaluation



Companies are driving efforts to track environmental impact through digitised data collection, carbon footprint management, and life cycle assessments. Examples include Saint-Gobain, ITC, and Microsoft.

*\*N (companies engaged in social procurement): 35*

## Good Practices

# Monitoring compliance in sustainable supply chains with technology

Microsoft<sup>39</sup> leverages several monitoring methods to track compliance with sustainability standards across its value chain:

- **Supplier environmental compliance:** Partnering with the Institute of Public & Environmental Affairs (IPE) to:
  - ◆ Track compliance in China.
  - ◆ Extend compliance monitoring to sub-tiers and vendors.
  - ◆ Provide guidance and training for suppliers on building their environmental programs.
  - ◆ Achieve transparency through participation in IPE Green Supply Chain indices.
- **Responsible minerals sourcing:** Focusing on cobalt, a critical material, Microsoft supports traceability programs that balance responsible sourcing with inclusivity for local suppliers.



# 7

**More than 50% of the companies offer capacity building for suppliers to amplify transparency, accountability, safety, and environmental performance in supply chains.**



## Health & safety standards



These trainings emphasise a shift towards sustainable practices, comprehensive safety protocols, risk assessment training, and support to adopt industry-leading safety technologies.

## Environmental management



Includes education on reducing carbon emissions, optimising resource usage, adopting eco-friendly practices, and implementing efficient waste management strategies.

## Ethical practices & anti-corruption



Driving a culture of integrity and compliance through education on ethical conduct, anti-corruption policies, and promoting accountability.

## Data privacy & supply chain transparency



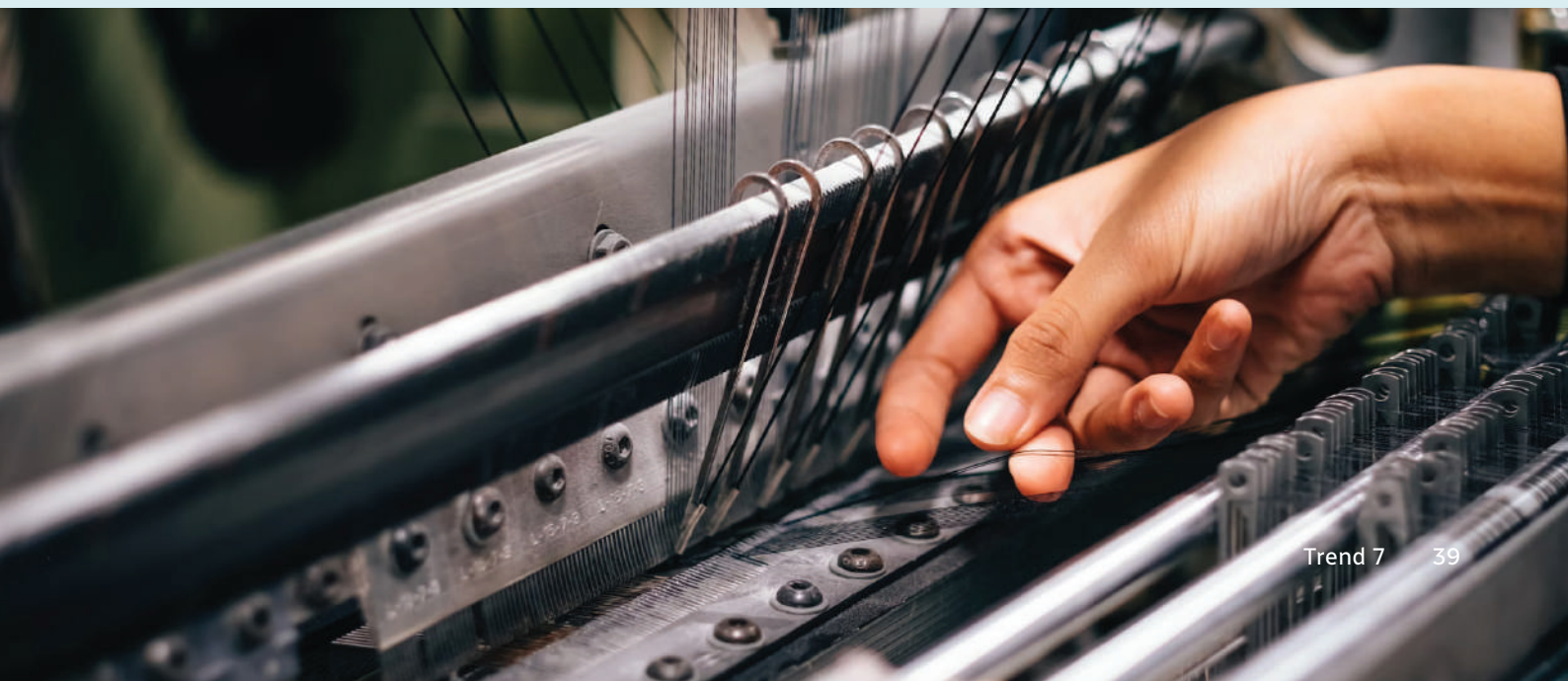
Includes capacity building on data handling, transparency requirements, and implementation of data security protocols to safeguard sensitive information across the supply chain.

## Business capability enhancement



Providing tailored support, including training programs to enhance business capabilities, access to resources, and mentorship opportunities for small suppliers. Training programmes include strategic planning, financial management, marketing, quality control, and technology adoption, empowering suppliers to adapt to changing market demands and seize growth opportunities.

*\*N (companies engaged in social procurement): 35*





## Good Practices

# Capacity building of suppliers to enable adoption of sustainable practices

Mahindra & Mahindra<sup>40</sup> prioritises its engagement with suppliers to upskill and build their capacity to manage sustainability standards levied by Mahindra.

- **Sustainable Supplier Impact Programme (SSIP):** The Sustainable Supplier Impact Programme (SSIP) is a global initiative developed by the United Nations Global Compact (UNGC) and Accenture to enhance supply chain sustainability. Supply chain practices are recognised as the primary challenge for companies aiming to improve their sustainability performance, according to UNGC participants. It is available to participants at no cost.
- **Supplier Business Capability Building Programme (SBCB):** M&M runs Supplier Business Capability Building (SBCB) Programme for its Critical, Long term, Strategic & needy suppliers. Through SBCB 2.0 framework, we encourage & facilitate Corporate Governance which includes elements namely Ethical, Transparent & Accountability practice in organisation. SBCB team also conducts periodic training programs for these suppliers to develop & enhance business capability.
- **Mahindra Dealer Excellence Programme (MDEP):** The MDEP assesses dealerships based on customer intimacy, operational and organisational excellence, and timely execution of services, with the goal of delivering a consistent delightful experience to customers. The programme not only continues to foster excellence in dealers but also actively supports their evolution towards world-class standards, empowering them to achieve and maintain the highest level of performance and professionalism. By providing comprehensive training, guidance, and resources, the programme aims to enable Dealers to continually enhance their skills, knowledge, and operations, ensuring that they consistently deliver exceptional service and value to their customers.





# 8

**All companies support community development in their areas of procurement through CSR**



## Engagement with local communities



Companies actively engage with communities near their manufacturing plants, factories, and warehouses to improve livelihoods, health, nutrition, and the environment.

## Empowering women



Companies have initiatives equipping women through skills training, providing employment opportunities and supporting entrepreneurship.

## Supporting farmers



Companies have programs focused on improving agricultural practices and livelihoods for farmers, with a focus on women farmers.

*\*N (companies engaged in social procurement): 35*



## Good Practices

# CSR programmes to support communities around farm livelihoods

ITC<sup>1</sup> is leveraging its CSR programmes to work with farming communities across agricultural procurement areas in India to transform lives and landscapes. ITC's Two Horizon approach focuses on **inclusive growth and holistic development** of households, keeping **women and other poor and vulnerable communities** at the core, who are an integral part of all interventions. Women are not only beneficiaries of many of the programmes but are also **influencers and active participants in grassroots institutions**. Several progressive women beneficiaries also assume the responsibilities of **change-makers** in society. Over **6 million women** have been reached out to through different interventions.

The Two Horizon approach comprises an integrated and affirmative response to development, with **Horizon I** focussing on strengthening the current livelihoods of communities, primarily agriculture and allied sector livelihoods, and **Horizon II** focussing on building capabilities and capacities to empower communities for a better life tomorrow.

### Key interventions under Horizon I include:

- **Empowering farmers with knowledge & technology:** Demonstration plots and Farmer Field Schools (including women-specific programmes) provide practical training on sustainable farming practices. Further, ITC leverages contemporary 'phygital' platforms like ITCMAARS to benefit farmers and FPOs.
- **Promoting climate-smart regenerative agriculture, including climate-smart villages:** ITC promotes agronomy practices such as Zero Tillage, Broad-bed Furrow, Direct Seeding of Rice, Crop Residue Management, micro-irrigation, organic and natural farming, integrated pest management, and agroforestry to promote resource conservation and environmental sustainability, whilst ensuring better returns for farmers. **Climate Smart Villages** works towards saturating villages with access to natural resources, adoption of climate-smart agriculture, having diversified sources of income through on-farm and off-farm opportunities, and access to Government Schemes and collectives.
- **Building stronger community institutions:** ITC engages in nurturing Farmer Producer Organisations, Agri-Business Centres (ABCs) and Custom Hiring Centres (CHCs) to facilitate collective action among farmers for cost savings, resource access, and income generation. Women-managed ABCs and women-exclusive FPOs specifically empower women agricultural entrepreneurs.
- **Women in agri value chains:** ITC empowers women through the above initiatives as well as by involving them in other aspects through Water User Groups, Vannikaran Sanghas, Charagah Vikas Samitis, etc. The focus is also on developing a village-level cadre of women providing agri and allied services (Krishi Sakhis, Pashu Sakhis and Drone Didis).

These initiatives have resulted in increased farm productivity and farmer incomes across **1.1 million hectares benefitting 1.05 million farmers including 2 lakh women farmers**. Around 1,700 FPOs have been nurtured across different States. Climate Smart Village is being implemented in 6,755 villages. Over 2 million MT of agri-produce is procured annually across 20 agri value chains. The Social forestry initiatives have covered **0.2 million hectares** till 2023-24.



**Key interventions under Horizon II include:**

- **Education:** The focus areas include interventions related to Early Childhood Education and Care, improving learning levels, mainstreaming children who drop out of school at different stages, and supporting child-friendly infrastructure. Together, they have benefitted **15 lakh children** till date.
- **Skilling:** Provide job-oriented, market-aligned training to youth including those with disabilities. To date, 1.12 lakh youth have been trained. Of those trained in 2023-24, 31% were from social challenges communities, 49% were females and 200 were youth with disabilities.
- **Public Health:** The focus areas include Maternal & Child Health, Nutrition, Community Health (ITC Swaasth Kiran), Sanitation and Waste Management. Over **16 lakh women** have benefitted from the health-related interventions, and 50 lakh households reached through programmes on Waste Management.
- **Women empowerment:** This is a holistic approach, which apart from the areas mentioned above, also looks at digital and financial literacy (**28.50 lakh women**), especially by involving SHGs. Additionally, there are interventions that help women run nano and micro enterprises including **7,300 SHGs** and **36,900 ultra-poor women** through the Graduation Programme.





# **How Companies are Adopting and Scaling Social Procurement**

## Case Studies



# Bayer AG: Innovating procurement practices with a focus on local sourcing, supplier diversity, and inclusion

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Bayer AG is a German multinational pharmaceutical and biotechnology company, one of the largest in the world. Headquartered in Leverkusen, Bayer's business areas include pharmaceuticals, consumer healthcare products, agricultural chemicals, seeds, and biotechnology products. In alignment with its mission, "Health for all, Hunger for none," Bayer has defined three areas of significant impact in its global focus: Climate Action, Health Equity, and Food Security.

Bayer has integrated sustainability aspects into its supplier management to ensure business conduct aligns with environmental, social, and ethical standards. This integration is crucial for identifying and minimising risks and fostering stable, long-term business relationships. Bayer's strategy aims to gain global competitiveness and secure the supply of materials and services.

**In line with these sustainability goals, Bayer has the following commitments in place:**

### Inclusive Growth

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- Support 100 million smallholder farmers in LMICs by 2030, improving access to agricultural products and services.
- Support 100 million people in underserved communities with Bayer's self-care interventions by 2030, and improve access to prescription products for people in LMICs through availability, modified pricing, and patient access programs.
- Fulfill the need for modern contraception for 100 million women in LMICs by 2030 and achieve gender balance at all management levels by 2030.

### Reduced Ecological Footprint

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- Reduce GHG emissions by 42% (Scope 1 & 2) and 12.3% (relevant Scope 3 categories) by 2029 compared to 2019. Achieve climate neutrality at all own sites by 2030 and net-zero GHG emissions by 2050 or earlier.
- Reduce treated area-weighted environmental impact per hectare of Bayer's global crop protection portfolio by 30% by 2030.
- Improve water use per kilogram of crop by 25% by 2030, starting with rice-cropping systems in India. Transition all Consumer Health products to 100% recycle-ready packaging.

**Bayer's procurement is managed in categories split into direct and indirect materials. The company prioritises local procurement to respond promptly to site requirements and strengthen local economies. In 2023, 82% of procurement at significant locations was local, with 77% worldwide.**

Direct materials include active ingredients, raw materials, intermediates, finished products, and seeds. Important components of the indirect purchasing portfolio include services for research and development (R&D), marketing and distribution, administrative functions, and materials required for technical teams such as technical, engineering, and infrastructural goods and services.

Compared to overall procurement spend, Bayer only sources a small number of palm (kernel) oil derivatives for their businesses (less than 1% of procurement spend). Bayer aims for 100% of palm oil derivatives purchased by 2027. Further, Bayer supports sustainable soy production via the purchase of credits certified by the Round Table on Responsible Soy (RTRS). Bayer has been a member of the RTRS board since 2017, and 100% of soy derivative purchases are covered by RTRS credits.

**Bayer promotes diversity within the global supply chain by intentionally considering suppliers owned and operated by underrepresented groups, including women, ethnic minorities, people with disabilities, and members of the LGBTQ+ community.**

Together with chambers of commerce and external organisations, Bayer helps multiple small and diverse suppliers to develop professionally and assists them in qualifying for tendering processes. For example, Bayer partnered with WEConnect International, an NGO that connects women-owned businesses to buyers worldwide, on co-branded capacity-building programs for women entrepreneurs in Mexico in 2022 and Brazil in 2023. Additionally, Bayer actively participates in other NGO-facilitated capacity-building programs. Since 2022, supplier diversity has been included in procurement targets, with the procurement spend with certified women-owned enterprises being €109.2 million in 2023. In 2023, Bayer committed to disability-inclusive procurement by joining the Disability Procure Access initiative, which connects companies that recognise the importance of buying and selling technology accessible to people with disabilities.

To enable employees to understand the importance of sustainability aspects in the supply chain and to manage processes effectively, Bayer uses dedicated training measures to instruct procurement employees on sustainability requirements. Bayer is also a member of two important industry initiatives: the Pharmaceutical Supply Chain Initiative (PSCI) and Together for Sustainability (TFS). Both initiatives are integral to Bayer's commitment to sustainability in the supply chain, providing sustainability-oriented upskilling training for suppliers and supplier managers.



## Case Studies



# ITC: Multifaceted sustainability strategy encompassing NextGen Agriculture, responsible sourcing, circularity, innovative packaging, and decarbonisation

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ITC Limited, a diversified conglomerate, has embedded sustainability deeply into its operations through a comprehensive, integrated approach. Aligned with its Sustainability 2.0 strategy, the focus is on addressing climate change, replenishing natural resources, enabling water security, developing resilient and inclusive supply chains, and strengthening livelihoods and communities. The Company's commitment to sustainable supply chains is evidenced by its plans across time horizons, structured deployment of board-approved policies supplemented by robust governance mechanisms and transparent reporting, and also simultaneously pursuing ambitious societal and environmental goals.

**ITC firmly believes that businesses exist to serve society. With their extensive and diverse resources, enterprises can play a significant role in fostering inclusive growth and environmental stewardship.**

ITC believes that corporations can be agile, consumer-centric, innovative and purpose-driven, but must also be responsibly competitive. Key elements of ITC's sustainability strategy across its diverse portfolio include:

- **Value Chain Approach:** Build climate resilience and adaptive capacity in value chains including capacities of value chain partners. Simultaneously pursuing decarbonisation by reducing energy consumption and increasing renewable energy footprint in operations, transportation and warehousing for facilitating the Net Zero transition.
- **Sustainable and Climate Resilient Agriculture:** Empowering farmers through knowledge and technology, promoting climate-smart agriculture including climate-smart villages and strengthening community institutions. Identity preservation of agricultural commodities through the "Produce the Buy" and Traceability initiatives.
- **Supplier Diversity Initiatives:** Emphasising small farmers, MSMEs, women and marginalized communities as key stakeholders for procurement.
- **Sustainable Packaging Solutions:** Leveraging R&D capabilities to develop eco-friendly packaging.
- **Holistic Development of Value Chain Catchments:** Two Horizon approach for strengthening communities in catchment areas. Focus on Natural Resources Management and Climate Smart Agriculture under Horizon I; and Human Capability, Public Health and Livelihoods under Horizon II.
- **Organisation Culture:** Continuous reinforcement of sustainability as an integral part of the Company's DNA and a key element of business strategy supported by initiatives like SustainNext.

ITC has maintained its 'AA' rating by MSCI-ESG for the 6th consecutive year and is featured in the Dow Jones Sustainability Emerging Markets Index. Additionally, ITC has achieved an 'A' rating for Water Security and an 'A -' rating at the Leadership Level for Climate Change by CDP.

**ITC is deeply committed to agricultural enhancement through a range of sustainable and at-scale initiatives empowering over 4 million farmers across its value chains.**

The large-scale Climate Smart Agriculture programme strives to mitigate the risks arising out of climate change and build resilience among farmers and de-risks them from erratic weather through a package of agronomy practices, the introduction of high-yielding and climate-resilient varieties, as well as appropriate mechanisation. Climate Smart Agriculture is promoted through initiatives such as Zero Tillage, Direct Seeding of Rice, and organic farming, all focused on resource conservation and environmental sustainability. The Company provides knowledge and technology through practical training via demonstration plots (Pradarshan Khets) and Farmer Field Schools, including women-specific programs.

In addition, ITC emphasises building robust community institutions like Farmer Producer Organizations (FPOs), Agri-Business Centers (ABCs), and Custom Hire Centers (CHCs). The Company strengthens FPOs including women-exclusive FPOs to facilitate efficient price discovery, facilitate access to inputs and markets, reduce transaction costs, and improve traceability. More than **1.7 million farmers** have already benefitted from ITC MAARS, a cutting-edge and contemporary 'phygital' platform aimed at strengthening Indian agriculture and farmers. ITCMAARS will progressively cover **4,000 FPOs** by 2030 from the current level of 1,700, empowering **10 million Indian farmers**.

ITC's supplier diversity initiatives cognising proximity to sourcing and manufacturing locations also focus on integrating women and marginalised communities who are socially/economically challenged into the value chains by empowering, educating and enabling their participation. This helps them to individually and collectively benefit through economic gains and also contribute to inclusive growth and development.

Key outcomes include increased farm productivity and incomes across 27.94 lakh acres, benefiting 10.5 lakh farmers including over 2 lakh women farmers. **Today, ITC's procurement activities cover over 20 lakh metric tons of agri-produce annually.** ITC is scaling up sustainable farming certifications such as **NPOP, Organic, RFA, Fairtrade and UEBT** to over 50,000 acres.

**ITC prioritises transparency throughout its supply chain by ensuring traceability and identity preservation of agricultural commodities through its "Produce the Buy" initiative.**

Additionally, ITC promotes a deforestation-free wood value chain through sustainable forestry programs, providing high-yielding saplings and technical support to farmers. Tech-based solutions are employed to map the entire value chain, ensuring complete traceability for their paperboard and speciality paper businesses.

Key outcomes include

- 78% of fibre produced in Bhadrachalam comes from ITC's Forestry initiatives across **11.75 lakh acres**, the Kovai unit using 100% recycled or reclaimed fibre, and 100% of PSPD fibre being of known and legal origin with all four units obtaining **FSC® Chain of Custody Certification**.
- During 2023-24, ITC procured 4.8 lakh tons of FSC-certified wood from over 1.49 lakh acres of plantations that received Forest Stewardship Council® - Forest Management (FSC®-FM) Certification involving over 25,000 farmers.

**ITC's Paperboards and Packaging businesses are leading the way in sustainable packaging through their advanced R&D capabilities.**

The focus is on developing innovative packaging solutions made from renewable, natural materials like wood and bamboo fibres or baggase, aiming to replace single-use plastics across various industries. A state-of-the-art manufacturing facility for moulded fibre products, utilising these renewable natural fibres, has also been established in Badia Khedi, Madhya Pradesh.

Under its **“Better Plastics”** initiative, the focus is on ensuring that packaging is recyclable, reusable or compostable/biodegradable. In its **“Less Plastics”** approach, ITC by leveraging Life Cycle Assessments optimises packaging through a progressive reduction in plastic intensity, whilst also integrating recycled content. The **“No Plastics”** strategy involves exploring sustainable alternatives, such as paper and fusion boards, to replace conventional plastics. The transition to the Omega & Filo Series, which features packaging made from 100% virgin fibres with a bio-based barrier coating, sets a new industry standard. ITC has also been able to collect and sustainably manage ~70,000 MT of plastic packaging waste, which is more than the plastic packaging used in its products, thus sustaining **plastic neutrality** for the 3rd year in a row.

**To mitigate the impact on its value chain, ITC is committed to decarbonising its operations and reducing energy consumption in manufacturing, transportation and warehousing.**

ITC has established strategically located **Integrated Manufacturing and Logistics Units (ICMLs)** closer to the market allowing direct shipments to customers and thus minimising transportation. The **‘ITC One Supply Chain’** initiative, aims to optimise transportation routes by deploying higher capacity vehicles, and electric vehicles for last-mile delivery and shifting to lower emission modes such as rail, waterways, and sea routes to reduce GHG emissions.

In addition, ITC is integrating green features into both new and existing facilities. The Company has set a target to meet 100% of its purchased grid electricity requirements from renewable sources by 2030, from the current level of 50%. The focus is also on reducing energy consumption through automation, energy-efficient practices, and advanced lighting and temperature control systems.

ITC also engages value chain partners to raise awareness and build capacity on sustainable sourcing practices and compliance, implementing systems for supply chain oversight, transparency, and traceability. During FY 2023-24, 40% of Critical Tier-1 suppliers have been assessed by a third party in line with ITC’s Supplier Sustainability Assessment Framework. Basis this, ITC is partnering with suppliers for progressively implementing identified corrective and preventive measures, and enabling sustainability across their operations.

In sum, ITC’s multifaceted sustainability strategy demonstrates a profound commitment to societal and environmental stewardship. By integrating these practices, ITC is not only advancing its own sustainability goals but also providing a compelling proof-of-concept for others, illustrating how comprehensive, purpose-driven social procurement initiatives can drive business value while fostering social and economic benefits for communities.





# Mahindra Group: Crafting distinct strategies for its diverse businesses, focusing on local procurement, supplier empowerment, and rigorous supplier standards to promote transparency

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The Mahindra Group, an India-based multinational with a diverse portfolio encompassing automobiles, farm equipment, hospitality, IT, financial services, logistics, real estate, and renewable energy, employs over 260,000 people across more than 100 countries. The group has updated its sustainability strategy to include more ambitious environmental targets, focusing on both its operations and supply chain, with the ultimate aim of becoming a “planet-positive” business.

### **The Mahindra Group is taking action in three key areas to become a planet-positive business**

**Achieving net zero on Scope 1 and 2 emissions** through renewable energy usage and energy efficiency, attaining net zero on water and waste, and embedding the principles of material circularity in its products by focusing on reducing, recycling, and using green materials.

**Decarbonising industries by addressing Scope 3 emissions** through transitioning to a greener portfolio, including electric vehicles, green buildings, and renewable energy solutions. This transition is additionally bolstered by green logistics, and promoting industry circularity, such as auto recycling.

**Rejuvenating nature by promoting regenerative agriculture** through improved farming techniques, large-scale afforestation initiatives like the Hariyali programme, and biodiversity conservation through impact assessment and restoration efforts.

### **Mahindra’s sustainability strategy adapts to each business unit by prioritising local SME procurement, fostering new entrepreneurs’ skilling, and supporting existing suppliers.**

The Mahindra Group is implementing a cohesive strategy to drive sustainable supply chains, diversify suppliers, support existing suppliers, create new entrepreneurs, and promote diversity and inclusion across the supply chain to ensure a “just transition” for all stakeholders. As a conglomerate with diverse companies, it employs different strategies based on the nature of each business and its supply chains and each business unit has its own procurement policy. While strategic priorities and mandates exist at the group level, each company has the autonomy and accountability to achieve individual objectives.

Mahindra Holidays and Resorts, for example, emphasises engaging with small and diverse suppliers. The business sources are from local vendors, including small-scale and women-owned businesses. On the other hand, Mahindra’s auto and farm business enhances social

procurement by tracking comprehensive sustainability metrics, building the capabilities of existing suppliers, and implementing supplier sustainability policies. These companies evaluate suppliers based on ESG criteria, reward high-performing suppliers with future business opportunities, and conduct third-party ESG audits to ensure compliance and progress.

Mahindra Group's commitment to social procurement and implementation among its various companies is driven by its leadership, who have integrated this into the group's core policies. While the company effectively reports its own environmental impacts, extending these standards to its diverse supply chain poses challenges, emphasising the need for collaborative efforts with SME suppliers to promote sustainable practices.

**Among all businesses, Mahindra Holidays and Resorts leads social procurement by sourcing 90% of its supplies locally, while setting ambitious goals to enhance inclusion and bolster local economies.**

Mahindra Holidays and Resorts focuses on diversifying the supplier base by supporting **local suppliers, women-owned businesses, and cooperative societies** around its 140+ holiday locations. A significant portion of Mahindra Holidays' procurement, approximately 90%, is already sourced from local suppliers, by minimising transportation needs, except for certain items like fuel and cooking gas.

To ensure these initiatives are effective, Mahindra Holidays places a strong emphasis on setting measurable targets and tracking progress over time. This involves conducting detailed audits of suppliers and establishing specific goals to increase the percentage of procurement from diverse suppliers. By setting and monitoring these targets, Mahindra Holidays aims to continually improve its supplier diversity efforts and contribute to a more sustainable and inclusive business model.

**Mahindra's automotive and farm equipment business builds the capacity and capability of existing suppliers, incentivising them based on ESG performance.**

Recognising the importance of enabling and ensuring sustainability across its supply chains, Mahindra automotive and farm equipment business has introduced a robust set of supplier sustainability policies aligned with the Stakeholder Capitalism Metrics, which is a set of common metrics and disclosures for companies to report their ESG performance indicators and track contributions towards SDGs. These policies require suppliers to adhere to stringent ESG criteria. Additionally, the company has conducted comprehensive third-party ESG audits, including physical inspections of around 300+ suppliers, to ensure adherence to these standards and identify areas for improvement. A key component of the strategy is its collaboration with the UN Global Compact to support its SME suppliers. Through a four-month program, Mahindra has engaged with over 100 suppliers, educating them on the importance of ESG, the SDGs, and Mahindra's commitment to sustainability. This initiative, the first of its kind in India, provides suppliers with the knowledge and tools needed to embark on their sustainability journey, emphasising the business case for ESG and fostering a deeper understanding of the environmental and social impacts of their operations.

**To facilitate the transition to 100% renewable energy by 2030 across all Mahindra Group companies, Mahindra Susten's Center of Excellence empowers future workforce members and entrepreneurs with essential skills, positioning them well to contribute to the group's supply chain potentially.**

Mahindra Susten's Center of Excellence, located in Karjat, Maharashtra, has earned a 5-star rating from the National Skill Development Corporation of India. It conducts training programs in the renewable energy sector to prepare its workforce for the green transition and create pathways for employment and entrepreneurship. To date, the centre has trained over 4,500 technicians in various trades and more than 10,000 individuals in semi-skilled roles. Many of these trained professionals have successfully launched their own ventures or secured employment across diverse roles within the industry.

**Engaging in social procurement within Mahindra Group as part of its sustainability strategy and measuring impact through standardised metrics has enhanced transparency and triggered investments from new investors.**

Over the past 24 months, the group has successfully raised over \$500 million across four of its businesses, primarily from impact-focused investors. Notable examples include the Ontario Teachers' Pension Plan investing in the group's renewable energy business, the International Finance Corporation (IFC) of the World Bank Group supporting its electric three-wheeler business, and British International Investment (BII), the UK government's development finance institution, contributing to its automobile four-wheeler business.

Learnings from Mahindra Group's journey show how starting small yet taking decisive steps can be effective while urging standard-setters and regulators to support a unified global framework for social procurement and sustainability reporting.



## Case Studies



Mercedes-Benz

# Mercedes-Benz Research and Development India: Advancing sustainable automotive solutions through strategic R&D, supplier standards, and accelerating entrepreneurs

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**Mercedes-Benz Research and Development India (MBRDI) is the largest R&D centre for Mercedes-Benz Group AG outside Germany.**

Established in 1996, MBRDI has grown to over 8,500 employees, becoming a key player in developing technologies for connected, autonomous, shared, and electric mobility. Known for its engineering innovations, MBRDI aligns with the global ambitions of the Mercedes-Benz Group, driving sustainable mobility. Over 25 years, it has become an innovation powerhouse in India, focusing on engineering, digitalisation, testing, simulation, and data science to deliver digital capabilities and automotive technology advancements.

**Mercedes-Benz Group's global engagement strategy sets ambitious targets for its suppliers to achieve carbon neutrality by 2039, focusing on balancing quality, cost, and sustainability.**

- **Mercedes-Benz has established a comprehensive engagement strategy for its suppliers, setting ambitious targets to achieve carbon neutrality across its value chains by 2039.** This initiative emphasises balancing quality, cost, and sustainability, posing challenges, especially for SMEs that might lack resources for thorough life cycle assessments or investments in sustainable practices. Mercedes-Benz's procurement policies are evolving to include ESG criteria, shifting supplier evaluations to consider social and environmental impacts alongside traditional metrics like quality and cost. The company actively practices responsible sourcing, particularly in critical areas like lithium mining, where it collaborates with local communities to ensure ethical practices and social development<sup>1</sup>.
- **The company integrates diversity, social metrics, and digital lifecycle data in supplier evaluations, ensuring real-time analysis and improvements while adapting to regional sustainability practices.** Suppliers are required to provide digital lifecycle data for their products, facilitating real-time analysis and improvements through predictive analytics. This approach ensures that suppliers with high incidents of environmental or social issues may be disqualified, underscoring the importance of ESG considerations in supplier selection. Additionally, Mercedes-Benz addresses regional differences in sustainability practices, adapting strategies to comply with local regulations while advocating for consistent global standards.
- **The beVisioneers fellowship program and strategic industry partnerships enhance environmental sustainability efforts, upskilling, and infrastructure standardisation in the EV space.** The program supports fellows in India, South Africa, and Germany, with plans to expand globally. This initiative integrates the supply chain into sustainability efforts by engaging suppliers as mentors for the fellows, coupled with a mentorship training program on environmental impacts and sustainability principles. The company

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1. [https://group.mercedes-benz.com/responsibility/sustainability/supply-chains/lithium.html#:~:text=To%20ensure%20the%20responsible%20sourcing,Responsible%20Mining%20Assurance%20\(IRMA\).](https://group.mercedes-benz.com/responsibility/sustainability/supply-chains/lithium.html#:~:text=To%20ensure%20the%20responsible%20sourcing,Responsible%20Mining%20Assurance%20(IRMA).)

also invests in upskilling employees and supply chain partners to adapt to evolving sustainability requirements. Through industry partnerships with leaders like BMW and Tesla, Mercedes-Benz enhances infrastructure, standardises practices in the EV space, and fosters open dialogues involving various stakeholders to refine strategies and ensure accountability.

**Drawing from the global strategy, MBRDI, through its Innovation for Transformation Programme in India, accelerates sustainable mobility startups with a clear impact as a KPI.**

The Innovation for Transformation Programme supports start-ups developing sustainable mobility solutions with a clear CO2 impact. Start-ups identify challenging problem statements, which MBRDI helps address by connecting them with employees possessing relevant skills. The programme provides financial assistance, technical mentorship, market development guidance, and access to Mercedes-Benz's extensive knowledge base.

The programme has supported 18 mobility organisations, leading to the creation of 19 innovative products that enhance mobility device accessibility for individuals. A notable success is Sheru, an e-mobility startup that established battery-swapping infrastructure and provided battery packs to e-rickshaw drivers with MBRDI's support, resulting in increased income and reduced carbon emissions.

Additionally, in collaboration with Villgro and the World Resources Institute (WRI) India, MBRDI developed an assessment framework to measure the socio-economic and environmental impact of businesses in the electric mobility sector. This framework helps startups align their practices with SDGs, complement government initiatives, and enhance their green credentials. Available as a public good, the framework now enables startups to track and manage their impacts from early stages, ensuring deeper integration of sustainable practices. It also serves as a vital tool for ESG and impact investing firms, helping prioritise social and environmental impact alongside financial viability.



## Frontier Markets: Empowering Rural Women Entrepreneurs Through Innovative Social Commerce and Financial Integration

Frontier Markets (FM) is an impact-first social enterprise that operates a premier rural social commerce platform connecting rural households to essential goods and services, through technology and women entrepreneurs. One of FM's flagship initiatives, She-Leads Bharat: Udyam (SLB:U), exemplifies its mission to transform India's rural entrepreneurial ecosystem for women while enabling market linkages for social innovators and corporates to connect to rural markets in the last mile.

SLB:U is built on the foundational support of Mastercard's Center for Inclusive Growth which helped facilitate the first example of a social innovator and corporate partnership demonstration with Airtel Payments Bank (APB), a leading digital banking platform in India. This initiative aimed to demonstrate the value of a social enterprise who have been investing in rural women's businesses, and showcase the opportunity to develop a last-mile rural platform that seamlessly integrates FM's proven technology and women-led agent model with APB's extensive banking infrastructure to help unlock 3 critical outcomes:

1. Driving access to digital banking services to new rural customers in last-mile tier 6 villages in India,
2. Building the capacity of small women businesses to become digitally enabled, business savvy, and elevate the income potential,
3. Showcase how social enterprises can be a significant partner for large companies to help them enter new markets, gain

rural insights, and earn new revenue at a lower cost, while also achieving their impact goals as a company.

As of 2024, FM has reached 35,000 trained women entrepreneurs across 5,000 villages, with 18,000 rural women businesses transacting on the app and 1 million rural households benefiting. The platform has recorded INR 12 billion GMV and generated INR 2 billion in income for its women beneficiaries, with an average income elevation exceeding 100%. FM has partnered with over 65+ social innovators and corporates to help deliver solutions to rural markets in categories ranging from digital banking services, financial services, agriculture and climate solutions, FMCG, essential services and appliances. Looking ahead, FM plans to scale significantly by 2028, aiming to expand to 7 states and 20,000 villages, onboard 100,000 women entrepreneurs, and serve 25 million rural customers. The pipeline projects INR 30 billion GMV and INR 5 billion income generation for women, with a major focus on unlocking finance access for 20,000 women businesses. These efforts underline FM's robust model for rural market integration, economic empowerment, and gender equity, and its ability to drive social and business value for the ecosystem of businesses interested in rural India.

### Trust as a Cornerstone for Rural Market Engagement

In rural markets, trust is a critical factor, especially for rural customers who often face systemic barriers. SLB:U emphasizes trust-building by directly engaging with rural women through FM's expansive network of over 35,000 trained and digitized women entrepreneurs. These women, coming from the same communities they serve, possess a deep understanding of local contexts and cultural nuances. This enables them to effectively communicate the benefits of SLB:U, collect robust contextual insights about the needs of rural customers and overcome apprehensions associated with new business models.

The initiative also recognizes and respects India's cultural, religious, and social diversity. FM's Sahelis tailor their approaches to align with local customs and sensitivities, ensuring interventions are effective and well-received.



### Enabling Equitable Earnings and High-Quality Standards

A key aspect of SLB:U is ensuring that rural women entrepreneurs earn equitable incomes. The platform prioritizes transparency in transactions and margins earned per category of services, and unlocks additional income opportunities through marketing, training, and data collection, enabling women to diversify their revenue streams. This not only reinforces their value as economic contributors but also fosters sustained engagement.

Maintaining high-quality standards is central to SLB:U's success. FM's Meri-Saheli app, complemented by comprehensive capability-building programs, equips women entrepreneurs with the skills needed to deliver exceptional products and services. This focus on quality enhances credibility among customers and contributes to a sustainable business model.

### Flexible Engagement for Inclusive Participation

Recognizing the challenges posed by rigid contractual obligations, particularly for women with limited literacy, SLB:U adopts a flexible and transparent approach. Women entrepreneurs can engage with the platform at their own pace, fostering greater participation and long-term commitment.

### Beyond Economic Empowerment: Skills and Leadership Development

SLB:U's impact extends beyond economic empowerment. The initiative equips women with essential digital and business skills, positioning them as key decision-makers in their communities. This empowerment drives SLB:U's broader goal of advancing gender equity in rural markets and establishing women as influential leaders.

### FM's Role as a Business Case for Corporates

FM has evolved into a critical platform enabling corporates to achieve both business and impact goals. Through SLB, FM has:

1. Enabled APB to achieve its dual objectives: expanding digital banking services to new markets and contributing to SDG goals by supporting rural women's businesses.
2. Created a network that helps e-commerce, agriculture, financial services, digital banking, and FMCG

companies access new rural markets, generate consumer insights for product-market fit, and drive new revenue opportunities at a lower cost. Examples include, but are not limited to: Marico, Hewlett Packard, Unilever, Samsung, Kohler, Crompton, and Philips, as well as social innovators like Samunati, and DeHaat.

3. Strengthened partners' gender footprints and their contributions to economic and climate-related outcomes.

### FM's Scalable Model and Technology Integration

What sets FM apart is its investment in building last-mile distribution, providing women entrepreneurs with digital and business training, and facilitating market linkages. FM's Meri-Saheli platform acts as a marketplace that connects corporates to rural markets. Key features of the platform include:

- Integration of 65+ solutions including AI training bots, digital wallets, and service solutions and partnerships with 210+ companies.
- A robust tech infrastructure that was designed by their rural women entrepreneurs, and serves as a conduit for products and services, unlocking opportunities for rural women entrepreneurs which is vernacular, and AI-enabled
- Access to rural markets, data collection from over 1 million consumers, and facilitation of end-to-end e-commerce in rural villages.

### Driving Impact and Business Synergy

FM's leadership in SLB:U exemplifies how social commerce and financial integration can empower rural women entrepreneurs while helping corporates achieve their business and impact objectives. By investing in women-led businesses and leveraging innovative technology, FM continues to bridge the gap between rural markets and mainstream economic opportunities, driving sustainable development and fostering gender equity.



## WhatIF Foods: Pioneering regenerative food systems with local production, trust- building, and quality assurance

beverage company dedicated to creating a sustainable future. Committed to developing a regenerative economy and innovating across different categories, the company aims to achieve lifetime carbon neutrality. Operating on the principle of contributing more to the environment than what is extracted, WhatIF Foods envisions a future where plant-based foods support the well-being of people, soil health, and the sustainability of farming communities, thereby creating a positive legacy for future generations.

WhatIF Foods emphasises the importance of trust-building with farmers, measuring impact, and maintaining a strong focus on taste and quality while prioritizing sustainability. The company plans to establish production facilities closer to the source of raw materials to enhance cost and energy efficiency.

**In its engagement with farming communities, WhatIF Foods adopts a “Start Small, Scale Up” approach to foster trust as it introduces new farming methods and crops.**

Understanding that farmers may be cautious about changes that could impact their livelihoods, the company works closely with community leaders to communicate the potential risks and benefits. Recognising that cultural, religious, and political dynamics vary across communities, WhatIF Foods tailors its approach

to ensure alignment with local practices and sensitivities. This cultural sensitivity is crucial for the successful implementation of new initiatives.

To further build confidence among farmers, the “Start Small, Scale Up” approach allows them to witness the benefits of new practices on a smaller scale before fully committing, thereby reducing the fear and risk associated with change. The company also ensures that farmers are fairly compensated for their produce, which is essential for maintaining their trust and cooperation. Transparency and honesty are key elements of this process, alongside the adoption of flexible contracts that accommodate the varying needs and literacy levels of farming communities.

**Quality assurance is a cornerstone of WhatIF Foods’ operations, with a strong emphasis on local production and the use of renewable energy sources.**

The company is committed to maintaining high product standards, which benefits both consumers and farmers. By focusing on taste and quality, WhatIF Foods ensures that its products meet consumer expectations while also promoting sustainability. The business model of WhatIF Foods is deeply integrated with its social and environmental goals. Rather than relying solely on CSR initiatives, the company’s core operations are designed to positively impact farming communities while remaining economically viable.

WhatIF Foods also places a strong emphasis on local production and renewable energy. By sourcing ingredients locally and investing in renewable energy technologies such as biochar for soil restoration and generating electricity from agricultural waste, the company aims to reduce transportation costs, create jobs, and contribute to environmental sustainability.

**However, one of the challenges the company faces is effectively communicating the value of sustainability to consumers.**

While sustainability is important, consumers often prioritise factors like taste, quality, and price when making purchasing decisions. To address this, WhatIF Foods emphasises the development of products that meet consumer preferences while also aligning with sustainability goals.

# The Road Ahead



The following areas will be increasingly critical to accelerate the momentum around social procurement.

A strategic focus at the leadership level from companies to unlock a percentage of their annual procurement from social enterprises and MSMEs from underrepresented communities. This requires leaders to enable 3 step agendas within their respective organisations:

- 1 Defining a social procurement focus.
- 2 Building support within the company through storytelling.
- 3 Accessing expertise on the specifics of implementation.

Further, assessment, certification, capacity building and measurement-focused frameworks and initiatives will help strengthen the ecosystem for social procurement. This entails conducting workshops, generating knowledge and collaterals and engaging deeply with leadership of supplier organisations to build their capacity to meet quality standards of larger corporations.



For example, a key area where social enterprises and smaller businesses require handholding is to meet environmental sustainability prerequisites laid out by larger corporations with more stringent net zero or decarbonisation guidelines.

In order to grow the social procurement ecosystem, it is critical to develop stronger discovery mechanisms and platforms for social enterprises, credible small suppliers and corporates to come together. This can be done by leveraging philanthropic grants to support accelerator programs, to channel capital towards social enterprises and build a pipeline of organisations that can effectively be absorbed into the procurement processes of larger corporations.

Finally, policy incentives in India to encourage social procurement in the private sector. One of the ways that governments support MSMEs directly is purchase preference in procurement, creating a demand for their products and (in some cases) providing them with concessional terms for securing government orders. These policy incentives strengthen the ability of MSMEs and social enterprises to participate successfully in the value chains of large corporations and secure more stable livelihoods.

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