

GRI 414: SUPPLIER SOCIAL ASSESSMENT

2016

GRI

414

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About this Standard

Responsibility	This Standard is issued by the Global Sustainability Standards Board (GSSB) . Any feedback on the GRI Standards can be submitted to standards@globalreporting.org for the consideration of the GSSB.
Scope	<i>GRI 414: Supplier Social Assessment</i> sets out reporting requirements on the topic of supplier social assessment. This Standard can be used by an organization of any size, type, sector or geographic location that wants to report on its impacts related to this topic.
Normative references	This Standard is to be used together with the most recent versions of the following documents. GRI 101: Foundation GRI 103: Management Approach GRI Standards Glossary In the text of this Standard, terms defined in the Glossary are <u>underlined</u> .
Effective date	This Standard is effective for reports or other materials published on or after 1 July 2018. Earlier adoption is encouraged.

Note: This document includes hyperlinks to other Standards. In most browsers, using **'ctrl' + click** will open external links in a new browser window. After clicking on a link, use **'alt' + left arrow** to return to the previous view.

Introduction

A. Overview

This Standard is part of the set of GRI Sustainability Reporting Standards (GRI Standards). These Standards are designed to be used by organizations to report about their impacts on the economy, the environment, and society.

The GRI Standards are structured as a set of interrelated, modular standards. The full set can be downloaded at www.globalreporting.org/standards/.

There are three universal Standards that apply to every organization preparing a sustainability report:

GRI 101: Foundation

GRI 102: General Disclosures

GRI 103: Management Approach

***GRI 101: Foundation* is the starting point for using the GRI Standards. It has essential information on how to use and reference the Standards.**

An organization then selects from the set of topic-specific GRI Standards for reporting on its material topics. These Standards are organized into three series: 200 (Economic topics), 300 (Environmental topics) and 400 (Social topics).

Each topic Standard includes disclosures specific to that topic, and is designed to be used together with *GRI 103: Management Approach*, which is used to report the management approach for the topic.

***GRI 414: Supplier Social Assessment* is a topic-specific GRI Standard in the 400 series (Social topics).**

B. Using the GRI Standards and making claims

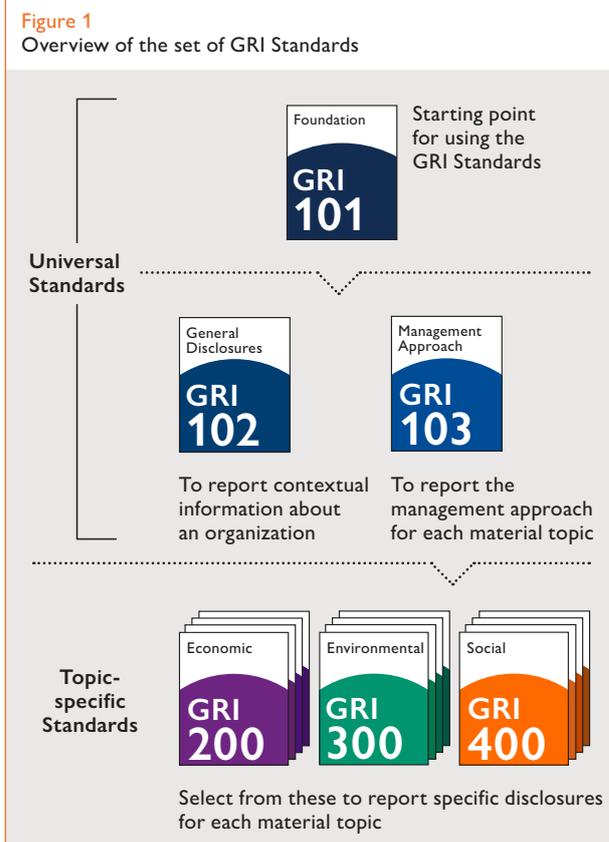
There are two basic approaches for using the GRI Standards. For each way of using the Standards there is a corresponding claim, or statement of use, which an organization is required to include in any published materials.

1. The GRI Standards can be used as a set to prepare a sustainability report that is in accordance with the Standards. There are two options for preparing a report in accordance (Core or Comprehensive), depending on the extent of disclosures included in the report.

An organization preparing a report in accordance with the GRI Standards uses this Standard, *GRI 414: Supplier Social Assessment*, if this is one of its material topics.

2. Selected GRI Standards, or parts of their content, can also be used to report specific information, without preparing a report in accordance with the Standards. Any published materials that use the GRI Standards in this way are to include a 'GRI-referenced' claim.

See [Section 3 of GRI 101: Foundation](#) for more information on how to use the GRI Standards, and the specific claims that organizations are required to include in any published materials.



C. Requirements, recommendations and guidance

The GRI Standards include:

Requirements. These are mandatory instructions. In the text, requirements are presented in **bold font** and indicated with the word 'shall'. Requirements are to be read in the context of recommendations and guidance; however, an organization is not required to comply with recommendations or guidance in order to claim that a report has been prepared in accordance with the Standards.

Recommendations. These are cases where a particular course of action is encouraged, but not required. In the text, the word 'should' indicates a recommendation.

Guidance. These sections include background information, explanations and examples to help organizations better understand the requirements.

An organization is required to comply with all applicable requirements in order to claim that its report has been prepared in accordance with the GRI Standards. See [GRI 101: Foundation](#) for more information.

D. Background context

In the context of the GRI Standards, the social dimension of sustainability concerns an organization's impacts on the social systems within which it operates.

GRI 414 addresses the topic of supplier social assessment.

An organization might be involved with impacts either through its own activities or as a result of its business relationships with other parties. Due diligence is expected of an organization in order to prevent and mitigate negative social impacts in the supply chain. These include impacts the organization either causes or contributes to, or that are directly linked to its activities, products, or services by its relationship with a supplier.

These concepts are covered in key instruments of the United Nations: see [References](#).

The disclosures in this Standard can provide information about an organization's approach to preventing and mitigating negative social impacts in its supply chain. Suppliers can be assessed for a range of social criteria, including human rights (such as child labor and forced or compulsory labor); employment practices; health and safety practices; industrial relations; incidents (such as of abuse, coercion or harassment); wages and compensation; and working hours. Some of these criteria are covered in other GRI Standards in the 400 series (Social topics).

Additional disclosures that relate to this topic can also be found in:

- [GRI 308: Supplier Environmental Assessment](#)

If the reporting organization has identified both topics as material, it can combine its disclosures for *GRI 308* and *GRI 414*. For example, if the organization uses the same approach for managing both topics, it can provide one combined explanation of its management approach.

GRI 414: Supplier Social Assessment

This Standard includes disclosures on the management approach and topic-specific disclosures. These are set out in the Standard as follows:

- Management approach disclosures (this section references *GRI 103*)
- Disclosure 414-1 New suppliers that were screened using social criteria
- Disclosure 414-2 Negative social impacts in the supply chain and actions taken

1. Management approach disclosures

Management approach disclosures are a narrative explanation of how an organization manages a material topic, the associated impacts, and stakeholders' reasonable expectations and interests. Any organization that claims its report has been prepared in accordance with the GRI Standards is required to report on its management approach for every material topic, as well as reporting topic-specific disclosures for those topics.

Therefore, this topic-specific Standard is designed to be used together with *GRI 103: Management Approach* in order to provide full disclosure of the organization's impacts. *GRI 103* specifies how to report on the management approach and what information to provide.

Reporting requirements

- 1.1** The reporting organization shall report its management approach for supplier social assessment using *GRI 103: Management Approach*.

Guidance

When reporting its management approach for supplier social assessment, the reporting organization can also disclose:

- the systems used to screen new suppliers using social criteria, and a list of the social criteria used to screen new suppliers;
- processes used, such as due diligence, to identify and assess significant actual and potential negative social impacts in the supply chain;
- how the organization identifies and prioritizes suppliers for assessment of social impacts;

Management approach disclosures

Continued

- actions taken to address the significant actual and potential negative social impacts identified in the supply chain and whether the actions are intended to prevent, mitigate, or remediate the impacts;
 - how expectations are established and defined in contracts with suppliers to promote the prevention, mitigation, and remediation of significant actual and potential negative social impacts, including targets and objectives;
 - whether suppliers are incentivized and rewarded for the prevention, mitigation, and remediation of significant actual and potential negative social impacts;
 - practices for assessing and auditing suppliers and their products and services using social criteria;
 - a list of the type, system, scope, frequency, current implementation of assessment and audit, and which parts of the supply chain have been certified and audited;
 - the systems in place to assess the potential negative impacts of terminating a relationship with a supplier as a result of assessing the supplier for social impacts, and the organization's strategy to mitigate those impacts.
- Social criteria or assessments of suppliers for social impacts can include the topics in the 400 series (Social topics).
- Negative impacts can include those that are either caused or contributed to by an organization, or that are directly linked to its activities, products, or services by its relationship with a supplier.
- Assessments can be informed by audits, contractual reviews, two-way engagement, and complaint and grievance mechanisms.
- Actions taken to address social impacts can include changing an organization's procurement practices, adjusting performance expectations, capacity building, training, changes to processes, as well as terminating supplier relationships.
- Assessments and audits of suppliers and their products and services using social criteria can be undertaken by an organization, by a second party, or by a third party.

2. Topic-specific disclosures

Disclosure 414-1

New suppliers that were screened using social criteria

Reporting requirements

Disclosure
414-1

The reporting organization shall report the following information:

- a. Percentage of new suppliers that were screened using social criteria.

Guidance

Guidance for Disclosure 414-1

Social criteria can include the topics in the 400 series (Social topics).

Background

This disclosure informs stakeholders about the percentage of suppliers selected or contracted subject to due diligence processes for social impacts.

An organization is expected to initiate due diligence as early as possible in the development of a new relationship with a supplier.

Impacts may be prevented or mitigated at the stage of structuring contracts or other agreements, as well as via ongoing collaboration with suppliers.

Disclosure 414-2

Negative social impacts in the supply chain and actions taken

Reporting requirements

The reporting organization shall report the following information:

- a. Number of suppliers assessed for social impacts.
- b. Number of suppliers identified as having significant actual and potential negative social impacts.
- c. Significant actual and potential negative social impacts identified in the supply chain.
- d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment.
- e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.

Disclosure
414-2

Reporting recommendations

- 2.1 When compiling the information specified in Disclosure 414-2, the reporting organization should, where it provides appropriate context on significant impacts, provide a breakdown of the information by:
 - 2.1.1 the location of the supplier;
 - 2.1.2 the significant actual and potential negative social impact.

Guidance

Guidance for Disclosure 414-2

Negative impacts include those that are either caused or contributed to by an organization, or that are directly linked to its activities, products, or services by its relationship with a supplier.

Assessments for social impacts can include the topics in the 400 series (Social topics).

Assessments can be made against agreed performance expectations that are set and communicated to the suppliers prior to the assessment.

Assessments can be informed by audits, contractual reviews, two-way engagement, and complaint and grievance mechanisms.

Improvements can include changing an organization's procurement practices, the adjustment of performance expectations, capacity building, training, and changes to processes.

Background

This disclosure informs stakeholders about an organization's awareness of significant actual and potential negative social impacts in the supply chain.

Glossary

This Glossary includes definitions for terms used in this Standard, which apply when using this Standard. These definitions may contain terms that are further defined in the complete [GRI Standards Glossary](#).

All defined terms are underlined. If a term is not defined in this Glossary or in the complete *GRI Standards Glossary*, definitions that are commonly used and understood apply.

due diligence

In the context of the GRI Standards, 'due diligence' refers to a process to identify, prevent, mitigate and account for how an organization addresses its actual and potential negative impacts.

Note: This definition is based on the Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011, and the United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

grievance mechanism

system consisting of procedures, roles and rules for receiving complaints and providing remedy

Note: Effective grievance mechanisms are expected to be legitimate, accessible, predictable, equitable, transparent, rights-compatible, and a source of continuous learning. For operational-level mechanisms to be effective, they are expected to be based on engagement and dialogue. For a description of each of these criteria, see Guiding Principle 31 in the United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.

impact

In the GRI Standards, unless otherwise stated, 'impact' refers to the effect an organization has on the economy, the environment, and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development.

Note 1: In the GRI Standards, the term 'impact' can refer to positive, negative, actual, potential, direct, indirect, short-term, long-term, intended, or unintended impacts.

Note 2: Impacts on the economy, environment, and/or society can also be related to consequences for the organization itself. For example, an impact on the economy, environment, and/or society can lead to consequences for the organization's business model, reputation, or ability to achieve its objectives.

material topic

topic that reflects a reporting organization's significant economic, environmental and social impacts; or that substantively influences the assessments and decisions of stakeholders

Note 1: For more information on identifying a material topic, see the [Reporting Principles for defining report content](#) in *GRI 101: Foundation*.

Note 2: To prepare a report in accordance with the GRI Standards, an organization is required to report on its material topics.

Note 3: Material topics can include, but are not limited to, the topics covered by the GRI Standards in the 200, 300, and 400 series.

supplier

organization or person that provides a product or service used in the supply chain of the reporting organization

Note 1: A supplier is further characterized by a genuine direct or indirect commercial relationship with the organization.

Note 2: Examples of suppliers can include, but are not limited to:

- Brokers: Persons or organizations that buy and sell products, services, or assets for others, including contracting agencies that supply labor.
- Consultants: Persons or organizations that provide expert advice and services on a legally recognized professional and commercial basis. Consultants are legally recognized as self-employed or are legally recognized as employees of another organization.
- Contractors: Persons or organizations working onsite or offsite on behalf of an organization. A contractor can contract their own workers directly, or contract sub-contractors or independent contractors.
- Distributors: Persons or organizations that supply products to others.
- Franchisees or licensees: Persons or organizations that are granted a franchise or license by the reporting organization. Franchises and licenses permit specified commercial activities, such as the production and sale of a product.
- Home workers: Persons at home or in other premises of their choice, other than the workplace of the employer, who perform work for remuneration and which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used.
- Independent contractors: Persons or organizations working for an organization, a contractor, or a sub-contractor.
- Manufacturers: Persons or organizations that make products for sale.
- Primary producers: Persons or organizations that grow, harvest, or extract raw materials.
- Sub-contractors: Persons or organizations working onsite or offsite on behalf of an organization that have a direct contractual relationship with a contractor or sub-contractor, but not necessarily with the organization. A sub-contractor can contract their own workers directly or contract independent contractors.
- Wholesalers: Persons or organizations that sell products in large quantities to be retailed by others.

supplier screening

formal or documented process that applies a set of performance criteria as one of the factors in determining whether to proceed in a relationship with a supplier

supply chain

sequence of activities or parties that provides products or services to an organization

References

The following documents informed the development of this Standard and can be helpful for understanding and applying it.

Authoritative intergovernmental instruments:

1. United Nations (UN), 'Guiding Principles on Business and Human Rights, Implementing the United Nations "Protect, Respect and Remedy" Framework', 2011.
2. United Nations (UN), *Protect, Respect and Remedy: a Framework for Business and Human Rights*, 2008.
3. United Nations (UN), *Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, John Ruggie*, 2011.

Other relevant references:

4. United Nations Global Compact, *Global Compact Business Guide for Conflict Impact Assessment and Risk Management*, 2002.
5. United Nations Global Compact and Principles for Responsible Investment (PRI), *Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors*, 2010.

standards@globalreporting.org
www.globalreporting.org

GRI
PO Box 10039
1001 EA
Amsterdam
The Netherlands

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