



# GRI 414: Supplier Social Assessment 2016

# 414

1 JULY 2018

TOPIC STANDARD

# GRI 414: Supplier Social Assessment 2016

## Topic Standard

### Effective Date

This Standard is effective for reports or other materials published on or after 1 July 2018.

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# Introduction

*GRI 414: Supplier Social Assessment 2016* contains disclosures for organizations to report information about their social impacts in their supply chain, and how they manage these impacts. The disclosures enable an organization to provide information on its approach to preventing and mitigating negative social impacts in its supply chain.

The Standard is structured as follows:

- [Section 1](#) contains a requirement, which provides information about how the organization manages its social impacts in its supply chain.
- [Section 2](#) contains two disclosures, which provide information about the organization's supplier assessment and social impacts in its supply chain.
- The [Glossary](#) contains defined terms with a specific meaning when used in the GRI Standards. The terms are underlined in the text of the GRI Standards and linked to the definitions.
- The [Bibliography](#) lists authoritative intergovernmental instruments and additional references used in developing this Standard.

The rest of the Introduction section provides a background on the topic, an overview of the system of GRI Standards and further information on using this Standard.

## Background on the topic

This Standard addresses the topic of supplier social assessment.

An organization may be involved with negative social 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, mitigate, and address actual and potential negative social impacts in the supply chain. These include negative impacts the organization either causes or contributes to, or that are directly linked to its operations, products, or services by its relationship with a supplier.

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

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 Topic Standards (e.g., *GRI 401: Employment 2016*, *GRI 403: Occupational Health and Safety 2018*, *GRI 408: Child Labor 2016*, *GRI 409: Forced or Compulsory Labor 2016*).

## System of GRI Standards

This Standard is part of the GRI Sustainability Reporting Standards (GRI Standards). The GRI Standards enable an organization to report information about its most significant impacts on the economy, environment, and people, including impacts on their human rights, and how it manages these impacts.

The GRI Standards are structured as a system of interrelated standards that are organized into three series: GRI Universal Standards, GRI Sector Standards, and GRI Topic Standards (see [Figure 1](#) in this Standard).

### Universal Standards: GRI 1, GRI 2 and GRI 3

[GRI 1: Foundation 2021](#) specifies the requirements that the organization must comply with to report in accordance with the GRI Standards. The organization begins using the GRI Standards by consulting *GRI 1*.

[GRI 2: General Disclosures 2021](#) contains disclosures that the organization uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies.

[GRI 3: Material Topics 2021](#) provides guidance on how to determine material topics. It also contains disclosures that the organization uses to report information about its process of determining material topics, its list of material topics, and how it manages each topic.

### Sector Standards

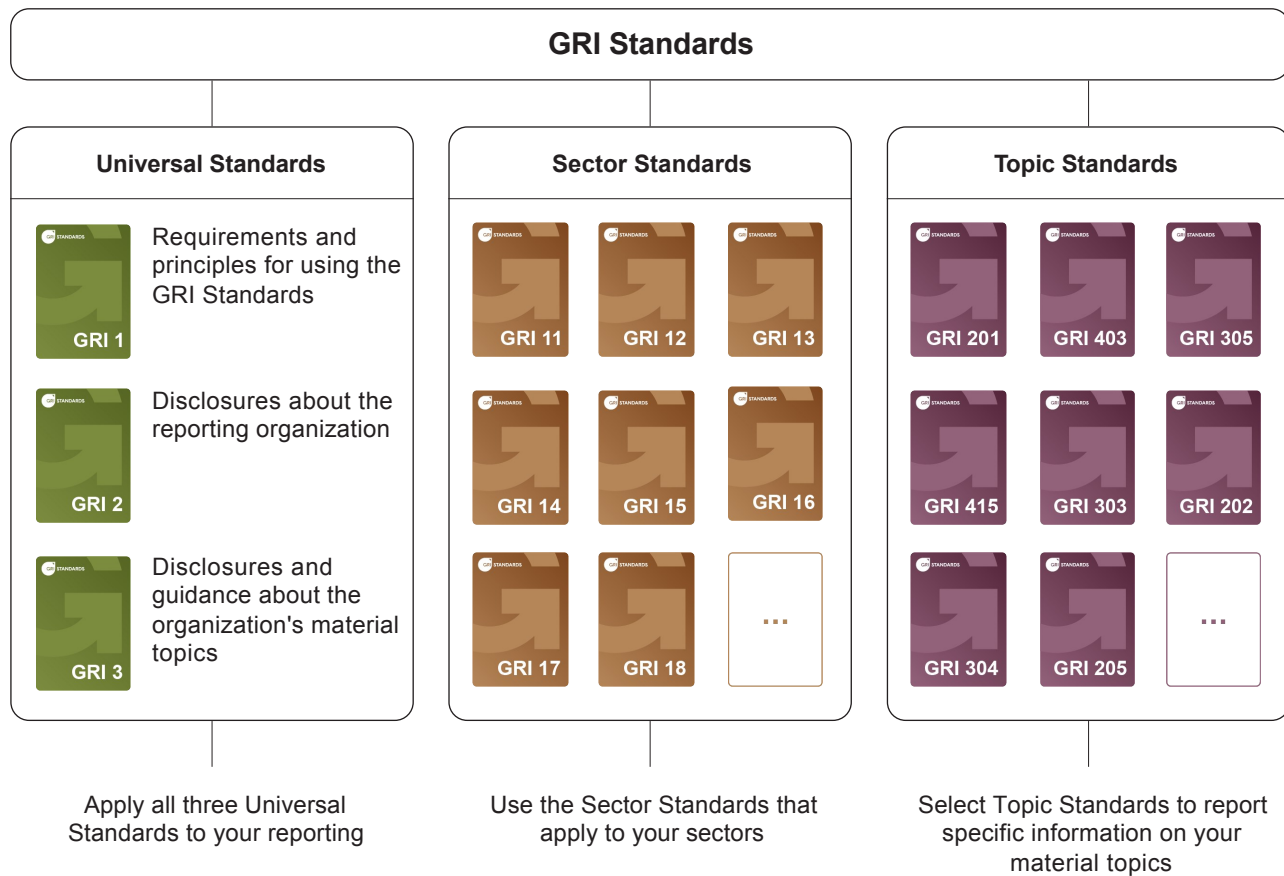
The Sector Standards provide information for organizations about their likely material topics. The organization uses the Sector Standards that apply to its sectors when determining its material topics and when determining what to report for each material topic.

### Topic Standards

The Topic Standards contain disclosures that the organization uses to report information about its impacts in relation

to particular topics. The organization uses the Topic Standards according to the list of material topics it has determined using *GRI 3*.

**Figure 1. GRI Standards: Universal, Sector and Topic Standards**



## Using this Standard

This Standard can be used by any organization – regardless of size, type, sector, geographic location, or reporting experience – to report information about its social impacts in its supply chain. In addition to this Standard, disclosures that relate to this topic can be found in [GRI 308: Supplier Environmental Assessment 2016](#).

If the reporting organization has determined both supplier social assessment and supplier environmental assessment to be 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 how the organization manages both topics.

An organization reporting in accordance with the GRI Standards is required to report the following disclosures if it has determined supplier social assessment to be a material topic:

- [Disclosure 3-3 in GRI 3: Material Topics 2021](#) (see clause 1.1 in this Standard);
- Any disclosures from this Topic Standard that are relevant to the organization's social impacts in its supply chain (Disclosure 414-1 through Disclosure 414-2).

See [Requirements 4 and 5 in GRI 1: Foundation 2021](#).

Reasons for omission are permitted for these disclosures.

If the organization cannot comply with a disclosure or with a requirement in a disclosure (e.g., because the required information is confidential or subject to legal prohibitions), the organization is required to specify the disclosure or the requirement it cannot comply with, and provide a reason for omission together with an explanation in the GRI content index. See [Requirement 6 in GRI 1: Foundation 2021](#) for more information on reasons for omission.

If the organization cannot report the required information about an item specified in a disclosure because the item (e.g., committee, policy, practice, process) does not exist, it can comply with the requirement by reporting this to be the case. The organization can explain the reasons for not having this item, or describe any plans to develop it. The

disclosure does not require the organization to implement the item (e.g., developing a policy), but to report that the item does not exist.

If the organization intends to publish a standalone sustainability report, it does not need to repeat information that it has already reported publicly elsewhere, such as on web pages or in its annual report. In such a case, the organization can report a required disclosure by providing a reference in the GRI content index as to where this information can be found (e.g., by providing a link to the web page or citing the page in the annual report where the information has been published).

#### **Requirements, guidance and defined terms**

The following apply throughout this Standard:

Requirements are presented in **bold font** and indicated by the word 'shall'. An organization must comply with requirements to report in accordance with the GRI Standards.

Requirements may be accompanied by guidance.

Guidance includes background information, explanations, and examples to help the organization better understand the requirements. The organization is not required to comply with guidance.

The Standards may also include recommendations. These are cases where a particular course of action is encouraged but not required.

The word 'should' indicates a recommendation, and the word 'can' indicates a possibility or option.

Defined terms are underlined in the text of the GRI Standards and linked to their definitions in the [Glossary](#). The organization is required to apply the definitions in the Glossary.

# 1. Topic management disclosures

An organization reporting in accordance with the GRI Standards is required to report how it manages each of its material topics.

An organization that has determined supplier social assessment to be a material topic is required to report how it manages the topic using [Disclosure 3-3 in GRI 3: Material Topics 2021](#) (see clause 1.1 in this section).

This section is therefore designed to supplement – and not replace – Disclosure 3-3 in *GRI 3*.

**REQUIREMENTS** 1.1 **The reporting organization shall report how it manages supplier social assessment using [Disclosure 3-3 in GRI 3: Material Topics 2021](#).**

**GUIDANCE** 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;
- 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 covered in other GRI Topic Standards (e.g., [GRI 401: Employment 2016](#), [GRI 403: Occupational Health and Safety 2018](#), [GRI 408: Child Labor 2016](#), [GRI 409: Forced or Compulsory Labor 2016](#)).

Negative impacts can include those that are either caused or contributed to by an organization, or that are directly linked to its operations, 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 disclosures

### Disclosure 414-1 New suppliers that were screened using social criteria

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**REQUIREMENTS**

The reporting organization shall report the following information:

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

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**GUIDANCE****Guidance for Disclosure 414-1**

Social criteria can include the topics covered in other GRI Topic Standards (e.g., [GRI 401: Employment 2016](#), [GRI 403: Occupational Health and Safety 2018](#), [GRI 408: Child Labor 2016](#), [GRI 409: Forced or Compulsory Labor 2016](#)).

**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

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### 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.

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### 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.

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### 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 operations, products, or services by its relationship with a supplier.

Assessments for social impacts can include the topics covered in other GRI Topic Standards (e.g., *GRI 401: Employment 2016*, *GRI 403: Occupational Health and Safety 2018*, *GRI 408: Child Labor 2016*, *GRI 409: Forced or Compulsory Labor 2016*).

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 provides definitions for terms used in this Standard. The organization is required to apply these definitions when using the GRI Standards.

The definitions included in this glossary 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.

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## B **business partner**

entity with which the organization has some form of direct and formal engagement for the purpose of meeting its business objectives

Source: Shift and Mazars LLP, *UN Guiding Principles Reporting Framework*, 2015; modified

Examples: affiliates, business-to-business customers, clients, first-tier suppliers, franchisees, joint venture partners, investee companies in which the organization has a shareholding position

Note: Business partners do not include subsidiaries and affiliates that the organization controls.

## **business relationships**

relationships that the organization has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: Examples of other entities directly linked to the organization's operations, products, or services are a non-governmental organization with which the organization delivers support to a local community or state security forces that protect the organization's facilities.

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## D **due diligence**

process to identify, prevent, mitigate, and account for how the organization addresses its actual and potential negative impacts

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011; modified  
United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011; modified

Note: See [section 2.3 in GRI 1: Foundation 2021](#) for more information on 'due diligence'.

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## E **employee**

individual who is in an employment relationship with the organization according to national law or practice

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## G **grievance**

perceived injustice evoking an individual's or a group's sense of entitlement, which may be based on law, contract, explicit or implicit promises, customary practice, or general notions of fairness of aggrieved communities

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework*, 2011

## **grievance mechanism**

routinized process through which grievances can be raised and remedy can be sought

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework*, 2011; modified

Note: See [Guidance to Disclosure 2-25 in GRI 2: General Disclosures 2021](#) for more information on ‘grievance mechanism’.

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## H

### human rights

rights inherent to all human beings, which include, at a minimum, the rights set out in the *United Nations (UN) International Bill of Human Rights* and the principles concerning fundamental rights set out in the *International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work*

Source: United Nations (UN), *Guiding Principles on Business and Human Rights: Implementing the United Nations “Protect, Respect and Remedy” Framework*, 2011; modified

Note: See [Guidance to 2-23-b-i in GRI 2: General Disclosures 2021](#) for more information on ‘human rights’.

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## I

### impact

effect the organization has or could have on the economy, environment, and people, including on their human rights, which in turn can indicate its contribution (negative or positive) to sustainable development

Note 1: Impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible.

Note 2: See section [2.1 in GRI 1: Foundation 2021](#) for more information on ‘impact’.

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## M

### material topics

topics that represent the organization’s most significant impacts on the economy, environment, and people, including impacts on their human rights

Note: See [section 2.2 in GRI 1: Foundation 2021](#) and [section 1 in GRI 3: Material Topics 2021](#) for more information on ‘material topics’.

### mitigation

action(s) taken to reduce the extent of a negative impact

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

Note: The mitigation of an actual negative impact refers to actions taken to reduce the severity of the negative impact that has occurred, with any residual impact needing remediation. The mitigation of a potential negative impact refers to actions taken to reduce the likelihood of the negative impact occurring.

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## R

### remedy / remediation

means to counteract or make good a negative impact or provision of remedy

Source: United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

Examples: apologies, financial or non-financial compensation, prevention of harm through injunctions or guarantees of non-repetition, punitive sanctions (whether criminal or administrative, such as fines), restitution, restoration, rehabilitation

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## S

### severity (of an impact)

The severity of an actual or potential negative impact is determined by its scale (i.e., how grave the impact is), scope (i.e., how widespread the impact is), and irremediable character (how hard it is to counteract or make good the resulting harm).

Source: Organisation for Economic Co-operation and Development (OECD), *OECD Due Diligence Guidance for Responsible Business Conduct*, 2018; modified  
United Nations (UN), *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, 2012; modified

Note: See [section 1 in GRI 3: Material Topics 2021](#) for more information on 'severity'.

#### **supplier**

entity upstream from the organization (i.e., in the organization's supply chain), which provides a product or service that is used in the development of the organization's own products or services

Examples brokers, consultants, contractors, distributors, franchisees, home workers, independent contractors, licensees, manufacturers, primary producers, sub-contractors, wholesalers

Note: A supplier can have a direct business relationship with the organization (often referred to as a first-tier supplier) or an indirect business relationship.

#### **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**

range of activities carried out by entities upstream from the organization, which provide products or services that are used in the development of the organization's own products or services

#### **sustainable development / sustainability**

development that meets the needs of the present without compromising the ability of future generations to meet their own needs

Source: World Commission on Environment and Development, *Our Common Future*, 1987

Note: The terms 'sustainability' and 'sustainable development' are used interchangeably in the GRI Standards.

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## **V**

#### **value chain**

range of activities carried out by the organization, and by entities upstream and downstream from the organization, to bring the organization's products or services from their conception to their end use

Note 1: Entities upstream from the organization (e.g., suppliers) provide products or services that are used in the development of the organization's own products or services. Entities downstream from the organization (e.g., distributors, customers) receive products or services from the organization.

Note 2: The value chain includes the supply chain.

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## **W**

#### **worker**

person that performs work for the organization

Examples: employees, agency workers, apprentices, contractors, home workers, interns, self-employed persons, sub-contractors, volunteers, and persons working for organizations other than the reporting organization, such as for suppliers

Note: In the GRI Standards, in some cases, it is specified whether a particular subset of workers is required to be used.

# Bibliography

This section lists authoritative intergovernmental instruments and additional references used in developing this Standard.

## **Authoritative 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.

## **Additional 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.



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