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Australian Centre for Corporate Social Responsibility

# G4 AND THE SUPPLY CHAIN

15 August 2013

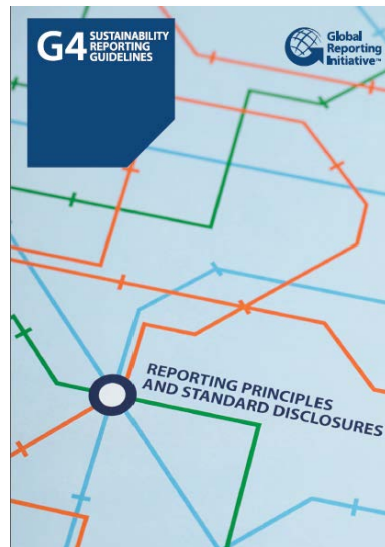




# SUSTAINABILITY REPORTING

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- Global Reporting Initiative is the gold standard for sustainability reporting.
- New guidelines (G4) were issued in May 2013.
- G4 includes a much stronger focus on supply chain.
- Implications for purchasing policy and data management.





## G4 FOCUS

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- Report on *what really matters* and *where* it matters
- Moves sustainability reporting to a strategic level
- New standard disclosures for supply chain
- G4 has 58 general standard disclosures and specific standard disclosures covering 91 indicators
  - 'Core' report requires only 34 general standard disclosures
  - Both 'core' and 'comprehensive' require only material aspects



## ALL REPORTS WILL NEED TO ADDRESS SUPPLY CHAIN

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All G4 reports that are “in accordance” (either ‘core’ or ‘comprehensive’ will need to report on supply chain.

The *minimum* reporting is to “Describe the organisation’s supply chain” (G4-12/General Standard Disclosure )

Definition of supply chain: “*Sequence* of activities or parties that provide products or services to the organisation.”



## DESCRIBE THE ORGANISATION'S SUPPLY CHAIN

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### Examples include ...

- Sequence of activities
- Total # suppliers engaged and estimated # in the supply chain
- Location of suppliers by country or region
- Types of suppliers
- Estimated \$ value of payments to suppliers
- Sector-specific characteristics (e.g labour intensive)

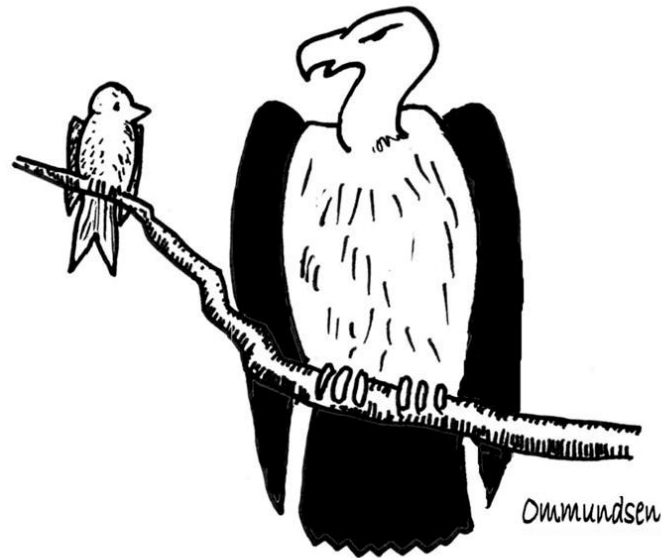


## EXAMPLES OF SUPPLIERS

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**A supplier can have a direct or indirect relationship**

- Brokers
- Consultants
- Contractors
- Distributors
- Franchisees or licensees
- Home workers
- Independent contractors
- Manufacturers
- Primary producers
- Sub-contractors
- Wholesalers



**“The actual killing is outsourced to lions.”**



# MUCH, MUCH MORE THAN G3/2-1

G3/3.1	G4	Aspect	Explanation
EC6	EC9	Procurement practises	% spending on local suppliers at significant locations of operation
HR2	HR10	Supplier human rights assessment	% suppliers screened for human rights

29% GRI reports did not report this

40% of GRI reports did not report this

**Now** there are:

- 3 general standard disclosures
- 11 aspects, and
- 15 indicators covering supply chain

Reporting on supply chain could require some big changes!

**TABLE 1: CATEGORIES AND ASPECTS IN THE GUIDELINES**

Category	Economic	Environmental
Aspects <sup>III</sup>	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Market Presence</li> <li>• Indirect Economic Impacts</li> <li>• Procurement Practices</li> </ul>	<ul style="list-style-type: none"> <li>• Materials</li> <li>• Energy</li> <li>• Water</li> <li>• Biodiversity</li> <li>• Emissions</li> <li>• Effluents and Waste</li> <li>• Products and Services</li> <li>• Compliance</li> <li>• Transport</li> <li>• Overall</li> <li>• Supplier Environmental Assessment</li> <li>• Environmental Grievance Mechanisms</li> </ul>

**Category Social**

Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspects <sup>III</sup>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Labor/Management Relations</li> <li>• Occupational Health and Safety</li> <li>• Training and Education</li> <li>• Diversity and Equal Opportunity</li> <li>• Equal Remuneration for Women and Men</li> <li>• Supplier Assessment for Labor Practices</li> <li>• Labor Practices Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Investment</li> <li>• Non-discrimination</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Child Labor</li> <li>• Forced or Compulsory Labor</li> <li>• Security Practices</li> <li>• Indigenous Rights</li> <li>• Assessment</li> <li>• Supplier Human Rights Assessment</li> <li>• Human Rights Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Local Communities</li> <li>• Anti-corruption</li> <li>• Public Policy</li> <li>• Anti-competitive Behavior</li> <li>• Compliance</li> <li>• Supplier Assessment for Impacts on Society</li> <li>• Grievance Mechanisms for Impacts on Society</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Health and Safety</li> <li>• Product and Service Labeling</li> <li>• Marketing Communications</li> <li>• Customer Privacy</li> <li>• Compliance</li> </ul>





# SHOULD I REPORT ON ANY SUPPLY CHAIN ASPECTS?

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## Identifying material aspects and boundaries

- Is it relevant?
  - To our broader context?
  - Our stakeholders?
  - Our business model?
  - Is our impact significant?
- Where is each material impact significant?
  - Within my organisation?
  - Outside my organisation?
    - Subsidiaries, joint ventures, suppliers, consumers, communities etc

# GRI G4 GUIDELINES ARE FREE TO DOWNLOAD

[www.globalreporting.org](http://www.globalreporting.org)