

GRI 204: PROCUREMENT PRACTICES 2016

GRI 204

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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 204: Procurement Practices</i> sets out reporting requirements on the topic of procurement practices. 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 204: Procurement Practices* is a topic-specific GRI Standard in the 200 series (Economic topics).**

B. Using the GRI Standards and making claims

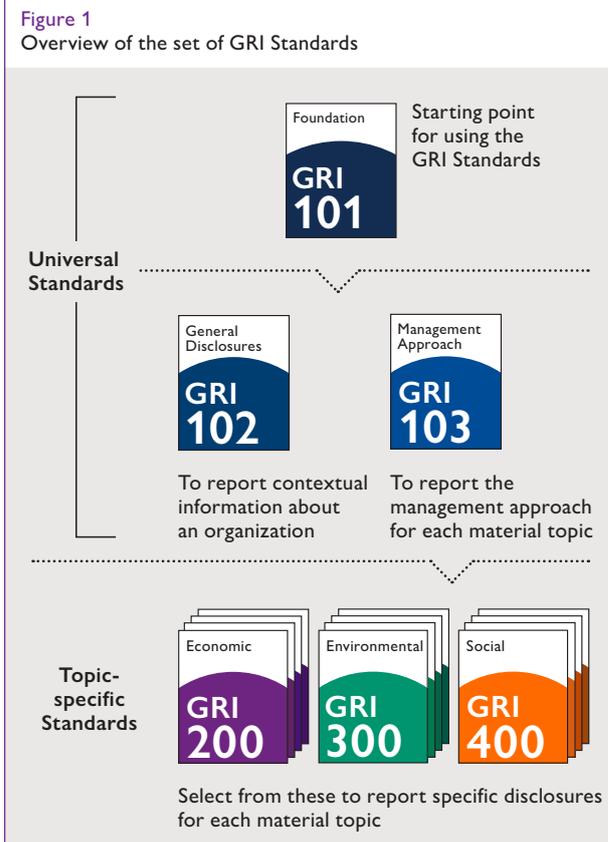
There are two basic approaches for using the GRI Standards. For each way of using the Standards there is a corresponding claim, or statement of use, which an organization is required to include in any published materials.

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 204: Procurement Practices*, 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 economic dimension of sustainability concerns an organization's impacts on the economic conditions of its stakeholders, and on economic systems at local, national, and global levels. It does not focus on the financial condition of an organization.

The Standards in the Economic series (200) address the flow of capital among different stakeholders, and the main economic impacts of an organization throughout society.

GRI 204 addresses the topic of procurement practices. This covers an organization's support for local suppliers, or those owned by women or members of vulnerable groups. It also covers how the organization's procurement practices (such as the lead times it gives to suppliers, or the purchasing prices it negotiates) cause or contribute to negative impacts in the supply chain.

The disclosures in this Standard can provide information about an organization's impacts related to procurement practices, and how it manages these impacts.

GRI 204: Procurement Practices

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 204-1 Proportion of spending on local suppliers

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 procurement practices using [GRI 103: Management Approach](#).

Management approach disclosures

Continued

Guidance

When reporting its management approach for procurement practices, the reporting organization can also:

- describe actions taken to identify and adjust the organization's procurement practices that cause or contribute to negative impacts in the supply chain, including:
 - how dialogue with suppliers is used to identify procurement practices that cause or contribute to negative impacts in the supply chain;
 - actions taken to adjust payment policies and procedures;
- describe policies and practices used to select locally-based suppliers, either organization-wide or for specific locations;
- explain the rationale and methodology for tracing the source, origin, or production conditions of raw materials and production inputs purchased, if applicable;
- describe policies and practices used to promote economic inclusion when selecting suppliers.

Procurement practices that cause or contribute to negative impacts in the supply chain can include:

- stability or length of relationships with suppliers;
- lead times;
- ordering and payment routines;
- purchasing prices;
- changing or cancelling orders.

Forms of economic inclusion can include:

- small and medium-sized suppliers;
- suppliers owned by women;
- suppliers which are owned by or recruit workers from members of vulnerable, marginalized, or under-represented social groups.

2. Topic-specific disclosures

An organization is expected to compile information for economic disclosures using figures from its audited financial statements or from its internally-audited management accounts, whenever possible. Data can be compiled using, for example:

- the relevant International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB), and the Interpretations developed by the IFRS Interpretations Committee (specific IFRS are referenced for some of the disclosures);
- the International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC);
- national or regional standards recognized internationally for the purpose of financial reporting.

Disclosure 204-1

Proportion of spending on local suppliers

Reporting requirements

The reporting organization shall report the following information:

- a. Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally).
- b. The organization's geographical definition of 'local'.
- c. The definition used for 'significant locations of operation'.

Disclosure
204-1

Reporting recommendations

- 2.1 When compiling the information specified in Disclosure 204-1, the reporting organization should calculate the percentages based on invoices or commitments made during the reporting period, i.e., using accruals accounting.

Guidance

Guidance for Disclosure 204-1

Local purchases can be made either from a budget managed at the location of operation or at an organization's headquarters.

Background

By supporting local suppliers, an organization can indirectly attract additional investment to the local economy. Local sourcing can be a strategy to help ensure supply, support a stable local economy, and maintain community relations.

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Legal liability

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