



# Know Your Supply Chain

Factsheet

## Overview

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Tea companies manage increasingly complex supply chains that often span multiple countries and involve a huge number of workers and suppliers. As a result, ensuring responsible and sustainable practices at every stage of the supply chain has become a challenge for brands, retailers, and their stakeholders.

In recent years, the development of supply chain due diligence legislation worldwide has reflected growing concerns over businesses' contribution to adverse human rights and environmental impacts, and a recognition that voluntary measures alone have been mainly unsuccessful in driving change.

This factsheet explains what it means to know your supply chain better and outlines some benefits of supply chain due diligence and data sharing.

## What is supply chain due diligence?

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Supply chain due diligence is the process of identifying, assessing, and mitigating potential risks in a company's supply chain. It can involve collecting data about suppliers' labour practices, environmental and human rights impacts, and their compliance with laws and standards. Effective due diligence requires companies to conduct or commission risk assessments, and establish ongoing monitoring processes to ensure they can proactively anticipate and address potential risks.

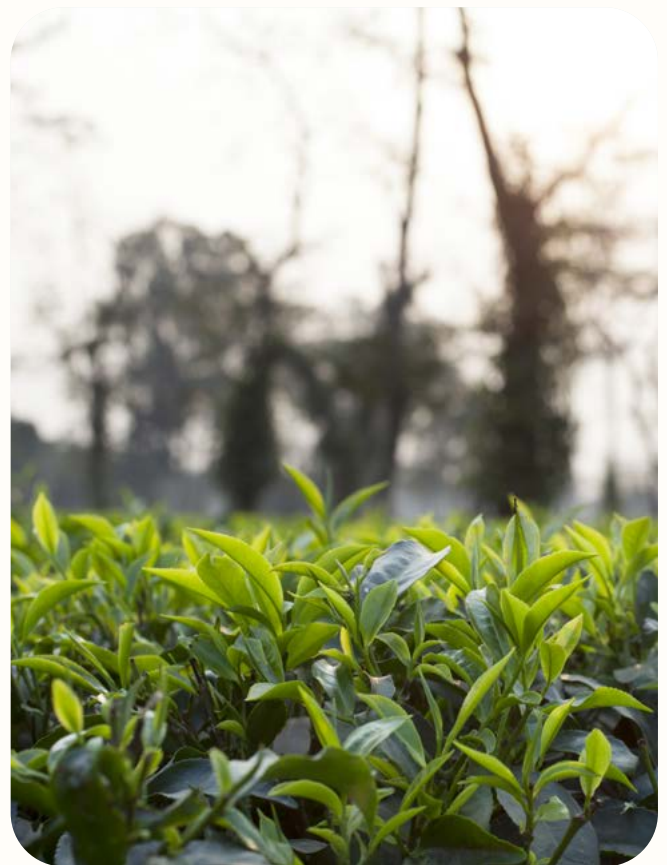
Supply chain due diligence is encouraged through voluntary frameworks such as the UN's [Guiding Principles on Business and Human Rights \(UNGPs\)](#), and the [OECD Guidelines for Multinational Enterprises](#), and is becoming increasingly mandated by national and international laws.

## Why is it important to know your supply chain?

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Supply chain due diligence allows buyers to identify and prioritise risks, and to work with their suppliers to implement action plans to mitigate them. It contributes to positive change by ensuring that companies take responsibility for the impact that their business operations have on tea workers, farmers, and the environment.

It also puts companies ahead of the curve in complying with increasingly stringent regulations being introduced globally. Taking precautions early means businesses are better positioned to avoid costly legal and reputational risks because of human rights violations or environmental impacts in their supply chains. For example, medium to large-sized companies that fail to comply with the new EU laws could face [fines of up to 2% of annual turnover](#).



## What is transparency?

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Transparency is the degree to which information about a company's supply chain is visible and accessible to relevant stakeholders, such as consumers, governments, investors, and employees. It indicates a company's ability and willingness to share data about its supply chain. Data is typically made available through reports and public disclosures on a company's website, and can include:

- the locations where products are produced, such as tea estates and factories;
- working conditions and the number of employees at supplier sites;
- the environmental impact of a company's operations;
- the programmes and certifications in place at each location;
- human rights or environmental risks associated with specific products, suppliers, or regions; and
- efforts made to mitigate risks and remediate negative supply chain impacts.

Transparency requires having visibility and traceability (being able to trace a product and collect data points from each stage of the supply chain), and a willingness to disclose this information publicly.



## What are the benefits of sharing supply chain data?

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Sharing data publicly builds trust among consumers and investors, and companies that demonstrate a commitment to addressing supply chain issues often benefit from a competitive advantage. Studies by [Label Insight](#) and [NielsenIQ](#) show that 94% of consumers are more likely to be loyal to a brand that offers transparency, and 64% would buy from a different company if it provided more information about its products' impacts and origin.

Data disclosure also drives sector-wide innovation by creating opportunities for collaboration and sharing learnings and best practices. If buyers are open about where they are sourcing from and the methods they use to address risks, they can pool resources and work together to develop solutions to the issues they face jointly. This becomes particularly useful when multiple companies are sourcing from the same supplier.

## Regulatory landscape

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The supply chain due diligence regulatory landscape is expected to grow and become more stringent. In recent years, there have been numerous developments in supply chain laws which mandate companies of a certain size to conduct due diligence, develop policies and procedures to make their operations more responsible, and report on their efforts. These include:

- the European Union's (EU) Corporate Sustainability Due Diligence Directive (CSDDD);
- the French Corporate Duty of Vigilance Law;
- Germany's Supply Chain Due Diligence Law;
- the Netherland's Bill for Responsible and Sustainable International Business;

- the UK's Modern Slavery Act;
- Norway's Transparency Act;
- Canada's Modern Slavery Act and Forced Labour Bill;
- Australia's Modern Slavery Act; and
- the California Transparency in Supply Chains Act.

The EU CSDDD, which will come into force gradually over the next few years, is expected to set a new standard for supply chain legislation. More countries will likely follow the EU's lead, introducing similar legislation to hold companies accountable for the impacts of their supply chains.

Supply chain laws are commonly developed using the UNGPs and the OECD Guidelines. Therefore, businesses should familiarise themselves with these voluntary frameworks to understand what will be expected of them.

## What steps can companies take?

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While approaches to due diligence may vary, there are some practical steps all companies can take. These include:

1. Defining the scope of due diligence activities and the level of ambition, identifying any legal obligations that will apply to you and your objectives and targets.
2. Developing a policy on human rights and environmental due diligence and communicating this internally and externally. This should include due diligence processes, timeframes, targets, and a monitoring, evaluation, and reporting framework.
3. Mapping your supply chain and collecting information regarding your suppliers' policies and commitments. Where necessary, work with first-tier suppliers to get information on tier 1 and 2 suppliers.
4. Working directly with suppliers to identify, prioritise, mitigate, and remediate risks. Where issues have occurred, aim to work with suppliers instead of suspending activity.

These actions are based on more detailed due diligence guidelines provided by WWF, which can be found [here](#).

### ETP's approach

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ETP believes transparency and supply chain due diligence are important methods to address problems in the tea supply chain. As an organisation comprised of international tea companies and retailers, we recognise the value of due diligence and transparency in identifying risks, and as an enabler of collaboration and positive action.

We welcome the advancement of human rights and environmental due diligence laws globally, and we are committed to supporting our members to improve their practices and to understand their supply chain risks better.

OECD *Due Diligence Guidance for Responsible Business Conduct*. OECD, <https://www.oecd.org/investment/due-diligence-guidance-for-responsible-business-conduct.htm>.

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*Advice on Applying Supply Chain Due Diligence Principles to Assure Your Labour Supply Chains*. GOV.UK, <https://www.gov.uk/government/publications/use-of-labour-providers/advice-on-applying-supply-chain-due-diligence-principles-to-assure-your-labour-supply-chains>.





# Get in touch

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