

How to implement Supply Chain Due Diligence in your business: A step-by-step approach

Step 1: Create a supply chain map.

You should conduct supply chain mapping, with the purpose to identify which are the businesses that are part of your supply chain, as far as possible. In certain cases, it may be difficult for you to collect information about upstream suppliers, because your immediate suppliers, meaning the businesses with which you have a contractual agreement, may reserve the right to confidentiality. In such cases, it is important that you expect your suppliers to uphold your same due diligence standards and commitments. To map your supply chain, you might carry out the following activities:

1. Identify all immediate suppliers (also called 1st tier suppliers)
2. Create a supplier register, to keep a record of your suppliers' name, location, type of business, material purchased, volume of material purchased, contract volume, etc.
3. Try to identify suppliers beyond the 1st tier. If you are not able to gain information on the name of the businesses that are further upstream in your supply chain because your immediate suppliers are not able to share them, try to at least gain information on the country of origin of the materials you purchase and to collect as much documentation as possible on the provenance of products or materials.

Step 2. Write a KYC policy and procedure and carry out KYC checks.

Please refer to Step 3 for detailed guidance on KYC and for sample policies and procedures which you can adapt to your business needs.

Step 3. Write a responsible sourcing and/or supply chain policy and communicate it to your suppliers: *Please refer to Step 1 for detailed guidance on the Responsible Supply Chain Policy and for a sample policy which you can adapt to your business needs.*

It is important to require your suppliers to operationalise the responsible sourcing or supply chain policy into their own policies and procedures. Suppliers should acknowledge receipt and commit to meeting the expectations set out in the policy. To do this, you can consider requesting your suppliers to attest in writing that they will comply to the requirements set out in the policy. It is important to make the requirements part of your supplier contractual obligations. Samples of compliance clauses that can be included in supplier contract and agreements are available for download as part of toolkit 1. The policy statement should also be included on warranty notes, invoices, delivery notes, and product certificates, among other places. Sample statements that can be included in business documents are available for download in Step 1.

Step 4. Write a due diligence procedure:

You should implement your responsible sourcing or supply chain policy by developing and implementing a due diligence system, as reflected in a due diligence procedure, that is, a written document that provides clear instructions and guidance to employees on how to carry out due diligence activities. In the procedure, you should formalise the roles and responsibilities assigned for overseeing and implementing due diligence, as well as all actions taken by the company to carry out due diligence, who will do so, and when.

The due diligence procedure may stand-alone, or be part of your KYC procedure