

Case Study

DEHN SE (electronics industry)

Addressing the Supply Chain Due Diligence Act at an early stage

1 Key messages

- DEHN SE (hereinafter referred to as: DEHN) decided to address the new requirements posed by the Supply Chain Due Diligence Act (LkSG) in detail at an early stage, despite the fact that it won't be subject to them until 2024. An increasing number of major customers have already started to request information related to the LkSG.



Fig. 1: Headquarters, DEHN



- The company is familiar with the topic of business due diligence obligations as it procures conflict minerals from distributors. As a result, DEHN particularly focuses on how it can develop existing internal processes to satisfy the new due diligence requirements.
- The commitment to sustainable supply chains needs to be communicated on the company website to promote transparent communications.

2 Company introduction

DEHN is a family firm founded in 1910 and is now led by its fourth generation. The company offers protection solutions, services and expertise for surge and lightning protection in addition to occupational safety produced for building, energy and infrastructure applications. The company group employs around 2,000 workers around the globe. In terms of purchase volumes, its key markets are Germany, China, some EU countries, Serbia and India.

DEHN's product portfolio consists of over 4,000 devices and components. Products are sold by partners in 70 countries in addition to 23 subsidiaries and company offices.

3 What does the value chain structure look like in this sector?

Due to its reliance on imports of raw materials such as metals and subcomponents, the electronics industry is strongly dependent on global supply chains.

Tungsten and copper are the most important raw materials for the firm. In addition, tungsten is one of the raw materials specified in the EU Conflict Minerals Regulation. The EU imports around 16 percent of the globally traded conflict minerals tin, tantalum, tungsten and gold. The EU regulation only lays down directly applicable obligations for so-called Union importers. However, DEHN obtains raw materials through distributors, and is therefore not a direct importer, but has nevertheless implemented corresponding risk processes (see below).

4 Sustainable supply chain management at DEHN

Companies subject to the Supply Chain Due Diligence Act are required to satisfy adequate due diligence requirements along the entire supply chain. They need to establish a due diligence system based on the core issues or human rights due diligence (incl. a mission statement and risk analyses) set out in the National Action Plan for Business and Human Rights (NAP) in its basic structure. We will now take a look at how DEHN plans to implement the main requirements.

4.1 How is DEHN structured in terms of supply chain management?

The company is yet to introduce central management for sustainable supply chain management. The main Supply Chain Management department is responsible for general supply chain management in partnership with the Procurement, Scheduling and Order Management, and Customs Clearance and Export Controls departments. In the course of preparing for the LkSG, risk analyses have been conducted by an interdepartmental task force. Discussions are ongoing with regard to how the implementation of requirements from the LkSG should be managed within the company, i.e. who will be responsible for what. DEHN is currently focused on the following questions:

- Who already has experience in dealing with the Federal Office for Economic Affairs and Export Control (BAFA)?
- Which employees/departments are familiar with the risk-based management approach required particularly for the risk analysis by the LkSG?
- Which employees/departments already work in supplier management, which may be expanded in the future to meet the requirements of the LkSG?

Luckily, DEHN is able to draw on existing experience and contacts of the Customs Clearance and Export Control department with the Federal Office for Economic Affairs and Export Control (BAFA) when organising export control within the firm. In the future, the company also plans to merge the Procurement

and Scheduling & Order Management departments, as they have previous experience with risk-based approaches to supplier management. Furthermore, numerous (planned) measures in relation to LkSG implementation will handle requesting supplier information. The Supplier Code of Conduct will also be enhanced in partnership with the Legal, Compliance & Risk Management department. Representatives from the Sales and Quality Management departments along with two members of the interdepartmental taskforce will also be involved. The person who will take on the role of human rights officer is still in discussion. In this context, it's important that the findings from grievance management are fed back into the business due diligence obligations process, which requires a close connection to internal structures.

4.2 Has DEHN published a mission statement? If so, what does it include?

DEHN has published a Code of Conduct, which provides basic guidelines for working with integrity within the company and for dealing with business partners and the public. The Compliance Officer (Head of Legal, Compliance & Risk Management) is responsible for the CoC.

In order to ensure the requirements from the LkSG are met, a Code of Conduct specifically targeting suppliers needs to be created in addition to the existing Code of Conduct. The following aspects are particularly important when writing the content:

1. New content needs to be added on the basis of the risk analysis: The idea behind this approach is that the results of the risk analysis required by the LkSG can help provide company-specific clauses in the Code of Conduct. Along with this, it also promotes internal awareness of risks and the company's approach towards business due diligence obligations.

2. Templates and examples should be used: When expanding the existing Code of Conduct, the company should use publicly available information and look at codes and mission statements from other companies.

4.3 Does DEHN conduct risk analyses?

DEHN plans to use the Starter Kit published by the Information Centre for the Environment and Economy to prepare risk analyses for environmental and human rights topics. The company expects this to result in an established approach that maps the main requirements of the LkSG.

DEHN plans to collect and analyse publicly available sector- and country-specific information with help of the sources of information found in the Starter Kit provided by the Information Centre for the Environment and Economy. Focus will be placed on around 10 countries outside the EU with direct supplier relations, including China, India and Serbia. It remains to be determined how goods of foreign origin from countries with indirect supplier relations can be integrated in the analysis.

The company plans to establish a dialogue with employees in the affected departments based on a sector- and country-specific overview in order to account for numerous viewpoints in the analysis. This approach should also ensure the results are supported throughout the company and the resulting measures have backing.

4.4 Which measures have been implemented or are planned for the future?

ISO 14001 and ISO 50001: DEHN has introduced an environmental management system in accordance with ISO 14001 at its site in Mühlhausen and an energy management system in accordance with ISO 50001 in both Mühlhausen and Neumarkt.

Material restrictions: In relation to product conformity standards, the company complies with material restrictions. Applicable legal requirements are stipulated in the RoHS 2 Directive (2011/65/EU, with the addendum to the Commission Delegated Directive (EU) 2015/863), which sets restrictions on hazardous substances in electronic and electrical products, and the REACH directive. REACH stands for Registration, Evaluation, Authorisation and Restriction of Chemicals. The directive standardises chemicals legislations throughout Europe and improves knowledge of hazards and risks posed by chemicals.

Eco-friendly recycling: DEHN endeavours to properly recycle end-of-life equipment, used batteries and packaging material in an eco-friendly way to ensure the environmental impact of its products is kept to a minimum in their end-of-life stage.

AEO C&S: DEHN is a certified AEO C&S (Authorised Economic Operator). The internationally recognised status demonstrates that the firm is a particularly trustworthy and reliable partner within global supply chains.

Supplier Code of Conduct: The previously mentioned supplier code forms a key supplier management mechanism. In the first step towards implementing the LkSG requirements, the existing, general Code of Conduct will be analysed and relevant content will be incorporated into the new supplier Code of Conduct. Beyond comparing the previous code to the requirements of the LkSG, the company also plans to analyse requirements voiced in supplier portals in order to achieve as complete a picture as possible. To this end, the company will draw on the [Training Concept for Sustainability in Procurement published by the Information Centre for the Environment and Economy](#). This concept covers information on supplier requirements and portals, along with other aspects. The [Supplier Code of Conduct Template](#) should also be used for the comparison. In principle, the Supplier Code of Conduct applies to all suppliers. The company hopes to engage in close discussions on the Supplier Code of Conduct and the supplier requirements contained therein with companies for which it is particularly relevant, as established in the risk analysis.

Customer requirements: The company expects company requirements to rise in the process of implementing the LkSG. DEHN has already focused on various customer groups with regard to the law, including major industrial companies and the electrical wholesale trade, in order to anticipate increased requirements the company will face at an early stage and accordingly adjust management processes.

4.5 What methods of communication and reporting are in place at DEHN?

In the future, DEHN plans to publish the results of risk analyses and other information related to the LkSG along with the grievance mechanism on the company website. At this point, the company expects to be able to use templates provided by the Federal Office for Economic Affairs and Export Control for reporting in the future, particularly to meet the annual reporting obligations stipulated in the LkSG. The act requires companies to publish an annual report on the implementation of the pertinent due diligence requirements along with a report to be published online.

DEHN has not previously published a sustainability report. However, as existing statutory requirements regarding sustainability reports are being expanded to EU level, this is currently in discussion.

4.6 How does the grievance mechanism work?

Stakeholders can already submit compliance-related grievances to DEHN in Germany through an independent ombudsman. At this point, the existing process doesn't yet fully satisfy the requirements from the LkSG and consequently needs to be modified.

The company plans to look among its workforce to determine which employee(s) will be responsible for managing the LkSG grievances mechanism in the future. A key criterion for this decision is that grievances can be systematically recorded and their outcomes can be passed on. This generally requires in-depth knowledge on the company and strong networking within the firm. In this sense, DEHN wants to continually improve the fundamental approach to the topic of business due diligence obligations, the process and content of the risk analyses and measures.

5 Summary: Challenges, opportunities and practical tips

DEHN faces the following challenges when it comes to implementing LkSG requirements:

- The area that requires adjustments, supplier management, is the primary focus for activities. The company will take a close look at which contractual terms in supplier agreements need to be adapted, and what is permissible by law. Another challenge lies in analysing the subordinate levels of the supply chain and addressing risks.
- At present, the company expects customer requirements to rise when the LkSG is implemented. For this reason, the company has opted to consult various customer groups at this stage and attempt to gain an overview of the requirements it can expect to face.
- The company requires HR and financial resources for all of the activities mentioned above and others. Internal discussions are already in process on this matter. To this end, DEHN is currently looking for pointers on how to organise HR structures accordingly and ensure the required resources are available to employees. The company is currently collecting information on resource costs, which also draws on the study [Due Diligence Obligations along Global Supply Chains. An Environmental Analysis \(in German only\)](#) conducted by the Handelsblatt Research Institute. Gathering substantiated information on costs is also important for acceptance of the topic within the company.

The company also recognises a number of opportunities that are related to the legislation. For instance, it welcomes the fact that the act will boost transparency on legal requirements and consequently increase legal compliance. In addition, DEHN expects the act to help improve supplier knowledge on the issue and enable the gradual expansion of sustainable supplier management.

6 Sources

Interview with Benjamin Götz, Head of Customs Clearance and Export Controls at DEHN SE (conducted on 16/11/2021).

Handelsblatt Research Institute 2021: Due Diligence Obligations along Global Supply Chains. Commissioned by the Federal Ministry for Economic Cooperation and Development. Handelsblatt Research Institute: Düsseldorf. Available at: www.bmz.de/re-source/blob/92544/18fbb046bf85f95c5b07731ff69c4600/studie_BMZ_lieferkettengesetz.pdf (retrieved on 20 April 2022).



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