

SUSTAINABLE SUPPLY CHAINS

The two Datwyler divisions have very different business models. At the Sealing Solutions division, Datwyler develops and produces application-specific seal components for 800 or so customers. At the Technical Components division, Datwyler acts as a high-service distributor of electronic components for more than 700'000 anonymous customers (see also page 10 of the text on strong customer satisfaction).

The differences between the respective business models and customer structures are mirrored by differences in supplier structures and procurement processes at the two divisions. But when it comes to ethical business practices, the different business models and procurement processes at the two divisions are pretty much irrelevant.

Standard Supplier Code of Conduct

The Datwyler Group has had a standard code of conduct for suppliers (www.datwyler.com/en/governance/code-of-conduct). This is largely based on the globally accepted principles set out in the UN Global Compact and applies to all suppliers, advisors, representatives and partners of the Datwyler Group. Datwyler does not tolerate any kind of arrangements, bribery or corruption (see also page 24 of the text on ethical business practices). To promote ethically sound collaboration, Datwyler offers its suppliers an email address for compliance issues, which is managed by the internal audit department. No reports were received during the reporting year. The Supplier Code of Conduct is monitored as part of the quality assurance systems. Datwyler also checks up on sustainability issues during the regular assessments of suppliers, with

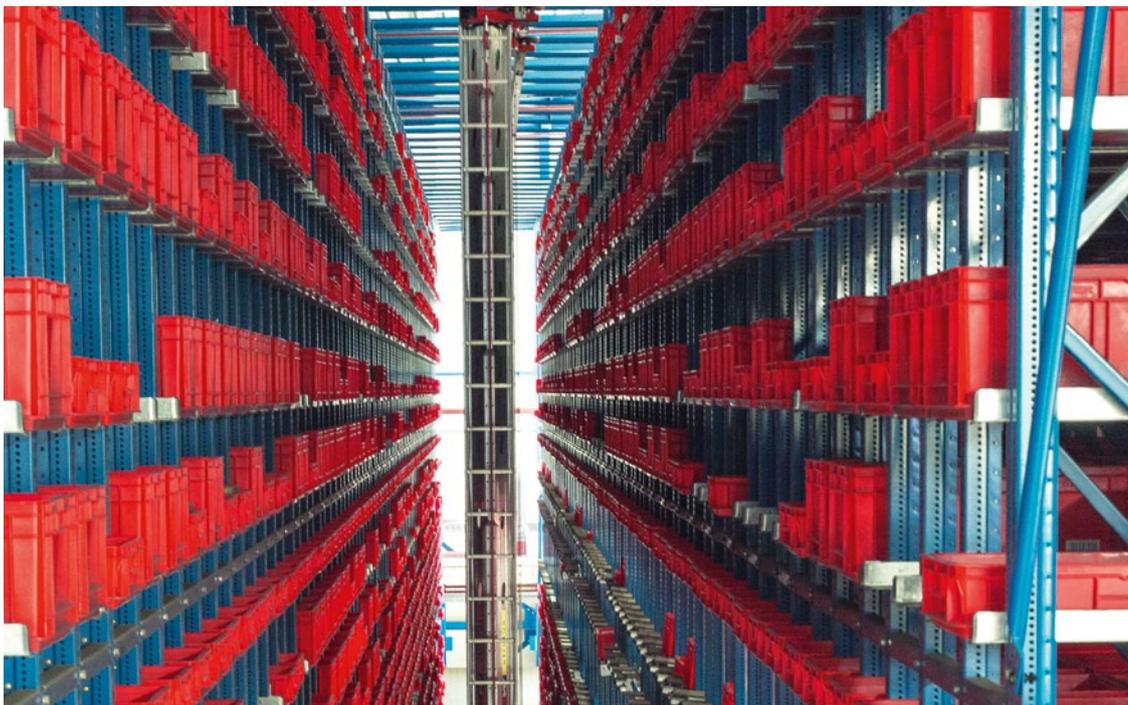
the focus on suppliers from regions or sectors that represent more of a risk or whose size means they do not have their own sustainability management programme or related reporting. Datwyler expects all suppliers to sign up to the Supplier Code of Conduct as a matter of course. Exemptions are only allowed if suppliers are members of the UN Global Compact or have their own official code of conduct which incorporates the principles of the UN Global Compact.

Raw materials at the Sealing Solutions division

At the Sealing Solutions division, Datwyler mainly buys raw materials such as elastomer materials, plastics, metals and operating materials. These 58'000 tonnes of raw materials a year are turned into customer-specific sealing components at 20 of the business's own production plants in Europe, Asia and the NAFTA area. In order to keep providing its customers with supplies, Datwyler relies in turn on a dependable supply of raw materials. With this in mind, the Sealing Solutions division works with around 400 suppliers of raw materials worldwide. A good 35 % of the CHF 299.4 million worth of material the business bought in during the 2018 reporting year was sourced from the

58'000

tonnes of raw materials at the Sealing Solutions division.



The central distribution centre in the Technical Components Division ensures the high availability of electronic components, and short delivery times.



Roughly one third of the raw materials are delivered using pallets and delivery boxes that are picked up by the deliverer and used again.

ten biggest suppliers. These and other important suppliers of raw materials are major international companies which manage their own supply chains in a professional manner. Some also compile their own sustainability reports and are members of the UN Global Compact. Geographically speaking, some 70 % of raw materials come from Europe, while 20 % and 10 % come from Asia and the USA respectively. Overall, 1'800 or so suppliers and service providers invoice the Sealing Solutions division for more than CHF 10'000 a year. The procurement function is divided into a global team with seven employees and a local team at each plant. Datwyler takes action at various levels to reduce the environmental impact from the procurement of raw materials. Whenever practical and possible, the company has raw materials delivered in large volumes by dry-bulk tankers, which cuts down on packaging materials significantly. About a third of raw materials are delivered in boxes on pallets, which suppliers reclaim and use again. There are also non-reusable pallets and boxes made of materials sent for full recycling via disposal companies (wood, cardboard, plastic).

Electronic components at the Technical Components division

At the Technical Components division, Datwyler distribution companies procure high volumes of components and accessories for maintenance, automation, electronics and ICT applications and offer their customers a range of articles that currently exceeds 250'000 items. This means the Technical Components division has to work with around 2'000 suppliers worldwide. Around 12 % of the CHF 316.3 million worth of material bought in during the 2018 reporting year was sourced from the ten biggest suppliers. The suppliers constitute a diverse group consisting of product manufacturers, wholesalers and service providers. Some of these are renowned international companies which manage their own supply chains in a professional manner. Some also compile their own sustainability reports and are members of the UN Global Compact. Product manufacturers benefit

from working with Datwyler distribution companies in the form of fast access to markets and a large pool of customers. The two Datwyler high-service distributors known as Distrelec and Reichelt source around two-thirds of everything they buy in from product manufacturers directly. They procure about 95 % of what they buy in from within Europe. By contrast, the Datwyler company Nedis, a consumer electronics wholesaler, procures about two-thirds of its requirements from Asian suppliers. Product manufacturers account for about 80 % of procurement at Nedis. This is due to the fact that Nedis outsources the manufacture of its own brand to Asia. With Teco Asia, Datwyler has a procurement organisation – based in the Chinese city of Shenzhen – with around 35 of its own specialist employees. Working locally, they ensure the Chinese contract manufacturers comply with the relevant specifications and quality requirements.

3'800

companies act as suppliers to the Datwyler Group.

KEY POINTS IN BRIEF

- **Datwyler** has a standard, binding code of conduct for suppliers which is monitored as part of the quality assurance systems.
- **At** the Sealing Solutions division, Datwyler procures over 58'000 tonnes of raw materials a year from around 400 suppliers, around 70 % of whom are based in Europe.
- **At** the Technical Components division, Datwyler distribution companies procure electronic components from some 2'000 product manufacturers and wholesalers, around 80 % of whom are based in Europe.
- **Objective:** All suppliers to sign up to the Supplier Code of Conduct. Exemptions are allowed if suppliers are members of the UN Global Compact or have their own official code of conduct which incorporates the principles of the UN Global Compact.