

Case Study

## JOPP Group (automotive industry)

### *Preparation for compliance with the Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG)*

#### 1 Key messages

- The JOPP Group (hereinafter referred to as: JOPP) will be directly affected by the Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG) starting in 2024.
- As an automotive supplier, the company works in close partnership with car manufacturers and tier 1 suppliers.
- As a family business, JOPP has always focused on maintaining trust-based partnerships with suppliers.



Fig. 1: Symbolic image for sustainability, JOPP



- The key challenges posed by LkSG compliance include establishing and developing risk management within the Group along with introducing measures to avoid and remedy risks. Processes required in this regard will need to be standardised.
- Sustainable supply chain management will enable the Group to actively shape and implement change processes in collaboration with employees, business partners and other interested stakeholders.

## 2 Company introduction

JOPP was founded in 1919 and has since grown into a global automotive supplier. Steeped in tradition, the family firm currently has around 1,700 employees.

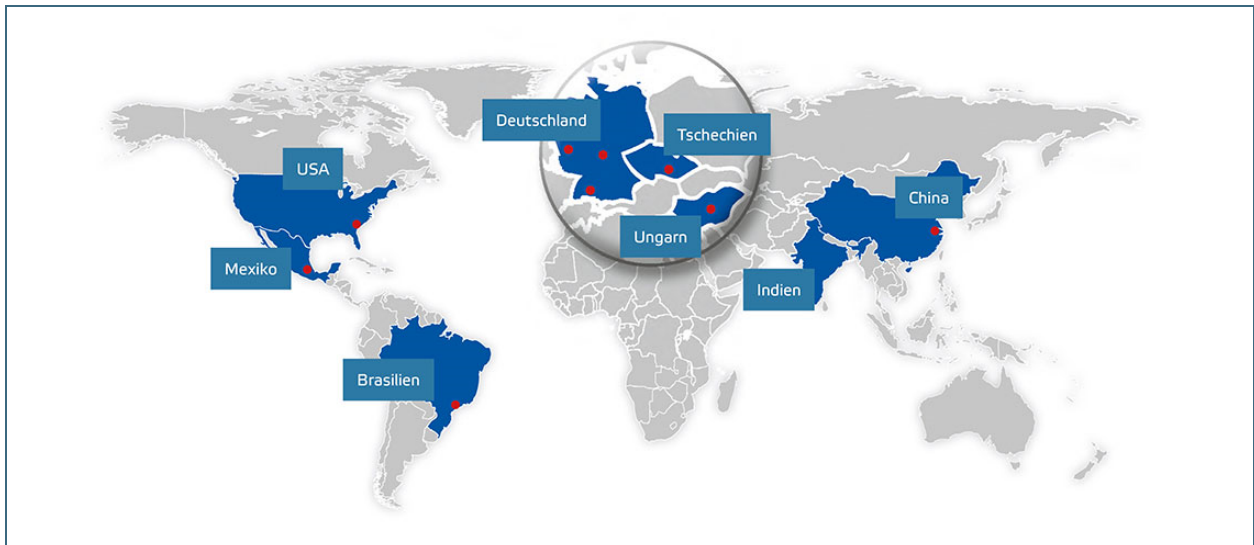


Fig. 1: Locations around the globe, JOPP Group

Maintaining livelihoods and responsible business practices are top priorities for the owner family. In line with this, JOPP has committed itself to the Bavarian Environmental Pact.

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

The value chain for the German automotive sector is largely globalised and differentiated. The wide variety of parts and components required for vehicle construction means that, at first glance, an entire range of economic sectors may appear to have nothing to do with the automotive sector, but are nevertheless associated with it. This includes the electronics, chemicals and textile sectors, for instance.

JOPP currently operates 12 production plants spread across 8 countries (Germany, the Czech Republic, Hungary, China, Mexico, the U.S., Brazil and India) and three continents. The company is active in six business sectors. The majority of value is created within the company in development, precision machining, powder metallurgy, plastics injection moulding and electronics manufacturing. In addition, JOPP also relies on its in-house expertise to construct specialised machines and automation solutions. The company primarily supplies customers in the automotive industry, including domestic and global car manufacturers, tier 1 automotive suppliers and customers from other sectors, including mechanical engineering, medical technology, electronics and consumer goods manufacturers.

## 4 Sustainable supply chain management at JOPP

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 JOPP plans to implement the main requirements.

#### 4.1 How is JOPP structured in terms of supply chain management?

Starting on 1 January 2022, a staff unit set up for this purpose at the company headquarters will be responsible for managing the group's sustainability targets in partnership with energy and environmental management, procurement and other departments within the group. In addition, the sustainability manager will continue to create and introduce sustainability targets and measures in close cooperation with group management.

The topic of sustainability is currently only addressed in energy and environmental management training courses within the company; however it could be covered as part of a dedicated training course in the in-house academy in the future. JOPP has also helped raise awareness of sustainability issues through a number of information channels, including the launch of a separate climate report in 2020.

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

JOPP has made a commitment to observe human rights due diligence in various company directives, which can be adjusted or supplemented if required with regard to the Supply Chain Due Diligence Act:

- Employee Code of Conduct
- Supplier Code of Conduct

When adapting its directive, the company plans to use various available support services, including the [Starter Kit published by the Information Centre for the Environment and Economy](#) and the supplementary [Supplier Code of Conduct Template](#), in addition to addressing the new act directly.

- Other documents that refer to the observance of human rights include:
  - Framework agreements concluded with suppliers
  - Terms and Conditions
  - Conflict minerals declarations (using the IMDS database to create an initial overview for customers)

These documents likewise need to be checked for compliance with the requirements of the LkSG.

#### 4.3 Does JOPP conduct risk analyses?

JOPP is familiar with risk analyses, which are performed on the raw materials and products it uses. The company now plans to develop its risk management processes to cover the requirements stipulated in the LkSG. In this sense, the company is already one step ahead due to its comparatively heavy reliance on regional supply relationships wherever possible compared to competitors. JOPP uses supplier audits to identify and assess environmental risks in addition to quality and safety standards. The energy and environmental management officers of the JOPP Group are responsible for conducting the audits in partnership with supplier quality management and supplier development.

In response to the new Supply Chain Due Diligence Act, which will apply to JOPP starting in 2024, the company needs to develop its supplier evaluation system and the associated risk management. Carbon neutrality and the circular economy are likewise becoming increasingly important in supplier relations. As a result, these requirements are now accounted for to a reasonable extent in supplier evaluations and certain supplier relations as well as with JOPP's own product development and production.

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

The JOPP Group has set itself the target of becoming climate neutral by 2035. In order to do so, it has introduced a number of measures, including the installation of PV systems and optimising building in-

sulation. The sustainability manager appointed on 1 January 2022 is responsible for consistently preparing, developing and tracking the progress of the action plan for achieving these climate targets in close collaboration with group management.

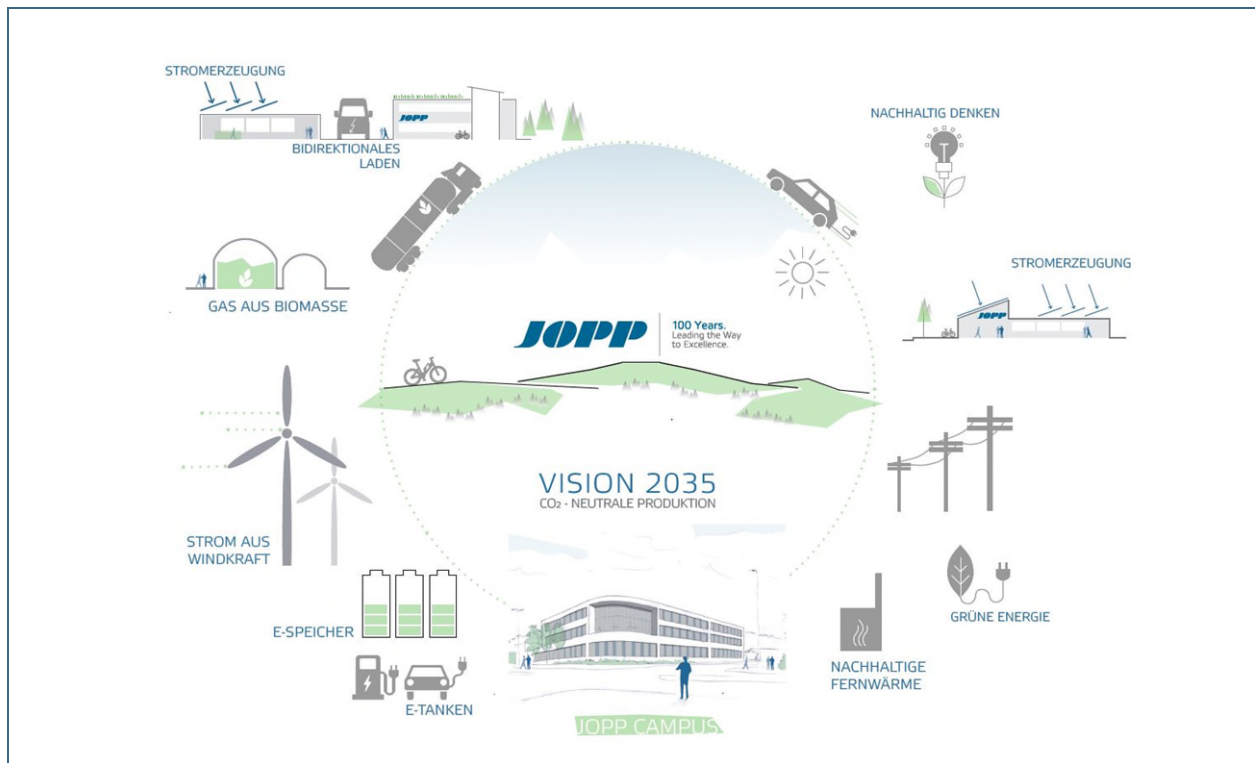


Fig. 2: Vision 2035, JOPP

At the same time, the sustainability manager will also gradually introduce measures addressing human rights issues. These measures will be based on the outcome of the risk analysis, which will soon be expanded in terms of content. The company expects that deeper analyses of human rights risks related to raw materials will be required and corresponding measures will need to be introduced throughout the sector.

- In terms of the LkSG, JOPP has four differently weighted tasks moving forward:
- Establishing a risk management system combined with regularly conducting risk analyses and implementing a grievance mechanism.
- Creating a mission statement on the observance of human rights and safety standards along the supply chain.
- Defining measures to prevent and, in particular, remedy identified risks and even injuries.
- Regular reporting on developments and progress.

Customers are already calling for JOPP to introduce measures in relation to compliance with safety standards and human rights along with measures to reach climate neutrality and a circular economy.

In addition, JOPP has also been successfully audited by customers several times with regard to ESG (environmental social governance) aspects within the scope of sustainability ratings. This provides both acknowledgement of the work undertaken at JOPP and motivation for the future.

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

The company communicates information on sustainability issues using both conventional reporting formats, i.e. on its website, and on popular social media platforms. It also provides customers with information on its special supplier portal and with direct personal communications. Launched in 2020, the company plans to gradually develop its annual climate report into a sustainability report.

#### 4.6 How does the grievance mechanism work?

Suspicious cases can be reported to the legal department either on the company website or by sending an email to the published compliance email address. The company currently plans to adapt the existing grievance mechanism to satisfy the requirements of the LkSG. When adapting the system, the effectiveness of the existing mechanism will come under particular scrutiny. The criteria specified in the [Starter Kit published by the Information Centre for the Environment and Economy](#) will be used to assess the effectiveness. These criteria are based on the eight criteria to assess the effectiveness of grievance mechanisms taken from the [National Action Plan on Business and Human Rights \(NAP\)](#) and the [UN Guiding Principles on Business and Human Rights](#).

### 5 Summary: Challenges, opportunities and practical tips

- In terms of the range of tasks outlined above, the key challenges currently faced by the company include establishing and developing risk management within the group along with introducing measures to avoid and remedy risks. Processes required in this regard will need to be standardised.
- Above all, JOPP views its ability to actively shape change processes in partnership with employees, business partners and other interested stakeholders as an opportunity.
- JOPP advises other companies to address the new requirements of the Supply Chain Due Diligence Act early on, even if they aren't (yet) directly affected by the act. The services offered by the Information Centre for the Environment and Economy, part of the Bavarian Environment Agency, and the Bayerischen Industrie-und Handelskammertag e. V., provide a great opportunity to learn about the new requirements and receive competent advice. JOPP also recommends networking in professional support associations and business associations.

### 6 Sources

Interview with Frank Balling, Head of Corporate Finance and Sustainability at the JOPP Group (responsible for the 'Sustainability' staff unit since 1/1/2022 , interview held on 16/11/2021).



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