

June 18, 2008 | Tools and best practices from the SAP BPX community:

## Reaching REACH compliance

**Complying with European REACH legislation – the acronym stands for Registration, Evaluation, Authorization, and Restriction of Chemicals – and processing several thousand substance registrations is a huge operational challenge. It would be impossible to master without a software solution such as the one offered by SAP and TechniData. However, achieving compliance requires more than just implementing the SAP REACH Compliance application: Many businesses must also change their business processes. The SAP Business Process Expert (BPX) community helps access and exchange compliance best practices, tools, and methodologies.**

In 2001 the European Commission initiated an extensive reform of European chemicals policy under the acronym REACH – Registration, Evaluation, Authorization, and Restriction of Chemicals – which came into force June 1, 2007. The regulation shifts the burden for proving the safety of substances, products, and consumer use of those substances and products to the businesses that manufacture and import them. What's more, businesses must work within the REACH process framework to establish that proof by submitting REACH-compliant product information about its substances and products and their intended commercial use. If the substance information does not satisfy REACH legislation, the business will be denied authorization, registration, and ultimately the right to import and manufacture that substance within the EU.

REACH compliance spans many different functional areas of a company, including purchasing, product development, manufacturing, materials planning, logistics, quality assurance, and finance and sales, but the list can vary depending on the organization. "REACH really has triggered a shift of thinking in many companies. In the past, this would have been seen as an environmental

health and safety functional silo. Today, given the substantial penalties for non-compliance, executives realize that compliance requires communication across all functional areas," says Karl-Franz Torges, solution manager of chemicals safety management at TechniData.

Furthermore, REACH requires companies all along the supply chain to work together. Upstream, manufacturers need to ensure that the materials they procure are compliant. Downstream, they need to gather information on the use and exposure scenarios of their customers. Finally, REACH compliance affects companies in many different industries beyond chemicals.

Every company importing or manufacturing more than one metric ton of a chemical substance must define and implement business processes related to the handling of that substance. Companies in areas as diverse as oil and gas, consumer products, pharmaceuticals, plastics, coatings, and even electronics are affected by REACH legislation.

### Articulating a REACH compliance strategy

Many questions arise as companies aim to define what compliance means for their business: What are a company's roles and responsibilities under REACH? For instance, it is not uncommon for a large multinational with subsidiaries across Europe to be importer, manufacturer, and customer (distributor) simultaneously for different substances in different countries. Each role imposes a slightly different set of obligations.

Also important is the question of how far a company's commitment extends under REACH. Companies need to know which substances used in production are subject to compliance requirements and what uses the manufacturer has identified for the substances it produces. Indeed, the broader strategic objectives of an enterprise come under the microscope when a company evaluates the impact of REACH on its entire manufacturing strategy. In particular, should the company manufacture at fewer locations or reduce the number of substances it uses to produce a product to lighten the regulatory burden?

In addition, companies have to define which business processes and departments are affected by REACH and which key stakeholders need to be included in the effort. They must decide which REACH processes and requirements should be supported by IT, calculate the cost, and check what to handle internally against what needs to be outsourced to external service providers.

While the answers to these questions will be different for every company, the collective intelligence of the BPX community can provide a sounding board for all decisions. In addition, the many issues involving interpretation, which are sure to arise as companies across the industry strive to achieve REACH compliance, will only find a resolution over time. While not a substitute for legal advice, the BPX community can stimulate discussion around these areas and accelerate resolution.

### **Standardizing business processes for registration efficiency**

Processing several thousand substance registrations, \_ the European Commission has identified 32,000 substances that require registration \_ REACH would be impossible to master without tightly defined business processes. For instance, a large chemicals company with 2,000 affected components and ten subsidiaries across Europe has the responsibility for submitting 20,000 registrations.

While REACH legislation defines the documents and data required to show compliance, it does not prescribe the underlying business processes required. However, a clear definition and optimization of business processes is important in order to meet the manifold deadlines and handle the workload involved with reasonable cost and predictable process quality in a way that is also auditable.

The BPX community provides resources and learning opportunities to accelerate the definition and implementation of appropriate new business processes. For instance, an enterprise may have a global template for compliance processes that needs to be adjusted for line of business or regional requirements. Using process mapping tools such as the SAP NetWeaver Business Process Management component, companies can ascertain the gap between current and required organizational practices.

This ensures an implementation that reflects how things really get done in the organization, what stakeholders are involved, and how exceptions to registration are treated. The BPX community can play a unique role as a clearinghouse for collaboration on these topics. It contributes to an increased number and a higher skill level of deployment resource, specifically, of IT staff and system integrators.

### **Achieving cross-industry and cross-supply chain collaboration**

REACH legislation requires companies, who are normally competitors, to share information and to collaborate. The law stipulates that companies organize themselves into a substance information exchange forum (SIEF) and pick a lead registrant whose role it is to pilot the registration and associated testing process for a particular substance.

Based on a letter of acceptance, other registrants can use the lead registrant's test results, thus avoiding duplication of effort. REACH legislation requires enterprises to communicate their use and exposure scenarios all along the supply chain. Enterprises must know how their downstream customers are using their substances and they must gather information from their upstream supply chain partners to ensure that the materials they procure are compliant. This information must be passed along in a standardized way. "The BPX community is starting to play a role in this through collaborative definition, modeling, and sharing of processes and best practices, for instance. It provides a forum to discuss and define harmonized, uniform data exchange structures and interfaces," explains Torges.

### **Adapting the solution from SAP and TechniData**

In the chemical industry, the most successful companies are those who continually innovate to better serve the evolving needs of their customers. The same holds true in the software industry. SAP and TechniData have announced their commitment to continue developing the SAP REACH Compliance application, to ensure that it meets the needs and challenges of the industry in the future. Current functionality focuses on preparing enterprises to comply with REACH legislation by supporting activities such as upstream and downstream communication, data management, and pre-registration.

However, SAP and TechniData are setting their sights on helping companies achieve and maintain REACH compliance through support for resource management, substance accounting, registration, and communication with the authorities.

Achieving the best outcomes for business users requires a user-centric design. SAP and TechniData continually advance their understanding of how best to orchestrate compliance across all organizational stakeholders. The collective intelligence of the BPX community helps accelerate product innovation relevant to the end-user experience. "The community is sharpening our view of how companies solve this problem

in their day-to-day operations,” says Franz Hero, Vice President, Industry Business Unit (IBU) Chemicals at SAP. “Our current concern is to maximize the online channels for requirements.”

The BPX community helps realize this by focusing discussion on how businesses are currently using the SAP REACH Compliance application. This is particularly important since REACH legislation requires that every participating company introduce new business processes. Naturally, many questions arise as companies strive to attain compliant status. During this phase of the endeavor, the community answers many of these questions and provides invaluable support. In addition, the community is helping SAP and TechniData define and prioritize the specifications shaping future development of SAP REACH Compliance.

Using the BPX community roundtables, all iterations of a discussion occur online, making it much easier for all stakeholders to participate. Participants work together online using tools such as instant messaging, document versioning, and online forums. “In the past, industry participants needed several weeks’ if not months’ notice for a physical meeting,” Hero states. “Through the Business Process Expert community, collaboration is more fluid and occurs much faster, thus improving the quality of the discussion and feedback gathered.” Torges adds, “The Business Process Expert community is proving to be an ideal forum to make SAP REACH Compliance even better by allowing industry participants to share feedback on their ongoing implementations and harnessing their collective intelligence to define requirements for future development.”



**Kieran O'Connor**

**Kieran O'Connor is Communications Lead for the process industry cluster of business units within SAP, covering chemicals, oil & gas, and mill products & mining. He's been with SAP since 2001, having worked previously in print media and instructional design.**



**Dr. Marko Lange studied industrial engineering specialising in chemical technology and worked as research associate for chemical and pharmaceutical business administration at Mannheim University. He joined SAP in 2000 becoming a Presales Consultant for E-Business solutions in Process Industries. Then he was responsible as industry principal for the Market Development of SAP for Life Sciences with special emphasis on SAP Netweaver and R&D solutions. Since 2006, he belongs to SAP's IBU Chemicals and is responsible in solution management for compliance and supplier collaboration in the chemical industry.**