Compliance & Supply Chain Management
CSM 2000®

Info Package 001 – Executive Summary

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1. Executive Summary

Expectations and needs of customers (market) and community (society) are becoming more explicit for considerations of social responsibility, health & safety, quality and environment. Business and commercial practices should comply with these issues and their requirements for continual improvements in business performance and competitive advantages. Hence, there is a need to merge these compliance issues into the business processes. Until yet, industries have traditionally managed their compliance issues of quality assurance, environmental performance, health & safety and social responsibilities as separate programs because they originated at separate points in time and were driven by distinct regulatory agency and customer criteria.

Current trends toward global market and increased international trade agreements need and demand a modular integrated management system which can include principles of full integration of quality and environmental programs with health and safety, human resources, finance, business planning and other essential management processes. Various influences from customers, community and government have given us the needs to develop an integrated approach for various compliance requirements into a modular integrated compliance management system.

Present objective is to conceptualize a new compliance management system based on sustainable performance management. The new compliance system is designated as **C**ompliance & **S**upply Chain **M**anagement (CSM) system- a modular performance management system. The CSM system is based on performance, which addresses to do right things and do them correctly with reference to compliance requirements of the organization. The main concept is to develop an integrated system formed of three compliance modules Sustainable Social Responsibility (SSR), Environment (ENV) and Quality (QUA), which have their own modularity. Each module has its own typical function of compliance issue.

The modularity of CSM therefore exists in two ways:
- It leaves the applicant the choice, which module to implement first. Furthermore he has the possibility to add further compliance Because of the underlying common system requirements the additional compliance modules can be easily integrated.
- The requirements incorporated in CSM, the minimum requirements, have to be extended by defining so called additional requirements. These additional requirements are industry specific and consist of requirements of the importing countries, specific customer requirements (i.e. Codes of Conduct), already implemented standards, (i.e. ISO, SA8000 etc.) and eventual future compliance requirements of the business organization.

The CSM system describes approaches for integrating and streamlining the processes to ensure that the organization meets all of its business objectives of the chosen compliance areas in a consistent, modular and client focused manner. The CSM system will also ensure the necessary and sufficient regulatory compliance in the business process. To make the CSM system a successful management system, efforts have been made to make it more practical and flexible to suite the specific nature and activities of the organization that adopts it.

The CSM system, if implemented, will enhance the cost effectiveness and achieve added value for the organization, customers and other interested parties. Its implementation as a performance management system can be used to drive improvements in business performance.

The CSM system will achieve, maintain and seek a sustainable performance improvement in relation to the requirements of the compliance issues chosen (social responsibility and/or environment and/or quality). The system requirements of CSM are aimed primarily at achieving legal, customer and community requirements through application of procedures, sustainable improvement in performance and by preventing non-compliance to the specified requirements. These requirements are generic and applicable to all the business enterprises,

regardless to type and size. Throughout the CSM system, emphasis is placed on the satisfaction of industry and customer's needs, the establishing of the functional responsibilities, and the importance of assessing potential risk and benefits.

The CSM system has given the consideration and recognition to the principles of QMS (i.e., TQM, ISO 9000), EMS (i.e., ISO 14000, EMAS) and other standards pertaining to social responsibilities (i.e., SA 8000). Modularity of the CSM system also provides options for incorporating the principles of these existing international standards. Its modularity allows options to each organization to include and consider the principles and procedures of any specific existing standards and systems.

The CSM system assists in organizing and setting up supply chain management and its process. In case of non-compliance, we need not check through the entire production process and supply chain; rather we can pinpoint the location(s) of non-compliance areas. Once we know where the nonconformity occurs, we can take corrective and preventive actions only on those points, thus we can increase both time and cost effectiveness.

The CSM system entails increased flexibility and adaptability to respond and meet the possibilities of potential new requirements and new legal provisions imposed by customers, government or community. It is a timely, flexible and adaptable system that means it can be useful to varied business groups and can adjust new changes with time. If any organization is considering or already has ISO 9000/14000, the implementation of the CSM system will greatly enhance efficiency of QMS and EMS, and additionally can add SSR (sustainable social responsibility and health & safety).

With the implementation of risk management and performance assurance systems, business can maximize its added value, while minimizing its costs. Integrated CSM system provides a mechanism to improve cost effectiveness and reliability by taking advantage of the synergy among risk minimization disciplines (especially through H&S and environment compliance requirements). The CSM system provides effective risk management and loss prevention programs/modules, which will help directly in savings of business costs (e.g., insurance).

What does CSM System do?

- It selects and defines various compliance criteria and leaves the choice of criteria definition to the organization and its interested business parties depending on their needs.
- It evaluates and consolidates the suppliers and helps in selecting eventually new suppliers for the organization.
- It creates and intensifies partnership among the interested business parties.
- It provides affordable and pragmatic logistics.
- It provides legal assurance and confidence to all interested parties by fulfilling the requirements of the compliance issues to the production and handling.

The entire CSM Package Contains:

I CSM System Standard
Which defines system requirements for the compliance areas of social responsibilities and health & safety, quality and environment and eventually any other future compliance issues. This system ensures a sustainable compliance system.

II Guidelines
For the system requirements which provide guidance and suggestions to the organization for the implementation of the CSM system requirements.

III Working Tools
For system implementation, criteria definition, supplier evaluation, supplier audit, monitoring, internal audit and documentation manual.

IV Assurance Certification
Whether the compliance system is efficiently working with respect to the defined criteria within the chosen compliance areas.

To guarantee an independent, transparent scheme, a neutral, global independent certification body is empowered with the auditing work.

Considering the CSM system as a sustainable performance management system and integrating it with organization's other management systems, implementation of CSM will produce an array of positive benefits. When the activities related to compliance issues become properly integrated into everyday planning and execution, the benefits will accumulate.

Main benefits are as follows:

I   Short- and Long-term Benefits

- Customer's and organization's tailored criteria
- Assurance and improvement in chosen compliance areas
- Flexibility in adjusting new and upcoming legal, customer and community requirements
- Cost reduction
- Risk management and risk minimization

Risk minimization provides a range of performance benefits such as averting major cost risks, reduction in real margin eaters by reducing Non Product Outputs (NPOs).

II   Organizational Benefits

- Criteria and requirements defined by the organization for other interested parties
- Affordable & pragmatic logistics

III General Benefits

- Significant impacts on financial performance, growth and global market share for the organization and other interested parties