# Sustainable Compliance

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## Background and opportunities

Based on global sourcing and buying trends, compliance became more and more important for producing parties to access markets like the United States or Europe.

Movements over the last years have lead worldwide to common or similar requirements on compliance fields such as quality, environment, trade regulations, social accountability, workplace health & safety. As first step in the direction of compliance buying parties focused on quality improvement and product safety while in the nineties there was also a strong interest in ecological product performance and cleaner production. Starting in the mid nineties compliance with trade regulations has become one of the most popular and sensitive issues in export and import particularly in Asian countries.

Over the last years a new compliance area has been defined, promoted by consumer associations as well as the press, media and the community. Social accountability combined with workplace health & safety became first priority due to an enormous potential risk on corporate image.

Buying organisations are constantly looking globally for reliable partners who are able to comply with customer and country specific requirements on quality plus ecology and a social acceptable working environment. They want the maximum possible safety on products and social acceptable production conditions.

If we consider China's entry into the WTO as a business opportunity, good and reliable manufacturers and suppliers should be keen on standing out against competitors from other countries. It is important that manufacturers show up and act instead of waiting until the pressure from the buying party becomes stronger and may result in solutions which do not bring any benefit to suppliers and manufacturers in Hong Kong and China.

## Potential compliance areas

The common criteria in the areas of quality, environment, health & safety, social accountability and trade regulations are based on legal, community and market requirements.

Requirements on quality are commonly defined by physical requirements plus colour fastness for products and in certain cases system requirements such as ISO 9000.

Requirements on environment are based on ecological product and process performance and environmental load during production.

The objective of health & safety requirements is to provide appropriate safety measures and health protection for all stakeholders while minimising the risk for the work force.

Social responsibility is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsible and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.

Trade regulations are defined by laws and regulations of the country of origin and the importing country or region.

## Traditional solutions in handling compliance issues

The traditional way of testing and inspecting goods known for instance from product quality checks can only partially be applied on ecological requirements and does not make sense for social responsibility or health & safety requirements at all.

There are individual standards such as ISO 9000, ISO 14000 and SA 8000 on the market which cover only single parts of compliance areas. If a small or medium size company has to implement these standards it becomes very cost intensive and the manufacturer has to understand

different customer requirements first.

Buying organisations started a couple of years ago to publish their code of conducts on social accountability usually based on ILO norms. Some of them started to check compliance of their suppliers and manufacturers by own or third party code of conduct audits.

An important consideration is that nearly all factory checks and audits are initiated by the buying party and production units are repeatedly visited by various inspectors or auditors appointed by different customers.

It is a major issue that none of these compliance areas can be assured only by an audit or inspection. The background of an audit or inspection is to perceive the actual status and define non-conformancies without any assistance to the manufacturer or guarantee on implementation of required corrective actions.

## Progressive ways for manufacturers leading to sustainable compliance

Manufacturers need a methodology to compare and bring requirements from various customers into connection in order to realize which tools they have to use in which step of production to guarantee compliance with these requirements.

Sustainable Compliance requires a management system as a platform with clearly defined minimum criteria for each area including the relevant national or regional legislation and allowing modular further improvements, extensions or alterations in case of need.

Once a system based solution has been successfully implemented, new upcoming criteria or changes can be included without efforts. It enables the company to analyse and verify processes and relevant data in all compliance areas proactively.

Additionally the company can go a step further and define the supply chain in order to achieve a continuous information flow and to reduce tests, checks and inspections to a minimum resulting in large cost reductions.

Compliance issues have to be transparent and verifiable to existing and potential new customers — the community and must be proven by reports or certificates issued by an independent and reliable and worldwide accepted certification body.

## Does such a scheme and certificate exist?

eco-tex in Cologne, Germany, has published in 1999 the CSM 2000 (Compliance & Supply Chain Management) standard initially for manufacturers of apparel and textiles followed by toys and food mid 2002 covering the following system areas:
• Quality
• Environment
• Health & Safety
• Social Accountability
• Trade regulations
This standard includes minimum requirements within the above listed areas and enables the integration of customer specific requirements. The CSM 2000 standard uses globally accepted ISO principles assuring sustainable improvements for manufacturers and guarantees for the buyers.

Additional working tools which are included in the package with the standard to help the applicant to get prepared for the certification audit.

These tools are:
• Checklists for company status analysis to evaluate its capability to achieve the certification
• Matrix for criteria and supply chain definition
• Checklists for system implementation
• Implementation guideline

Certification audits and certification are handled by local RWTÜV independently and lead to a compliance seal (COMPLIANCE CHECK). Certification is valid for one year. Certified companies are allowed to use the RWTÜV quality seal on letterheads, brochures or other company presentations. Optionally certified companies can apply for a product labelling licence.

Existing certificates the company has already achieved on other standards might be included in the certification process.

A Monitoring System is installed and mandatory for all certified companies allowing additional safety for manufacturers and buying parties. The monitoring of certification includes unannounced random company spot checks and in case of a product labelling licence, random tests on product performance.

Even considering an integrated approach right from the start as the most effective one, based on manufacturer's needs and priorities, the CSM 2000 standard allows a modular implementation for single or combined most pressing compliance areas first, e.g. a combination of Health & Safety and Social Responsibility. In that case, the certificate indicates the selected system.

Further modules might then be added in a second step without major changes and costs using the same platform of the CSM Management System.