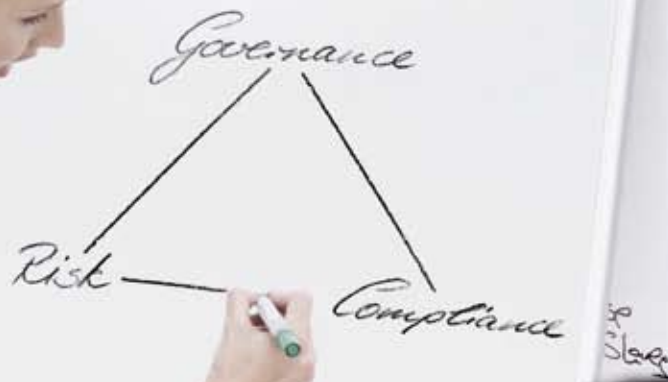


REACH COMPLIANCE

HOW THE BUSINESS PROCESS
EXPERT COMMUNITY HELPS
THE CHEMICALS INDUSTRY



CONTENT

- 4 Reach Compliance**
Shifting the Burden of Proof
to Businesses
- 5 How REACH Compliance
Is Changing Business**
Coordination Eclipses
Competition
- 6 Getting Started**
Articulating a REACH
Compliance Strategy
- 7 Achieving Compliance
at a Reasonable Cost**
Standardizing Business
Processes for Registration
Efficiency
- 8 Reaching Out**
Achieving Cross-Industry
and Cross-Supply Chain
Collaboration
- 9 Working Towards a Better Future**
Adapting and Expanding
the Solution from SAP
and TechniData
- 11 Summary**

REACH COMPLIANCE

SHIFTING THE BURDEN OF PROOF TO BUSINESSES

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.

Processing a few thousand substance registrations (REACH has identified 32,000 substances that require registration) is a huge operational challenge that would be impossible to master without a leading-edge software solution such as the one offered by SAP AG and TechniData AG. However, achieving compliance requires more than just implementing the SAP® REACH Compliance application. Many businesses must change their business processes, an undertaking that requires extensive collaboration and process integration within the company.

Business Process Expert Community Proof Point

As a process manufacturer, you face a new regulation – REACH – dealing with registration and commercial use of chemicals and their exposure to humans and the environment. REACH legislation affects many processes throughout the enterprise and across the supply chain. While the SAP® REACH Compliance application from SAP AG and TechniData AG helps you achieve and maintain REACH compliance, the Business Process Expert community helps you implement the process changes required to become compliant.

“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.”

Dr. Karl-Franz Torges, Solution Manager, Chemicals Safety Management, TechniData AG

HOW REACH COMPLIANCE IS CHANGING BUSINESS

COORDINATION ECLIPSES COMPETITION



REACH compliance is affecting businesses in many ways. First of all, 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 your 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 noncompliance, executives realize that compliance requires communication across all functional areas," says Dr. Karl-Franz Torges, solution manager of chemicals safety management at TechniData.

Secondly, REACH requires companies all along the supply chain to work together. Upstream, manufacturers need to ensure the materials they procure are compliant. Downstream, they need to gather information on the use and exposure scenarios of their customers.

And 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 (detergents, to name one), pharmaceuticals, plastics (toys, for example), coatings, and even

electronics are affected by REACH legislation. Some of these companies will be using the same chemical substances and that requires coordination between them, essential to eliminate duplication of effort and paperwork.

What business people need, therefore, is guidance on how to break down the complexity of REACH legislation into actionable requirements at the business process level. Regardless of whether you are a project manager, business process designer, enterprise architect, or a concerned business user, the Business Process Expert community can help you access and exchange compliance best practices, tools, and methodologies.

This paper focuses on several major challenges posed by REACH legislation as well as the resolutions and benefits the Business Process Expert community enables.

REACH Compliance Raises Questions for Businesses

- What new responsibilities does REACH legislation impose on your business?
- Which business processes and departments are affected?
- How can IT support REACH processes and requirements?
- How can you minimize the effort and risk of becoming compliant?
- When should your company rely on external service providers?

GETTING STARTED

ARTICULATING A REACH COMPLIANCE STRATEGY

Challenge

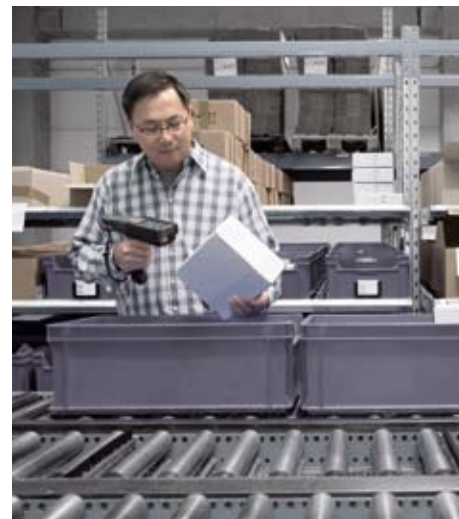
Many questions arise as companies aim to define what compliance means for their business:

- 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 but for different substances in different countries. Each role imposes a slightly different set of obligations.
- How far does a company's commitment extend under REACH? Which substances used in production are subject to compliance requirements? In what quantities? What uses has the manufacturer identified for the substances it produces? How much is known already about toxicity? Which substances need to be preregistered?
- How does REACH impact 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? How important are substances that barely fall within compliance requirements to the functionality and perceived value of the company's products?

- Which business processes and departments are affected by REACH in the company? What preparations have already been made for REACH at the organizational, process, and IT levels? Which key stakeholders need to be included in the effort?
- Which REACH processes and requirements should be supported by IT?
- What is the optimal resource allocation in becoming compliant? What is the cost, what can the company handle internally, and when should the company rely on external service providers?

Solution

While the answers to these questions will be different for every company, the collective intelligence of the Business Process Expert community can provide a sounding board for your 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 Business Process Expert community can stimulate discussion around these gray areas and accelerate resolution.



ACHIEVING COMPLIANCE AT A REASONABLE COST

STANDARDIZING BUSINESS PROCESSES FOR REGISTRATION EFFICIENCY

Challenge

Processing a few thousand substance registrations, which is the typical consequence of REACH legislation for participating companies, is a huge operational challenge that would be impossible to master without tightly defined business processes. Imagine a large chemicals company with 2,000 affected components, 10 subsidiaries across Europe, and the resulting 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.

Solution

The Business Process Expert community can provide 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 determine what gap there is 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 Business Process Expert community can play a unique role as a clearinghouse for collaboration on these topics. Moreover, in providing a venue for customers and system integrators to familiarize themselves with the business challenges and the solution – which also helps eliminate potential implementation bottlenecks – the community contributes to an increased number and a higher skill level of deployment resources, specifically, of IT staff and system integrators.



REACHING OUT

ACHIEVING CROSS-INDUSTRY AND CROSS-SUPPLY CHAIN COLLABORATION

Challenge

REACH legislation requires companies who are normally competitors to share information and to collaborate, especially in the preregistration phase, when every company announces what substances they plan to register. 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.

On a related note, 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, for example, their importers or manufacturers, to ensure the materials they procure from them are compliant. Also required is that this information be passed along in a standardized way.

Solution

"REACH compliance is a new topic for the industry, which naturally entails a lot of open issues that need to be worked out," explains Torges. "One of these is the question of exactly how competitors will engage in the collaboration that is allowed in the new law to avoid a duplication of effort in cases where several companies use an identical chemical for an identical use and exposure scenario. The Business Process Expert 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."



WORKING TOWARDS A BETTER FUTURE

ADAPTING AND EXPANDING THE SOLUTION FROM SAP AND TechniData

Challenge

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 preregistration. 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.

Solution

Achieving the best outcomes for business users requires a user-centric design. To accomplish this, SAP and TechniData continually advance their understanding of how best to orchestrate compliance across all organizational stakeholders. The collective intelligence of the Business Process Expert community helps accelerate product innovation relevant to the improvement of the end-user experience. "The community is sharpening our view of how companies solve this problem in their day-to-day operations," says Dr. Franz Hero, a director in SAP's industry business unit for chemicals.

"Our current concern is to maximize the online channels for requirements."

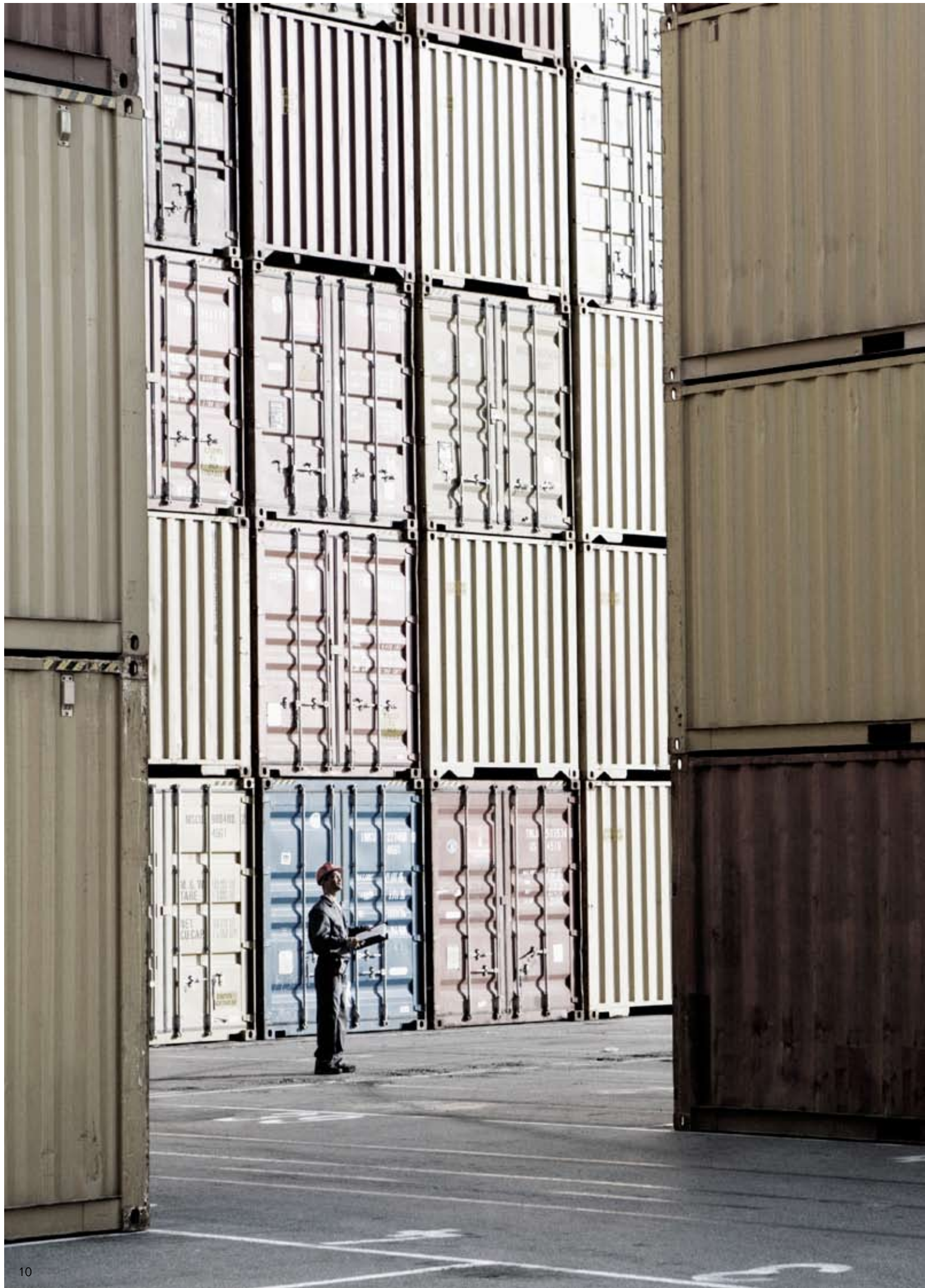
The Business Process Expert community helps realize this by focusing discussion on how businesses are currently using the SAP REACH Compliance application. This is particularly important since REACH legislation requires that every participating company introduce new business processes. Naturally, in implementing legislation as complex and wide ranging as REACH, many questions arise as companies strive to attain compliant status. During this phase of the endeavor, the collective intelligence of the community is there to answer many of these questions, which provides invaluable support.

In addition to this, the community is helping SAP and TechniData define and prioritize the specifications shaping future development of SAP REACH Compliance. Using the Business Process Expert community wiki, all iterations of a discussion occur online, making it much easier for all stakeholders to participate. Requirements definition documents – which typically have scores of revisions – can now be reviewed and agreed on in a fraction of the time that was required in the past. Instead of collaborating physically, which involves costly and time-consuming meetings, participants work together online using tools such as instant messaging, document versioning, and online roundtables. "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."

Clearly, the Business Process Expert community has the potential to shorten the time and lower the cost it takes to bring a new solution to market. At the same time, it reduces total cost of ownership for the customer by producing a better solution than would have been achieved without the close collaboration the community enables.



Over the past year, the Business Process Expert community has become an increasingly important collaboration platform for customers and partners in the chemical industry by enabling interactive discussion and joint innovation on topics ranging from compliance strategy and process definition to supply chain coordination and user feedback.

Find Out More

Learn how the Business Process Expert community can help you meet the complex compliance demands imposed by REACH legislation while optimizing your business processes. For more details on how the community can help, visit <https://www.sdn.sap.com/irj/sdn/bpx-chemicals>.

For more details on SAP REACH Compliance, the solution jointly developed by SAP and TechniData, visit us online at www.sap.com/grc or www.technidata.de/eu.

For comprehensive information on REACH legislation, visit www.reach-compliance.eu/english/legislation/docs/launchers/launch-2006-1907-EC.html.

“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 noncompliance, executives realize that compliance requires communication across all functional areas.”

Dr. Karl-Franz Torges,
Solution Manager, Chemicals Safety
Management, TechniData AG

50 089 435 (08/04)

©2008 by SAP AG.

All rights reserved. SAP, R/3, xApps, xApp, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP Business ByDesign, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and in several other countries all over the world. All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

www.sap.com/contactsap

THE BEST-RUN BUSINESSES RUN SAP™

