



DKSH

COMPREHENSIVE, COST-EFFECTIVE SUPPORT OF REACH, THE EUROPEAN COMMUNITY CHEMICAL REGULATION

“Thanks to our SAP application, we fulfill the requirements of REACH and maintain constant compliance with the reporting obligations required by law.”

Dr. Robert Koller, SEQ & Regulatory Affairs Officer, Performance Materials, DKSH Holding Ltd.

QUICK FACTS

Company

- Name: DKSH Holding Ltd.
- Headquarters: Zurich, Switzerland
- Industry: Retail (market expansion services)
- Products and services: Consumer goods, healthcare, technology, and performance materials
- Revenue: CHF 8.6 billion (€6.6 billion) in 2009
- Employees: 22,500 worldwide
- Web site: www.dksh.com
- Implementation partners: SI PRO GmbH, SAP Consulting

Challenges and Opportunities

- Handle purchasing for multiple EU countries
- Accomplish reliable compliance with Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulation
- Implement REACH-relevant business processes in a cost-effective fashion

Objectives

- Realize secure, centralized management of extensive chemical data
- Integrate new software into an existing IT infrastructure to map current logistics processes
- Calculate exact quantities of chemical substances for use in REACH registration

SAP® Solution and Services

SAP® Environment, Health, and Safety Management (SAP EHS Management) application

Implementation Highlights

- Identification of over 900 substances in company's products that require registration under REACH
- Transfer of substance data into SAP EHS Management
- Smooth implementation with no disruption to ongoing operations

Why SAP

- Integration with existing SAP software
- Compelling functionality at a reasonable price
- Industry-specific expertise of SAP and SI PRO

Benefits

- Optimized use of employees' time by automating and standardizing business processes
- Achieved secure tracking of chemical substances in preliminary and primary products
- Gained accurate data determination and reconciliation with registered quantities
- Reduced time to comply with REACH requirements
- Improved efficiency by implementing a single EHS database and a single solution for substance volume tracking (SVT)

Third-Party Integration

- Hardware: IBM
- Operating system: IBM AIX



At the end of 2006, the European Union (EU) passed a law requiring companies operating within its member states to disclose the chemical composition of all the products they produce or import from countries outside the EU and the European Economic Area (EU/EEA). To help ensure compliance with all of the legal requirements involved in this law, the Market Expansion Services provider DKSH Holding Ltd. relies on the SAP® Environment, Health, and Safety Management (SAP EHS Management) application.

From its headquarters in Zurich, Switzerland, DKSH operates in 35 countries all over the world, maintaining 540 branches in Asia and another 20 in Europe and the Americas. In terms of sales (CHF 8.6 billion in 2009 [€6.6 billion]) and employees (around 22,500 in total), the group is one of the top 20 companies in Switzerland.

DKSH is the leading provider of Market Expansion Services with a focus on Asia. The group is organized into four business units, each providing a whole range of services. Business Unit Consumer Goods, among tens of thousands of other products, sells Ricola herbal drops, Fisherman's Friend lozenges, and Gillette razor blades across Asia. Business Unit Technology markets and services entire assembly lines and other equipment; it also trades in titanium and steel. Business Unit Healthcare targets hospitals, doctors, and pharmacies, selling and distributing pharmaceutical products and instruments in Southeast Asia on behalf of international companies. Finally, Business Unit Performance Materials deals in specialty chemicals for the chemical, food, pharmaceutical, and cosmetic industries. This is the main

area affected by the European Community's REACH Regulation – Registration, Evaluation, and Authorization of Chemicals – which requires companies to register and disclose accurate information about all the chemicals they import. Should they fail to do so, they face significant fines or even a trade ban – in other words, “no data, no market.”

Addressing IT Infrastructure and Organization Challenges

To help the company comply with the regulatory provisions, DKSH decided to implement SAP EHS Management with the support of SI PRO, a consulting firm based in Mannheim, Germany. Considered a specialist in the business processes of the chemical industry, this SAP services partner employs IT consultants experienced in system integration. Meanwhile, DKSH entrusted the Swiss branch of the SAP Consulting organization with the overall responsibility for the project's implementation.

“With our innovative SAP application, we achieve consistent compliance with REACH and with the reporting obligations required by law,” explains

Dr. Robert Koller, SEQ & Regulatory Affairs Officer in Performance Materials at DKSH. “Two aspects of this project were particularly challenging for us: the huge amount of data we have to process and our corporate structure in Europe with our headquarters located in Switzerland, which is not part of the EU.”

In Lyon, France, DKSH established a competence center to take on these challenges. The initial tasks of the company's employees involved setting up an integrated IT infrastructure that would enable DKSH to fulfill the EU's guidelines at a reasonable cost level.

Specifically, the company was looking for answers to the following compliance-related questions:

- How could DKSH collect and manage all data relevant to REACH?
- Which products and materials would be affected?
- Was there an expedient and rational way to structure and consolidate the data?
- Which data was required for registration – and when would it be needed?
- How would the data be transferred to the responsible EU authorities?

Tracking specific quantities of substances was especially difficult. The compliance managers at DKSH were entering an uncharted area of IT, having previously used controlling tools that could not deliver the necessary material data. To provide the functionality, SAP developed additional software to support substance volume tracking (SVT). This enhancement collects information on material quantities from every oper-



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ative transaction of SAP ERP, displaying exactly which substances are present in each material and the volumes generated by different import and production processes.

Building a Materials Database to Meet Sustainability Goals

In the first phase of the implementation project, the project managers built a database of materials and substances in Lotus Notes by compiling and breaking down chemical data. Then the data was transferred into the new SAP EHS Management materials database. “These were completely new procedures for us because until then we had dealt

several ranges: up to 10 tons, 100 tons, and 1,000 tons or more. “Depending on the area we’re in, the registration of each substance can be relatively expensive. That’s why our sustainability goal is not to register more than necessary,” Robert Koller points out.

Getting Alerts from an Automated Early-Warning System

In addition to importing information from Lotus Notes into the materials database in SAP EHS Management, SI PRO’s job consisted of linking the substances in the database to logistics processes. This is where SAP EHS Management takes over – by adding up

an e-mail with the corresponding substance number and work with sales managers to estimate how much more of the substance will be imported into the EU before the end of the year. “If the system sends an 80% warning in late December, we know nothing serious will happen before the end of the year. If we already get one in April, however, it’s clear that we’ll be over the limit and need to register the substance with a higher volume,” Robert Koller explains.

Keeping a Constant Watch on Chemical Substances

Five employees work actively with the SAP application at the competence center in Lyon, where all of DKSH’s substance and material data comes together. The Lyon-based team enters the information into the application and monitors everything using graphical visualizations of the data. These employees can also use a visual display that shows the exact chemical composition of each product. As long as the amount of a registered substance stays within the corresponding limit, employees in purchasing continue their work without any input at all from SAP EHS Management.

“Thanks to our SAP application, we always know how much of a certain substance we have already imported into the EU/EEA. Our figures are accurate up to the current day, and we can view halted orders with one click,” Robert Koller reports. However, when a critical threshold is exceeded, the team in Lyon takes appropriate registration action.

“SAP EHS Management offers us a clear competitive advantage. Our ... processes are almost entirely automated and now require fewer human and financial resources – which gives us more time to concentrate on our core business.”

Dr. Robert Koller, SEQ & Regulatory Affairs Officer, Performance Materials, DKSH Holding Ltd.

only at the material level. As REACH is concerned with the substances contained in materials, we had to switch from the material to the substance level,” reports Robert Koller.

The company’s materials consist of between 2,500 and 3,000 substances, so the compilation was extensive. In the end, DKSH’s project managers identified over 900 substances requiring registration under the EU’s new regulation, which applies to substances imported in quantities of over one ton per year. Any substance imported in smaller yearly quantities doesn’t require registration. Limits are established for

each individual substance for all orders placed and checking the results against the quantities registered.

Based on a nightly routine, the substance volume tracking function triggers a background calculation to determine how many tons of each substance are present in the goods ordered. If SAP EHS Management recognizes that the next order will exceed a substance limit, the process is stopped to avoid going over the predefined limit. The application also issues a warning when a substance has reached 80% of its allowed quantity. In this case, processing continues, but employees in Lyon automatically receive

Proactively Establishing a Sustainable Foundation

DKSH plans to leverage its now largely automated processes and integration with standard, industry-specific procedures – in procurement and logistics, for example – to ensure that its handling of chemical substances conforms to all applicable legal standards. While other companies may have invested significant amounts of time and resources in spreadsheet calculations, DKSH achieves consistent and constant compliance with REACH thanks to SAP EHS Management. With a single database containing substance and product data as well as software functionality that consolidates and automates substance volume tracking, the company has minimized risk of noncompliance and gained greater visibility into its business operations. Robert Koller sums up the benefits of this new application: “SAP EHS Management offers us a clear competitive advantage. Our procurement and compliance processes are almost entirely automated and now require fewer human and financial resources – which gives us more time to concentrate on our core business.”

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