United Nations

Economic and Social Council

Distr.: General
20 April 2012

Original: English

Economic Commission for Europe

Committee on Trade

Working Party on Regulatory Cooperation and Standardization Policies

Twenty-first session
Geneva, 31 October – 2 November 2011

Report of the Working Party on Regulatory Cooperation and Standardization Policies on its Workshop on "Traceability: a tool for managing risks" held as part of its twenty-first session*

Note by the secretariat

Documentation: ECE/TRADE/C/WP.6/2011/5 - Concept note for the Workshop on traceability as a tool for managing risks

20. The Chair introduced the aims and structure of the workshop. He explained that, in preparing the workshop, the Working Party had built on its activities in the area of risk management in the past few years and had worked in synergy with governmental authorities and other stakeholders, as well as with the United Nations Centre for Trade Facilitation and E-business (UN/CEFACT). The secretariat had also established contacts with the Organisation for Economic Co-operation in Europe (OECD) Working Party on Consumer Product Safety, which had started to address the issue of traceability so as to ensure that the work would be complementary and mutually reinforcing.

21. He said that traceability was the ability to follow the movement of products through specified stage(s) of production, processing and distribution. The movement of products could relate to the origin of the materials used in the production process, processing history or distribution.

22. A traceability system was a useful tool to assist an organization operating within a supply chain to achieve a defined objective in a management system.

23. The choice and complexity of a traceability system was influenced by regulations, product characteristics and customer expectations on the features of the product and the objectives to be achieved.

24. Several speakers emphasized the benefits of traceability, which included:

* The current document is an excerpt of the document ECE/TRADE/C/WP.6/2011/15: "Report of the Working Party on Regulatory Cooperation and Standardization Policies on its twenty-first session"

- Better management of risks throughout the production and distribution processes
- Enhanced safety of consumers
- More effective enforcement of market surveillance actions
- Rapid and effective responses to crisis
- Protection against counterfeit goods
- Copyright and brand protection
- Reduced risk of legal action and readily available evidence in case of litigation
- Better inventory management
- Increased accountability at each level of the supply chain
- Collection of data that allows better planning, as well as metrics that can be used to monitor the use of resources and the sustainability of production and consumption processes, to minimize environmental impact during the product life cycle (production, use, and end-of-life cycle recycling).

25. Realizing these benefits required strengthened collaboration among all actors in the supply chain: including not only suppliers, producers, and distributors, but also regulatory bodies, enforcement authorities, conformity assessment bodies, trade agencies and logistics centres.

26. Conversely, insufficient traceability could lead to a loss of control of the production processes, smuggling, information tampering and unauthorized use, adulteration of products, and loss of cargo integrity. Traceability was especially important for sectors such as food, chemicals, pharmaceutical, and machinery.

27. Within a firm, the implementation of traceability solutions required, for instance:

- Identification of materials and components
- Tracking of materials and components during the manufacturing process
- Marking of finished products with unique mark (articles, packing, batches).

28. Traceability could be extended throughout the supply chain to include logistics providers, retailers, manufacturers, distributors, suppliers and consumers. Important tools for putting traceability solutions in place were: ISO 28000:2007 for security management systems for the supply chain; ISO 22000:2005 for food safety management systems; ISO 12875:2011 for traceability of finfish products and ISO 13485:2003 for medical devices.

29. In Belarus, a countrywide information and technology platform had been established to provide an “electronic passport for goods”. The system offered an electronic resource allowing products to be identified and described in accordance with international standards, including the Harmonized System (HS) code, the Global Product Classification System.

30. For the smooth operation of this system, work was being done to identify all the participants and actors in the trade process, to create standard descriptions, using local and international classification systems, and to provide synchronization of data between participants of supply chains.

31. Belarus was also promoting the implementation of traceability tools at a regional and international level. A programme aimed at enhancing electronic data interchange for dangerous products had been launched at the level of the Customs Union with the Russian Federation and Kazakhstan, in close cooperation with UN/CEFACT, GS1 and the ISO/IEC JTC 1 Information Technology Committee.

32. To further develop the system, Belarus aimed at:

- Involving international experts to study similar approaches in other countries;
- Creating a group of experts to develop a regional project under the guidance of WP.6, UN/CEFACT, and GS1;
- Promoting the project at a regional level.

33. The National Institute for Metrology Quality and Technology of Brazil (Inmetro) had already developed about 180 programmes on conformity assessment, more than 80% of which were mandatory. A total of about 230,000 product types had already been certificated, and 88 more programmes were being developed. As part of the conformity assessment procedure (CAP), Inmetro required that the supplier guarantee that its product was traceable. The certification had to be done according to the quality management system audited by certification bodies, under ISO 9000 series criteria. Inmetro did not require any specific way to implement this traceability requirement as each industry and each company had their specific requirements and constraints. At the international level, Inmetro was part of the International Consumer Product Safety Caucus (ICPSC) Pilot Tracking and Traceability Project, which was currently initiating a pilot project on baby strollers.

34. In the EU, traceability systems were not a regulatory requirement but enabled economic operators to better comply with the obligations of the new EU legislative framework. In particular: that the manufacturer should design and manufacture a product in accordance with the requirements; that the importer should place only compliant products on the European market; that the distributor should act with due care in relation to the applicable requirements, and that the authorized representative should perform specific tasks on behalf of the manufacturer.

35. The EU Rapid Alert System for non-food dangerous goods (RAPEX) had contributed to cutting the number of untraceable products to 10% of the total number of dangerous products in 2010.

36. DG Health and Consumers had set up an Informal Expert Group on Product Traceability in September 2011, to examine state-of-the-art and voluntary/best practices in the field of traceability, observe how economic operators were coping with their obligations and to produce a final report with recommendations to stakeholders.

37. In the view of GS1 (which develops the most widely used system of international standards for supply chains, with more than 1 million users around the world) an effective traceability system should have the following characteristics:

- Be comprehensive, to address all traceability principles and include regulations, standards, guidelines and implementation;
- Be industry-wide, and maximize interoperability between companies, between sectors and between countries;
- Be built in a way that would encourage and facilitate self and third-party assessments of the traceability system;
- Clearly distinguish between expectations — defined by the regulations and company specifications and technical solutions — which depend on technical standards, industry guidelines and good practices.
- Build upon and contribute to collective knowledge.

38. The recently launched GS1 Global Traceability Program (GTP), included a methodology for on-site assessments, and a programme for training and certifying accredited auditors.

39. One private company gave a demonstration of an IT platform that was used in the food sector in North America. The platform allowed tracking every movement of the products from the field to the final point of sale. This allowed monitoring the use of resources and the collection of metrics that could be used to determine the goods' carbon footprint.

40. In the United States, the Agricultural Marketing Service of the Department of Agriculture (USDA) audited, verified and approved companies' production practices for all food products. It both developed specific standards for quality and for traceability and served as an independent third-party verifier of industry-developed standards. Two important programmes maintained by the Department are: (a) "Process Verified", i.e. oriented towards export markets and (b) "Quality System Assessment", i.e. oriented towards domestic markets. Both were voluntary, and cost-recovery and market-focused. USDA did not require a complete supply chain traceability system, and only about 3% of cattle carry radio-frequency identification (RFID) tags.

41. In the agricultural sector, in particular, the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) acted as a standards-development body, developing messages that allowed for standardized information-exchange on sanitary and phytosanitary certificates, animal identification and e-animal passports, etc. UN/CEFACT planned to work on integrating different parties of the "production-trade-transport" chain (including customs).

42. Traceability also helped increase the effectiveness of market surveillance activities. A high percentage of dangerous products from third countries were still unidentified, causing a need for repeated testing by authorities, and complicating the task of removing the product from the supply chain. To meet that challenge, it was important to strengthen cooperation regionally (through the EU rapid alert system (RAPEX), the internet-supported information and communication system for the pan-European market surveillance (ICSMS), the EU's Communication and Information Resource Centre Administrator (CIRCA), and the Group of Administrative Co-operation under the R&TTE Directive 99/5/EC (R&TTE-ADCO) as well as internationally not just among market surveillance authorities but also with customs, and with economic operators. Databases were important tools: for example, the Slovak ECHO database, which gathers information from consumers on accidents caused by non-food products.

43. From the point of view of industry, represented at the workshop by Orgalime, EU compliant producers were overwhelmed by legislative requirements, but weak market surveillance and lack of enforcement across the EU allowed rogue producers to take advantage and left consumers exposed to risks.

44. To address that challenge, different traceability requirements had been introduced in different sectors, including:

- In the sector of electric and electronics, through the Waste Electrical and Electronic Equipment Directive (WEEE Directive) national registries had been created in all 27 EU member countries. This had led to legal uncertainty due to the different requirements in each country, additional administrative burdens and costs for companies, and difficulties in consulting the different registries for enforcement authorities
- In the chemical sectors, the REACH (Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation had created a centralized, EU registry. The Commission was considering a similar solution for the sector of Radio and Telecommunications Terminal Equipment (R&TTE).

45. Both national and EU-wide registries had:

- Failed to address the critical problem of rogue producers, who simply did not register or forged the registration number;
- Added a burden on lawful companies (encoding, additional IT…)
- Removed resources from focused surveillance actions in order to "administer" the register.

46. Using traceability requirements in regulations could still be an effective solution, provided that the tools were:

- Cost effective and flexible, including through the use of modern means;
- Technology neutral, affordable to economic operators and Small and Medium Enterprises (SMEs) and interoperable;
- Proportionate to the added-value of the product and the potential level of risk / severity of harm;
- Combined, most importantly, with effective controls.

47. Another business representative, from a private company, reported on the challenges of tracing substances that were contained in product components, which made it difficult to ensure compliance with the product safety rules for final product manufacturers. This was a particular challenge for ICT products, which typically consist of thousands of parts and components, making final product testing economically unrealistic.

48. Therefore, supply-chain management was important to ensure that all components complied with the safety requirements, so as to guarantee compliance of the final product with the Restrictions of Hazardous Substances (RoHS) and other directives. A number of tools could be used, including:

- Company online guiding documents, agreements and tools for suppliers;
- Maintaining a list of banned and restricted substances online;
- Gathering materials data from suppliers;
- Industry guides and/or standards, such as the draft IEC standard for materials declaration - in approvals phase (to become IEC 62474), which would include data format and data-exchange requirements.

49. Experience showed that it was critical to involve suppliers when compiling material declarations and appropriately inform partners who either recycled the products or were responsible for compensation about possible dangerous substances.

50. In global industry, like the ICT industry, if one country introduced a new substance ban, companies based in other countries would have to comply with this requirement. Technical regulations, therefore, had a global and sizable economic impact.

51. Lessons could also be learnt from experience in the health and safety domain. Blood banks, for instance, were using electronic information systems that allowed for data about transfusions to be collected from emergency departments and remote hospitals. That ensured total traceability of a blood unit, from the time it got extracted from a donor's arm to the time it was transfused to a patient.

52. In concluding, the Chair requested that the Bureau and the secretariat further discuss the follow-up to the workshop.

53. One of the vice-chairs suggested considering how traceability was applied in different sectors, and on that basis developing guidelines and common principles for traceability to facilitate the establishment of national and international registries that would then be compatible with one another. Traceability was important both in regulatory work and in meeting consumer requirements. The legislative and

regulatory work should be given priority in the follow-up. One interesting sector for starting work was the RoHS directive.