European buyer requirements: castings and forgings

Finding out what EU buyers want

The first thing you probably do as a (potential) exporter to the EU market, is finding out whether there is a demand for your product in the EU. Does your product fit the taste of the EU consumers? Which country/countries should you focus on? When the idea to enter the EU market first comes up, it is time to do some basic market research!

➲ The CBI market survey 'The castings and forgings market in the EU' provides useful information on opportunities in the EU. Also see the CBI market surveys covering the market in individual EU countries.

Having established that you want to proceed with the preparations for EU market entry, the next step is finding out what the requirements are for your products in order to be allowed to be marketed in the EU. Buyer requirements, or market access requirements, are all the requirements you can expect from your EU buyer. They can be divided into two groups: legislation and additional (non-legal) requirements.

1. Legislation §	Legal requirements set the basis for what requirements products marketed in the EU must meet. Products that fail to meet these requirements are not allowed on the EU market.
2. Additional requirements	Additional requirements go beyond legislation, as companies can go further in their requirements than legislation. The main categories of additional requirements are environmental requirements and social (labour) requirements.

Which buyers are you aiming for?

Analyzing buyer requirements in your sector will give you an idea of where your company fits in. Which buyers do you aim for – buyers requiring a lot or buyers not looking further than legislation? Where do you find the best opportunities? Would changing certain practices open up new opportunities?

This document serves as a guideline for you to find out buyer requirements for the castings and forgings sector. The main issues and topics for the sector are explained both in theory and with examples. In addition you can find:

➲ sources for more information
ⓘ practical tips

1. Legislation §

All producers for the EU market must adhere to product requirements that are established by law. EU legislation sets the basis for all Member States and is the best starting point in your research. Once you know which country to focus on within the EU, you can find out if it has additional, national, requirements for your product (further explained below).

Failure to meet legal requirements means product withdrawal if and when the non-compliance is discovered. The national authorities are responsible for controlling their markets and having unsafe products withdrawn from the market. There is no system in place for national authorities to inform each other on such measures, but according to a EU official, this situation will change on view of the implementation of the newly adopted New Legislative Framework. Once such a system is in place, it will be easier to look up which issues are checked at border controls and reasons for market withdrawals.

⮑ <u>For more information</u> on the New Legislative Framework, please see the article in the related documents.

Legal product requirements in the castings and forgings sector

Product safety and environmental concerns are the main driver behind EU legal requirements for castings and forgings.

Product safety is only indirectly important for castings and forgings, as the standards have been developed for products made by using castings and forgings, rather than for castings and forgings directly. However, in order for the products that do fall within this scope to have a high enough quality, these standards are nonetheless relevant and you as a producer are likely to be confronted with them as product specifications from your buyer. Product safety requirements have been established in so called New Approach Directives with various scopes, and prescribes the use of the CE-marking. Product safety requirements for consumer goods are laid down in the General Product Safety Directive. In other words, CE-marking is not a legal requirement for castings and forgings as such, but if castings and forgings are used to produce final products that must bear the CE-marking, your buyer may request a file consisting of for instance the use of standards and test reports.

Environmental requirements, on the other hand, are directly relevant for the producer, as they are expressed as substances that are restricted in products marketed in the EU. For the castings and forgings sector, relevant substances could be cadmium and nonyl phenols and ethoxylates, depending on the exact product.

Besides requirements directly related to the product, the EU has also established legal requirements on packaging. In addition, EU legislation makes the importer liable for the products he markets, which in turn is relevant in terms of product specifications for producers outside the EU who will make sure he's products meet the minimum standards. In other words: your products must be of guaranteed good quality.

Examples of legislation relevant for pipe and process equipment:
• CE-marking New Approach Directives, various directives
• Cadmium in Directive 91/338/EC

Finding out legal requirements for your product

Analyzing EU product legislation is not always a straightforward task, as it means getting down to the essentials of EU Regulations and Directives. This is why the CBI has invested in translating EU legislation into practical guidelines for exporters from developing countries. You can find all relevant legislation in CBI's market information database.
➔ Go to <u>www.cbi.eu/marketinfo</u>
➔ Select the category "Castings and forgings" and "European Union" and click 'GO'
➔ Click on "Legislation" in the filter that appears
➔ Screen through the list of legal requirements that appears and download the documents of relevance for your specific product.

EU requirements vs. national requirements

Legislation in the EU is primarily set at EU level, but there may be country-specific (additional) legal requirements. The EU consists of 27 countries, and although maximum harmonisation is aimed at, this is not always achieved as a result of negotiations and national interests. The CBI has found out what these deviations are- if any.

⮑ If you know which market(s) you are aiming for, follow the steps above in CBI's market information database, but instead of "European Union" in the category search, choose the market(s) of your interest.

ⓘ If you have questions concerning certain legal requirements, you can contact us at marketaccess@cbi.eu

➲ For the source of the legal requirements, you can consult the EU Export Helpdesk for developing countries. You can find a direct link in the external links section. You will also find direct links to the legal sources in the CBI market information database.

2. Additional requirements 👪 🏭

Additional requirements are requirements set by companies, not the EU or individual EU Member States. Whereas legal requirements are a must before marketing any product in the EU, the group of "additional requirements" or "non-legislative requirements" are a bit harder to classify. The basic principle behind is that the market is always developing and new issues are getting attention all the time. In time, this may result in new legal requirements, but this is not always the case. Sometimes the scope of the requirements fall outside the scope of EU legislation: the EU can only interfere with issues directly related to the product marketed in the EU, as all countries have the freedom to govern over their own labour laws for instance. Companies, however, can choose to act and require more from their suppliers, in order to live up to customer expectations and company values.

Broadly speaking non-legal requirements can be divided into two categories:

🏭 Environmental requirements
👪 Social requirements (labour standards)

Below, relevant non-legal requirements for the castings and forgings sector are presented. The number of exclamation marks (1-5 !!!!!) indicates the relative importance of the requirement based on how common the requirement is in the sector. The more exclamation marks, the more companies are likely to include this requirement from their suppliers. Requirements with less exclamation marks indicate that only front-runners or companies focusing on a niche market (organic or fair trade) are likely to include the requirement.

ⓘ In many cases EU buyers are willing to work together with their suppliers in order to reach the desired level of environmental and social performance. However, most buyers will appreciate a certain level of awareness, which means finding out which issues are important and starting to prepare your company according to what EU buyers require will be an advantage.

🏭 Environmental requirements

In the EU castings and forgings industry a very strong emphasis is placed on product and process quality, while failure to stick to the agreed quality standards is not tolerated. Increasingly suppliers are expected to strictly adhere to the quality standards set by the European manufacturers and the appropriate EU product legislation. European manufacturers often perceive ISO 9001 certification as a minimum requirement for their suppliers. Some companies also work with ISO/TS 16949 certification, which is based on ISO 9001 but specifically adapted to the automotive industry.

Currently, the majority of companies operating in the castings and forgings sector consider environmental protection and eco-efficiency as very important aspects in their supplier selection process. The most common tool used by European manufacturers in the industry to help them prove their efforts in limiting the impact on the environment and demonstrate their environmental responsibilities, is ISO 14001 certification. Although ISO 14001 is not yet a strict requirement for suppliers in this sector the certification is gaining popularity and is definitely something to consider, as it is perceived as added value by the European companies operating in the industry. Also, getting familiar with ISO 14001 and implementing certain

aspects of it without immediately certifying your company against it may prove valuable, both for company processes and in the eyes of your potential EU buyer.

Going one step further than a management system / process control, is the failure mode and effects analysis, FMEA. This tool is used to analyse the risks in your business, their weights and prioritises your policy regarding preventing and solving risks. It is increasingly being used and might prove a good way to distinguish yourself in a competitive market

➲ For more information on ISO 9001, ISO 14001 and ISO/TS 16949 and FMEA have a look at the related documents.

Examples of environmental requirements:
- ISO 9001 quality management certification (*required by e.g. Metso, AVK international, Velan, VAG, SNRI*)

- Environmental protection and eco-efficiency *(required by e.g. Metso)*

- ISO 14001 *(not a requirement but implementing elements of it may prove advantageous; certification would be an added value rather than a requirement)*

ⓘ Browsing through company codes of conduct will give you an idea of environmental issues companies in your sector are focusing on. Most (large) companies publish their code of conduct on their websites. You can find some examples in the box below.

Examples of environmental requirements in company communications

"….important environmental responsibility focus areas are the eco-efficiency of our own production facilities, development of environmental management and advancing the eco-efficiency of our suppliers. Also in our own operations we aim for the efficient utilization of raw materials and other resources, reduced emissions and energy efficiency.
We systematically assess and develop our suppliers. When selecting a supplier, we aim to apply our standardized 7M test to review seven basic sub-areas: personnel, machinery, materials, processes, quality control, environment and financial status.

Selection-phase assessments have been conducted for the majority of our new suppliers. We aim to eliminate the high-risk suppliers and subcontractors already at this phase. If the quality or ways of operating of a permanent supplier fail to meet our requirements, the supplier may be placed under special monitoring. If a company subject to special monitoring is unable to correct its operations, the cooperation is terminated."

Metso, website, 2009

"The AVK Group has production companies in 10 countries around the world. All production companies are certified according to ISO 9001 in respect of quality management and ISO 14001 in respect of environmental management. Moreover, most companies are also certified according to OHSAS 18001, the international standard for occupational health and safety management.
We constantly strive to find new means and methods of protecting the environment, and we urge our suppliers to focus on the environment and to have a serious attitude towards finding methods of improvement. All of AVK's objectives for the protection of the environment reflect the fact that AVK is a responsible company with a sound and sustainable attitude towards the environment."

AVK International, Corporate and Social Responsibility Brochure, 2008

Social requirements

Less attention has been paid so far to social issues in the castings and forgings industry, for example related to labour conditions, human rights issues and treatment of staff. However, dealing with social issues is of increasing importance.

Social requirements are often based on ILO's basic standards, laying down principles on what is perceived as the most important labour issues. These concern among others basic safety conditions for workers and no use of child labour or forced labour.

Occupational health and safety (OHS) issues also play a role in supplier selection. Important issues that EU buyers pay attention to when visiting their (potential) suppliers include personal protective equipment (e.g. goggles, shoes), good ventilation, handling of chemicals and fire safety. The international occupational health and safety management system OHSAS 18001 is being used by the large international companies in the sector, but is not a requirement for suppliers. FMEA is a system that could also be used for implementing an OHS policy (see the section on environment for more information).

➲ For more information on ILO, OHS and in OHSAS 18001, have a look at the related documents.

Examples of social requirements:
*   Social requirements based on ILO (*required by e.g. Metso, Alcoa, AVK International*)

- ▦ OHS issues: personal protective equipment (e.g. goggles, shoes), good ventilation, handling of chemicals and fire safety *(most companies pay attention to OHS-issues when visiting their suppliers)*

- ▯ Occupational health and safety management system OHSAS 18001 (*not a strict requirement yet – added value*).

ⓘ Browsing through company codes of conduct will give you an idea of social issues companies in your sector are focusing on. Most (large) companies publish their code of conduct on their websites. You can find some examples in the box below.

Social requirements in company codes of conduct

"We support and respect the protection of human rights as expressed in the UN Declaration of Human Rights. As an employer, Metso accepts the basic labor rights stated by the International Labor Organization (ILO): freedom of association, the effective recognition of the right to collective bargaining, the abolition of forced labor, and equality of opportunity and treatment.
We do not use child labor or engage subcontractors or suppliers that do so. We do not allow behaviour that is physically coercive, threatening, abusive or exploitative.
We expect our suppliers and contractors to demonstrate similar high ethical standards and, accordingly, this criterion is of prime importance when establishing or continuing business relationships.
We strive to develop and maintain a network of suppliers actively willing to foster ethical principles and practices and are therefore prepared to support our partners in this by sharing our experience and views."

Metso, Code of Conduct, 2009

"In our work to identify sources in low-cost countries, we have implemented a robust supplier qualification and identification process. There are three levels of qualification that are accomplished through this process: first level; detailed level survey; and onsite inspection. In each stage of the process, issues related to human rights are addressed. This culminates in the final stage when Alcoa's sourcing team conducts thorough onsite audit inspections to make sure that the chosen low-cost country supplier ethically and professionally measures up to our business ethics and environment, health, and safety standards."

Alcoa, Sustainability Report, 2004

ⓘ Also check with your branch organisation which environmental and social issues EU companies pay attention to when selecting their suppliers!

3. Some tips

In addition to legal, social and environmental issues already discussed in this document, also have a look at the following tips:

ⓘ Also see chapter 6 in the CBI market survey 'The castings and forgings market in the EU' for more industry practices!

ⓘ Your branche organisation may also provide valuable information on which issues EU buyers focus on when selecting suppliers!