Overview of voluntary labelling in China

Overview of voluntary labelling used in China

China's voluntary labelling schemes are designed to encourage environmentally friendly, safe, and efficient production processes, and foster 'green' awareness among consumers. The labels chiefly benefit Chinese domestic companies.

Among international companies, only large multinational corporations have so far shown interest in acquiring local voluntary labels. These assist them in accessing the procurement market for which smaller international SMEs would rarely qualify. The market continues to question the authority of Chinese labels and certifications, though confidence is increasing. International labels and system certifications remain the most effective quality certification in the Chinese market.

Incentives for using voluntary Chinese labels & marks

The chief incentive for using voluntary labels in China is to gain access to the government procurement market. Chinese-certified labels have little influence among businesses and consumers.

Incentives for EU SMEs are limited as they do not usually qualify for access to the attractive government procurement market. Business and consumers have greater confidence in international, over Chinese, eco-labels. Moreover, EU SMEs are most likely to be competitive in the consumer market, not in the provision of goods and services for government.

European SMEs may gain more advantage expending resources in gaining international label certification, if they do not already have it, rather than Chinese label certification.

Government procurement

The Chinese government supports sustainable production by maintaining a green procurement list. In 2009 it spent about CNY 15 billion on listed products. This constitutes only 2% of total government procurement; but where 'green' options were available, over 60% of government procured products were 'green'.

Only products with government-approved voluntary labels and certifications can be listed. Companies also need to operate at a scale and at competitive levels with which EU SMEs are unlikely to be able to compete. Currently international companies on government procurement lists are of the scale of Siemens, HP and Dell.

For Chinese companies, being on the government procurement list, facilitated by successful voluntary label and certification applications, improves their market status in terms of government procurement and, to a certain extent, the appeal of their products to the general consumer.

Tax concessions

Voluntary labels can help Chinese companies earn tax concessions, particularly for R&D. For example, companies engaged in 'green' sectors, such as researching energy conservation, eco-technology, or water recycling, are eligible for concessions. A new regulation, the *Development plans for energy saving and environment industries in the 12th Five Year Plan*, expected to be passed this year, will extend these concessions.

The aim of the new regulation, however, is to foster indigenous innovation within domestic companies, rather than support foreign imports.

Business management

The label certification process is relatively expensive for Chinese companies, and requires them to demonstrate their viability. A certification label is often considered a good measure of the current and likely future strength of a business. Business partners and consumers are, therefore, reassured by authoritative eco-labelling.

By improving management and production processes, system certifications help companies to operate more efficiently and profitably.

Consumer awareness

In industries where food and product safety is a priority, including in the pharmaceutical, food and beverage and health sectors, Chinese consumers and businesses place a higher value on internationally certified voluntary labels than local Chinese certification.

Maturity and usage of voluntary labelling and marks

Voluntary certification in China is still relatively immature. At present consumers and business show little faith in Chinese labels and certifications, but interest is quickly increasing.

The following tables consider the type and number of labels under the three categories:

- general products
- food and natural products
- system certifications

as well as the cost and duration of each certification process.

Products

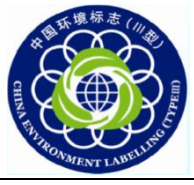
Voluntary product labels which certify energy-saving, water-conservation, and generally environmentally friendly products are listed in Table 1. As of June 2011, a product label was held by 88,121 domestic companies; and by 12,079 overseas companies in China (Annex 2.1).

Food and product safety concerns have propelled a rapid increase in the number of voluntarily certified products in these categories. The number of products carrying voluntary labels has doubled since 2008.

Table 1: Product labels

Certifier	**Label** *(Year established)* **Logo**	**Programme description, eligible product types and website reference**
CQC	Energy Conservation Label *(1998)* 	For energy saving products including energy-saving appliances, office equipment, lighting and building materials such as household air conditioners, computers, metal-halide lamps, and insulated glass. Products for industry including air compressors and centrifugal pumps. New energy resources such as domestic solar hot-water systems. For a full list of applicable products see here. **Link**
CQC	Water Conservation Label *(2002)* 	For water conserving products including water-devices for industry, agriculture and household use such as hydro-power generating equipment, cooling towers, sprinklers, and household faucets. For a full list of applicable products see here. **Link**
CQC	Environment Quality Label *(2000)* 	Product and production process meets certain environment quality standards. For example, to be certified, a household exhaust fan must meet certain levels of noise, electromagnetic field levels and air pressure. Building materials, furniture, office equipment, household appliances, products made from recycled material, services to maintain equipment at environmentally-safe levels (e.g. servicing air conditioners), food packaging and wares, air purifying equipment, waste treatment equipment. For a full list of applicable products see here. **Link**
CQC/ CEC	Eco-labelling *(2003)* 	Products and production process meets certain national 'green' standards. For painting and decorating material, furniture, packaging, disposable table-ware, vacuum cleaners, sound mufflers, incinerators, water purifiers. **Link**

CQC	Golden Sun Mark *(2009)* 	Products which use solar photovoltaic (PV) technology including PV modules, controllers, inverters, batteries. **Link**
CQC	CQC Product Certification *(2001)* 	Certifies that one aspect of a product meets CQC standards. Aspects include : • Safety (S) • Electro-Magnetic Compatibility (EMC) • Safety and Electro-Magnetic Compatibility (S&E) • Performance (P) • Performance and Electro-Magnetic Compatibility (P&E) •Safety and Performance and Electro-Magnetic Compatibility (S&P&E) • Energy Saving (ES) Electrical appliances, household electrical appliances and accessories, electrical cords and power-boards, lighting accessories, power tools and accessories, medical devices, industrial cooking appliances, lighting, industrial cables, low-pressure electric devices, car and motorcycle parts, tires, glass, safety switches on electronic devices, water pumps, textiles, clothes, furniture, office equipment, toys. CQC products tend not to meet the higher requirements of 'green' labels (like the Energy Conservation Label), but do save energy. Companies with higher-safety risk products included on the CCC mark list should apply for more rigorous CCC certification. **Link**
CQC	**Low Carbon Certification** *(2010)* including Carbon Neutralization Mark Product Carbon Footprint Mark Low Carbon Mark	Products, production processes and services with a low carbon foot-print. Building and construction, hardware, electrical appliances and cabling, clothing, finance, courier services, lighting, wine and spirits, restaurants, IT, food and beverage, automotive. **Link**
CQM	Efficient Lighting Label (ELI) *(2006)* 	ELI is an international branding system for high-quality energy-efficient lighting products. The programme aims to reduce green-house emissions. For compact fluorescent lamps, double-capped fluorescent lamps, fluorescent lamp ballasts, street lighting, indoor lighting system, first LED products. **Link**
CEC	Environment Protection Label* Type I *(1993)* 	Office equipment, building materials, home appliances, daily necessities, office supplies, cars, furniture, textiles, footwear. Type I **Link**

	Type *II (2004)*  Type III *(2004)* 	Type II **Link** Type III **Link** CEC does not currently have the capacity to certify Type III Environment Protection Labels.
CEC	Eco-labelling* Type I *(1999)*  Type II *(2001)*  Type III *(2005)* 	Furniture, polyurethane coatings, masonry, ink, wallpaper, ceramics, cement, industrial casting materials, building rendering, interior and exterior design building material, wall mud (plaster substrate for ceramic tiling), electronic transformers, ozone disinfection machines, BOPP thermal lamination film, kitchen smoke purifier, rubber track surface, multi-flooring, private gym floors, wood spirits, bio-based toothpaste, gas water heater. Type I ISO14024. **Link** Type II ISO14021 **Link** Type III ISO14025 **Link**

*Type I is a multi-attribute label developed by a third party; Type II is a single-attribute label developed by the producer; Type III is an eco-label whose awarding is based on a full life-cycle assessment.
The most likely certifying bodies are quoted here, but, in regional areas, the China National Accreditation Service for Conformity Assessment (CNAS) has also accredited some other small agencies. Their labels may differ slightly from those shown here.

Food and natural products

Interest in certified healthy food is growing, however, Chinese consumers' understanding of organic growing practices is still nascent. In Chinese, the name of the pollution-free label sounds more environmentally friendly than the organic label, which adds to the confusion.

A relatively large number of Chinese companies (22,807 companies) meet the basic requirements for Pollution-Free Certification, just over half of that number hold Green Food Certification (13,121 companies), and about half again hold Organic Product Certification (7,908 companies) (see Annex 2.1).

Few overseas companies that specialise in food and natural products have applied for a Chinese voluntary label. The most useful label is the Organic Product Certification (54).

Pollution-Free and Green Food Certification does not indicate sufficient quality to be of benefit to food importers (see Table 2).

Table 2: Food and natural products

Certifier	**Label** *(Year Established)* **Logo**	**Programme description, eligible product types and website reference**
MEP	Pollution-Free Label *(2003)*	Place of production, the production process, amount of toxic and hazardous substances used and released are monitored - the aim is to cultivate crops in a pollution-controlled environment. Generally speaking this is for agriculture, animal husbandry and fishery products, and does not include processed food. Agriculture **Link**
GFDC	Green Food Label *(1993)*	Place of production, cultivation processes, processing, product packaging, storage and transportation must comply with green eco-standards. For example, natural fertiliser is acceptable but chemical fertiliser is not. Food & Beverages **Link**
OFDC/CQC	Organic Product Label *(2005)*	Organic products are those for human and animal consumption or use where production, processing and sales procedures are in line with national standards for organic products. Organic food, organic cosmetics, textiles, forest products, bio-pesticides, organic fertilizer, feed. **Link**
OFDC/CQC	Conversion to Organic Label *(2005)*	For products to be certified organic, they must pass through a 1-3-year conversion period. Organic food, organic cosmetics, textiles, forest products, bio-pesticides, organic fertilizer, feed. **Link**
OFDC/CQC	Good Agricultural Practice (GAP) Label Level I *(2005)*	Good Agricultural Practices specify economic, social and environmentally sustainable practices which apply to on-farm production and post-production processes. Includes integrated pest management and integrated fertilizer management. Level I standards are equivalent to the Euro-Retailer Produce Working Group Good Agricultural Practice Standard (EUREPGAP) **Link**

OFDC / CQC OFCD/CQC	Good Agricultural Practice (GAP) Label Level II *(2005)*  二级认证标志	Certifies agricultural products which meet a standard 5%-10% lower than for Level I. **Link**

Product (general, food and natural) label costs and duration

Companies can expect most product certifications to cost about CNY 40,000-50,000, excluding travel expenses for overseas plant inspections. Costs can total CNY 100,000. A more detailed cost break-down is available in Annex 2.1.

Once a formal application is submitted, it usually takes certification bodies between one and two months to process and issue a certificate.

System certifications

Chinese system certifications are based on the ISO system. Table 3 details the key system certifications. Chinese companies have shown strong interest in these international system certifications for some years. There are 394,385 domestic companies with system certifications (including Quality Management System Certification, Environmental Management System Certification, Occupational Safety & Health Management System Certification, Hazard Analysis and Critical Control Point (HACCP) Certification).

The relatively small number of overseas companies (237) with Chinese system certification (see Annex 2.2) is only a small proportion of the total number that operate in China holding internationally-certified system certifications.

Table 3: System certifications

Label Year Established Logo	**Standards**	**Programme description, eligible products, and website reference**
Quality Management System (QMS) 	GB/T19001=ISO9001 TL9000 ISO13485 ISO/TS16949 GB/T50430	For all industries from food through to electricity, IT, manufacturing, agriculture, energy, transport. Telecommunications industry Medical devices industry Automotive industry Construction industry **Link**

Environmental Management System (EMS) 	GB/T24001= ISO14001	Minimise how company operations negatively affect the environment. For all industries from food through to electricity, IT, manufacturing, chemical, agriculture. **Link**
Occupational Health & Safety Management System (OSHMS) 	GB/T28001= OHSAS18001	An all-encompassing system for implementation and improvement of employees' occupational health and safety. For all industries from food through to electricity, IT, manufacture, chemical, agriculture. **Link**
Product Conformity & Safety (HACCP) 	HACCP	HACCP is a scientific system for ensuring that a product is produced, processed, manufactured, prepared and consumed safely. Generally for food (including seafood, milk, cream and butter, animal meat) and pharmaceutical companies. **Link**

The most likely certifying bodies are quoted here, but, in regional areas, CNAS has also accredited some other small agencies. Their labels may differ slightly from those shown here.

System certification cost and duration

Companies can expect most system certifications to cost a small-sized enterprise CNY 10,000-20,000 and a medium-sized enterprise CNY 30,000-40,000. In some cases, even though a certification is valid for 3-4 years, annual renewal payments are also required. Annual reviews usually cost one third of the initial total cost of application. A more detailed cost break-down is available in Annex 2.2.

Preliminary procedures to prepare for a voluntary certification usually take about six months. It usually takes certification bodies about one-two months once a formal application is submitted to process and issue a certificate.

Certification process

EU SMEs familiar with international application and inspection processes will find the process in China is in-line with international convention. A detailed list of steps is provided in Annex 1.

Annexes

Annex 1: Product application, inspection and approval process

The table below provides a detailed introduction to the steps required for product label certification. This information is as accurate as possible (as of the beginning of October 2011). Procedures vary depending on specific products and certifiers. The system certification process is similar to that for product label certification, except that Product Sample Inspection (Step 3 listed in Table 2) is replaced with Inspection of Documents. Exact documentation required will differ depending on the certification. Manufacturers, sellers and importers are eligible to make an application.

Responsible governing organisation	**Details**	**Outcome**
Application		
	Pre-application procedures Employ consultant to advise on how to establish a system Pilot company tests.	
Certifier	**Apply for certification** Applicants fill in an application form, and submit the following documents: • business licence • production licence • registration certificate of the manufacturing/processing plant • contract between the manufacturer and the seller/importer in cases where the seller/importer makes the application • organisation profile • product description • description and pictures of the manufacturing/processing plant • any system certification if available, such as the Quality Management System Certification • Other documents may also be requested by the certifier.	Certifier reviews the application materials and decides whether or not to accept the request. If rejected, applicants are notified of the reasons for the decision in writing.

Certifier	**Reach an agreement** The applicant signs a contract with the certifier, and pays in advance for the certification.	
Inspection		
Testing organisation/laboratory commissioned by the certifier	**Product sample inspection** The applicant pays for the sample inspection. The testing organisation/lab produces a report, delivers it to both the certifier and the applicant. The report is supposed to present an accurate, complete and clear description of the sampled product.	Applicants rectify unqualified items (if any). In such circumstances, a new sample inspection is required.
Certifier	**Notice of plant inspection/on-site inspection** The certifier notifies the applicant of the pending inspection. A name list of the inspection team members is delivered to the applicant.	The applicant is required to rectify unqualified items (if any).
Inspection team commissioned by the certifier	**Applicants whose plants are based overseas send an invitation letter to the inspection team for plant inspection** The invitation should be sent out within four weeks after the applicant receives the notice of plant inspection. The letter should accurately list the personal information of the inspection team members, such as their dates of birth, and names in pinyin. Applicants are obliged to reimburse the travelling expenses associated with the plant inspection.	
Inspection team commissioned by the certifier	**Plant inspection/on-site inspection** The inspection covers the details of manufacturing, processing, distribution, and so forth. A report is then produced by the inspection team, giving opinion on whether or not it recommends the product to pass the certification. *The procedures vary depending on specific products and certifiers. In some occasions, plant inspection takes place ahead of sample inspection. Alternatively, sample inspection can be skipped if the certifier believes it is unnecessary.	

Evaluation and approval		
Certifier	**An overall evaluation of the inspections** The certifier reviews: • whether the application documents are comprehensive • whether the standards applied to the sample inspection and plant inspection are appropriate • whether the inspections are adequate, and so forth.	Certificate is issued if the overall assessment turns out to be positive. The applicant is permitted to use the corresponding voluntary label. If failed, the application is notified of the reasons for the decision in writing.
Certifier	**Purchase voluntary labels** Applicants apply to the certifier for purchase of their voluntary labels. Meanwhile they are briefed on label use regulations. Applicants attach labels to their products, use it in the product specifications or advertisement.	
Follow-up		
Certifier	**Follow-up inspection** An annual follow-up inspection is launched. The interval between two annual inspections does not exceed 12 months. An annual inspection involves a check on whether there have been any changes to: • the certificate holder's name • the certificate holder's qualifications • manufacturing/processing conditions Apart from the annual inspection, a random inspection may proceed without notice. This happens in the following circumstances: • where the certified product allegedly has quality control issues • there are changes in the organisation structure, manufacturing conditions, or management systems, which may affect product quality • the certificate or voluntary label is improperly used.	Those who have passed a follow-up inspection are allowed to continue to use voluntary certificates and labels. Otherwise, the certificate would be suspended, revoked or cancelled.
Certifier	**Renewal** The certificate validity period varies from 1 to 5 years depending on the product. Generally applicants should apply for a renewal three months before the certificate expires.	

Annex 2: Label usage and costs

Annex 2.1: Product label usage and costs

Category	Number of current valid certifications (as of June 2011)			Cost estimate
	Total (including HongKong, Taiwan, Macau)	**China Mainland**	**Overseas**	
Product				
Product Certification	109,340	88,121	12,079	For example, Water Conservation Label CNY 13,000. (For one examiner a day). Most product certifications cost about CNY 40,000 - 50,000 excluding travel costs for overseas plant inspections. Costs can total CNY 100,000.
Food and natural products				
Pollution-free Agricultural Products Certification	22,807	22,807	0	A certification fee is not charged. There are fees for product examination and use of pollution-free agricultural product labels. These fees depend on how complicated the examination process is, and the number and size of labels. Additional travel and inspection costs.
Good Agricultural Practice (GAP) Certification	525	525	0	CNY 3,000 per unit area squared depending on cultivation type, plus travelling costs.
Green Food Certification	13,124	13,121	3	First and second certification for very similar product-lines costs CNY 8,000. Beyond two certifications, additional products in the same product-line with slight variations cost CNY 2,000; and with more substantial variations cost CNY 3,000. Additional travel and inspection costs.
Organic Product Certification	7,991	7,908	54	For a less than 100-person company the cost is about CNY 13,000-40,000.
Total	548,172	525,446	12,373	

Additional fees are likely to include:

- cost of every individual label pasted on each product;
- travelling and accommodation costs for examiners;
- related product examinations;
- extra fees for examination of particularly complicated company production processes.

Annex 2.2: System certification usage and costs

Category	Number of current valid certifications (as of June 2011)			Cost estimate
	Total (including HongKong, Taiwan, Macau)	**China Mainland**	**Overseas**	
System Certification Including: Quality Management System Certification, Environmental Management System Certification, Occupational Safety & Health Management System Certification, Hazard Analysis and Critical Control Point (HACCP) Certification	394,385	392,964	237	CNY 20,000-60,000 for a 50-100-person company.

Additional costs will include:

- preliminary procedures including hiring a consultant to help establish a system; and the cost of preliminary/pilot tests;
- travel and accommodation costs for examiners;
- extra fees for examination of particularly complicated company production processes.

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The EU SME Centre assists European SMEs to export to China by providing a comprehensive range of free, hands-on support services including the provision of information, confidential advice, networking events and training. The Centre also acts as a platform facilitating coordination amongst Member State and European public and private sector service providers to SMEs.

The Centre's range of free services cover:
• Business Development – provision of market information, business and marketing advice
• Legal – legal information, 'ask the expert' initial consultations and practical manuals
• Standards – standards and conformity requirements when exporting to China
• HR and Training – industry and horizontal training programmes
• Access to a service providers directory and information databases
• Hot-desking – free, temporary office space in the EU SME Centre to explore local business opportunities
• Any other practical support services to EU SMEs wishing to export to or invest in China.

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