

Impacts of Brexit on the Chemicals Industry

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes.

With dedicated teams in key political and commercial capitals, FTI Consulting is well placed to help you navigate your Brexit challenges and manage commercial risk.

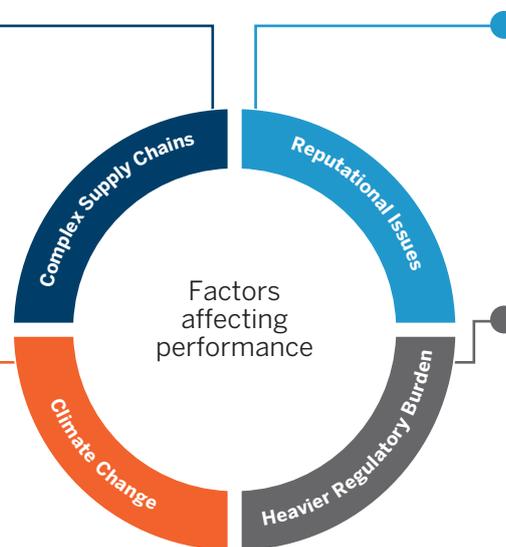
The Chemicals industry provides input for many other business sectors

COMPLEX SUPPLY CHAINS

- A finished product crosses the channel several times
- Any trade disruption can lead to a hold-up in the flow of goods
- Tariffs could even lead to a halt in trade
- Diverse number of consumer and industry products potentially affected

PARIS AGREEMENT

- Chemical industry is an 'Energy Intensive Industry'
- Increased momentum towards clean energy following COP21
- EU decarbonisation targets of 60% by 2050
- Higher energy costs have competitiveness implications



REPUTATIONAL ISSUES

- Negative media coverage
- Consumer trust issues
- Increased NGO scrutiny and links to diseases
- Politicization of scientific findings around approval process
- Personal choice between convenience and efficiency vs nostalgia and NGO-led fear

HEAVIER REGULATORY BURDEN

- Potential re-opening of REACH
- Energy 'Winter Package' and ETS revision
- Moving away from scientific principles in new regulation, e.g. Endocrine Disruptors
- Ongoing debate of risk vs hazard-based legislation in EU

Brexit further adds to the complexity and may have long reaching impacts on both ease to do business and profitability

Economy

- The value of UK/EU trade in the chemical sector could be as much as €40 billion a year
- Brexit uncertainty could have severe consequences for business in general
- A slowing economy may impact demand directly but also impact government spending and investment into new plants; companies may restructure or relocate

Finance/tax

- Slow growth increases need for cost management
- Barriers, such as a potential 4% import tariff on products moving into the EU hit companies: the first time a product crosses the channel there is a difference in profitability, the second time there is no profit and the third time there will be no trade

Supply Chain

- Restrictions on movement of goods will impact provider/supplier relationships, can bring production and trade to a halt
- A "hard-Brexit" could effect local content rules, which enable free trade with some markets

Access to labour

- Access to a skilled international workforce and a focus on developing the next generation of home-grown talent are critical to ensure continuity
- Without freedom of movement, toxicologists may find work in other EU nations resulting in the UK industry missing out on new insight and skills from EU
- Companies will have to work with HR to plan for work permits and visas

Legal/compliance

- With changes to the UK's access to the Single Market, contracts may have to be restructured
- Compliance responsibilities may change
- Foreign franchises operating in the UK may have to revise legal agreements
- IP could be affected
- UK will have to consistently comply with REACH. This will have a knock-on effect on the UK's ability to agree FTAs with non-EU countries

Exchange rate

- Pound Sterling has already fallen by 20% resulting in a higher cost of materials imported from EU
- Currency volatility changes assumptions about profitability and cash flow

Brexit checklist: **What should you be thinking about?**

- ✔ Obtain political and regulatory insight and intelligence to create clarity
- ✔ Address any potential commercial and operational requirements
- ✔ Ensure you have the right financial and investment strategies in place
- ✔ Monitor and influence legislative programmes to protect commercial interests
- ✔ Consider any corporate restructure, valuation or business modelling needs
- ✔ Mitigate any tax risks
- ✔ Undertake market analysis and economic scenario modelling to inform your business decisions
- ✔ Understand the implications for your governance, trade and investor protection rules
- ✔ Engage all your internal and external stakeholders effectively across all platforms

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EXPERTS WITH IMPACT

About FTI Consulting

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