



BREXIT

POTENTIAL IMPACTS ON AEROSPACE & DEFENSE CHEMICAL SUPPLY CHAIN: FROM A NO DEAL PERSPECTIVE

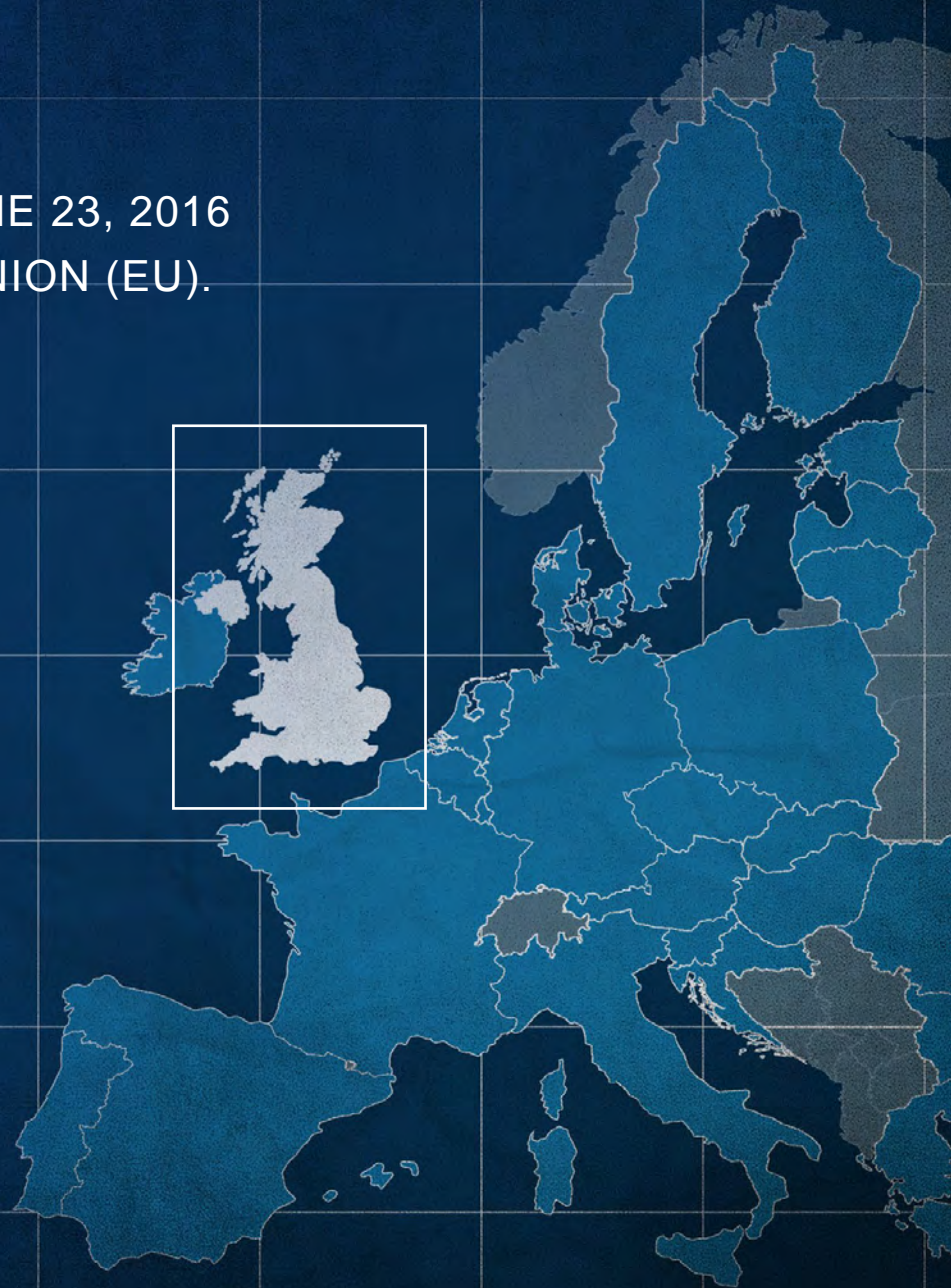
BREXIT

IS AN ABBREVIATION FOR "BRITISH EXIT," REFERRING TO THE UK'S DECISION IN A JUNE 23, 2016 REFERENDUM TO LEAVE THE EUROPEAN UNION (EU).

However, a final agreement on the terms and conditions of the UK's withdrawal from the EU, including the transition period, will need to be ratified before March 2019. **If you are a chemical manufacturer, importer, distributor or downstream user, ACT NOW** to evaluate your supply chain before the exit date and consider mitigation planning, including compliance with the new UK Chemical Regulations.



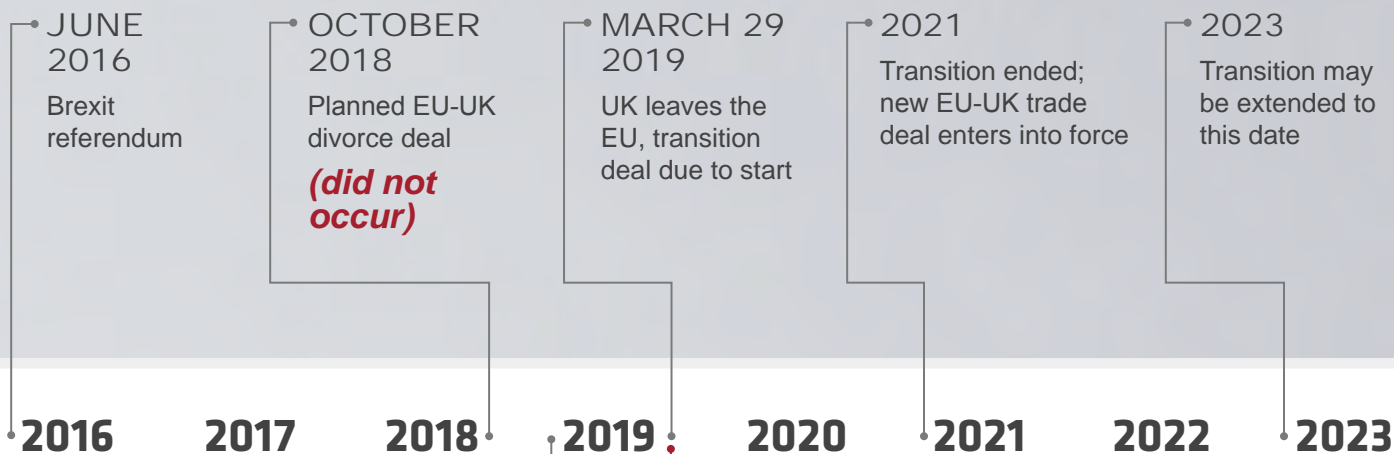
BREXIT WITHDRAWAL:
**29 MARCH
2019**



TIMELINE



IF THERE IS A DEAL
ON THE WITHDRAWAL AGREEMENT (INCLUDING TRANSITION PERIOD)



IF THERE IS NO DEAL
ON THE WITHDRAWAL AGREEMENT (AND NO TRANSITION PERIOD)

EARLY 2019
EU and UK parliaments vote on exit deal

MARCH 29 2019
No deal /
No transition period



NO DEAL

IMPACT ON REACH:

- ✓ EU REACH Regulation will cease to apply in the UK, which will become a country outside of the EU Single Market
- ✓ EU REACH registrations and authorisations (or AfA) held by UK-based entities will become invalid on *Exit Date*
- ✓ The UK Government will implement its own version of REACH
- ✓ New registration requirements will come into force for UK companies currently importing chemicals from an EEA country
- ✓ EU-27+ companies purchasing chemical products from UK-based companies will become importers under REACH and vice-versa
- ✓ UK registrants and authorisation holders will lose access to ECHA's REACH IT system
- ✓ EU and UK distributors before Brexit may become importers after the Exit Date
- ✓ Downstream users of chemical substances and mixtures will need to check with their suppliers to ensure Registrations are in place in the EU-27+ and UK
- ✓ Volumes related to registration will need to be re-considered for each jurisdiction (UK and EU-27+)
- ✓ Other chemical legislation obligations will also be impacted (i.e. CLP, BPR and PIC Regulations)



DICTIONARY:

If at any time throughout this report you come across a term you would like defined, simply click on the **Dictionary** icon at the top-right of each page to reference the definition section.



NOTE:

If the UK's withdrawal from the EU is agreed prior to the *Exit Date*, this will trigger a transition period (until December 31, 2020) during which the UK would retain access to the EU Internal Market and Customs Union on its current terms and in this case **EU REACH Regulation would continue to apply in the UK and REACH registrations/authorisations would remain valid until December 31, 2020.**



Department
for Environment
Food & Rural Affairs



**ECHA has published
information on its website**

(including Q&A) to address the UK's forthcoming withdrawal from the EU. The updates cover topics related to the authorisation and registration of substances and mixtures under REACH, as well as general advice to current non-EU companies. If the EU and the UK conclude a withdrawal agreement and therein agree on a transition period, ECHA will amend the Q&As accordingly.



**In the event of a
“No Deal”, the UK**

Government Technical Notice

sets out how businesses producing, registering, importing or exporting chemicals may be affected when the UK leaves the EU on 29 March 2019.



IAEG SURVEY

BACKGROUND:

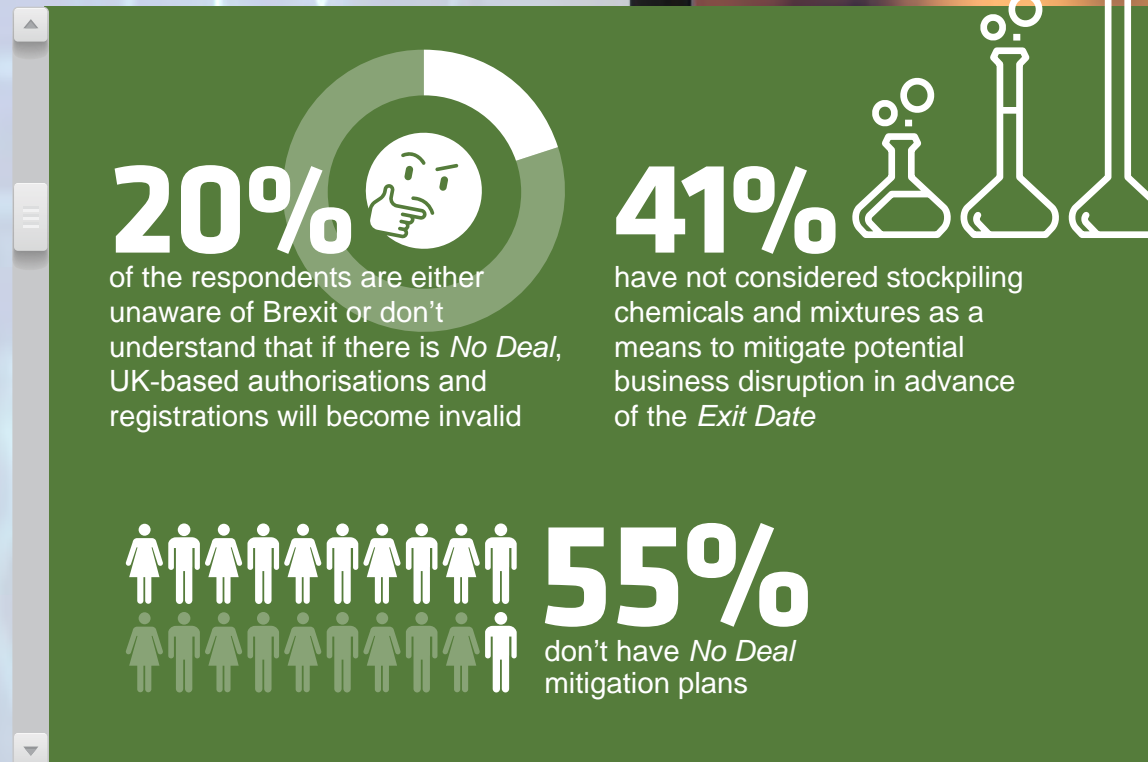
IAEG conducted two surveys in August 2018 to understand the risk perception of chemical distributors and formulators in the case of a Brexit *No Deal* scenario

OBJECTIVES:

- Identify and contact key UK and EU-27+ chemical formulators and distributors to evaluate possible issues related to the continued supply and use of chemicals for A&D industry

RESPONSE RATE:

- Approximately 200 EU and UK chemical distributors and formulators were identified by membership
- As of September 26, 2018, 42 responses were received (approximately 20% of those surveyed)





"The UK and EU governments have not provided information on how REACH regulations may be impacted by a Brexit No Deal scenario."



FALSE

The UK and EU authorities have prepared technical notices providing information to companies on how to prepare for a Brexit No Deal. References are included in this Fact Sheet.

"If a UK withdrawal agreement is not ratified by the Exit Date, REACH registrations and authorisations held by UK legal entities will become invalid in the EU, but will remain valid within the UK."



TRUE

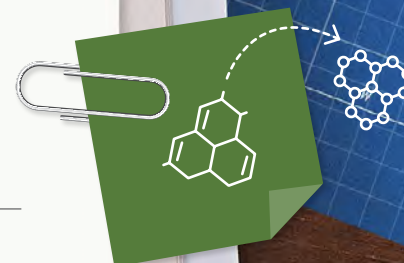
If there is no agreement on a future UK relationship with the EU or a transitional arrangement, REACH authorisations and registrations held by UK legal entities will become invalid in the EU after the *Exit Date*, but will remain valid within the UK.

"Industry on both sides will not allow a Brexit No Deal, despite the politicians making a mess of things. REACH mitigation plans are not required to address a potential No Deal scenario."



FALSE

The UK and EU authorities are currently trying to negotiate an agreement for a future UK relationship with the EU. They have also provided information for companies to help avoid potential business disruption in the event of a *No Deal*.





RISKS

COMPLIANCE

A **No Deal** scenario might lead to potential compliance shortfalls or supply chain disruption if...



there is a lack of supply chain awareness about new importer obligations



existing REACH Registrations/ Authorisations held by UK-based entities are invalidated in the EU-27+ on the *Exit Date*



there is a presumption that there will be a deal before the *Exit Date*



Due to current uncertainty regarding possible new UK regulations, the requirements, response time, and compliance costs are still **UNKNOWN**

BUSINESS OPERATIONS



Suppliers might perceive Brexit-driven regulatory changes as burdensome and expensive > *this may result in obsolescence issues*



Chemical substances might be delayed at customs > *manufacturing schedules and customer deliveries may be impacted*



Internal compliance systems and processes might not align with the new requirements > *requiring extra cost and time to upgrade*



RISK MITIGATION CONSIDERATIONS

SUPPLY CHAIN ENGAGEMENT



IDENTIFY potential obsolescence issues



REVIEW supply chain and sourcing strategy (alternate routes)



EVALUATE the most critical processes for your organization and coordinate with your supply chain to find possible solutions

BUSINESS PLANNING



ASSESS the information provided in this IAEG Brexit/REACH Fact Sheet and distribute to your supply chain



FREQUENTLY MONITOR official websites to stay informed



SECURE resources to support a mitigation strategy including technical, financial, professional advice, and supply chain communication to ensure business continuity



Based on the currently available public information, IAEG has developed the following scenarios to address potential mitigation actions for the A&D chemical supply chain located in the UK, EU and the rest of the world, in the event that a withdrawal agreement is not ratified prior to the UK's exit from the EU on 29 March 2019.



UK REACH
REGISTRATION



EU-27+ REACH
REGISTRATION



EU-27+
AUTHORISATION
APPLICANT/HOLDER



UK
AUTHORISATION
APPLICANT/HOLDER



DOWNSTREAM
USER COVERED
BY UPSTREAM
AUTHORISATION



NO DEAL SCENARIOS: UK REACH REGISTRATION

I AM A CHEMICAL MANUFACTURER BASED IN THE UK

ASK YOURSELF

Do you supply to the EU-27+?

- Transfer EU registration to an EU-based affiliate as an importer, **or**
- Appoint an EU-27+ only representative (see Q&A 1464), **or**
- Confirm customer accepts importer obligations

Do you supply to the UK?

- Notify HSE of existing EU REACH registration within 60 days after *Exit Date*
- Submit UK registration data within 2 years after *Exit Date*
- Monitor emerging regulations

I IMPORT CHEMICALS INTO THE UK

ASK YOURSELF

From EU-27+ into the UK?

- Notify the UK authority and provide data on the chemicals within 180 days of the UK leaving the EU
- Move to full UK registration at a later date [follow UK Tech Notice for further announcements], **or**
- Confirm UK importer obligations may also be fulfilled by a UK OR contracted by an EU principal

From RoW into the UK?

- Consider grandfathering EU Registration into the UK's new regulatory system
- Notify HSE of existing EU REACH registration within 60 days after *Exit Date*, **and**
- Submit UK registration data within 2 years after *Exit Date*

I export RoW chemicals from UK into EU-27+ (the UK registration would no longer be valid in the EU)?

- Review New UK registration requirements in EU system [follow ECHA Tech Notices for further announcements], **or**
- Transfer registration to an EU-based affiliate (legal entity), **or**
- Confirm customer accepts importer obligations

I AM AN “ONLY REPRESENTATIVE” BASED IN THE UK

ASK YOURSELF

Does your principal supply to the EU-27+?

- Consult with your principal regarding what actions to take
- Transfer to new EU-based only representative
- Submit OR change into REACH-IT

Does your principal supply to the UK?

- Comply with new UK chemical regulation
- Notify HSE of existing EU REACH registration within 60 days after *Exit Date*
- Submit UK registration data within 2 Years after *Exit Date*
- Monitor emerging regulations



NO DEAL SCENARIOS: EU-27+ REACH REGISTRATION

I AM A CHEMICAL
MANUFACTURER
BASED IN THE EU-27+

ASK YOURSELF

Do you supply to the EU?

- No action if chemicals substances are manufactured in EU

Do you supply to the UK?

- Advise your UK customer of their new importer obligations under REACH, *or*
- Contract a UK based legal entity to submit a UK Registration (OR)

I IMPORT CHEMICALS
INTO THE EU-27+

ASK YOURSELF

From RoW into EU-27+?

- No action

From UK into EU-27+?

- Obtain a new EU Registration, *or*
- Consider having a UK manufacturer or formulator contract with EU based OR ([see Q&A 1464](#)), *or*
- Seek an alternative source of supply

NOTE:

- Ensure your import totals now include your tonnage from the UK and update your dossier, as needed

I AM AN “ONLY
REPRESENTATIVE”
BASED IN THE EU-27+

ASK YOURSELF

Does your principal supply to the EU?

- No action

Does your principal supply to the UK?

- Consult with your principal regarding what actions to take
- Identify a UK-based legal entity (OR) who can submit an appropriate registration



NO DEAL SCENARIOS: REACH AUTHORISATIONS FOR EU-27+ APPLICANTS/HOLDERS



I AM AN AUTHORISATION APPLICANT BASED IN THE EU-27+



ASK YOURSELF

Do I supply to the UK for downstream use?

- We expect the UK government to honour existing authorisations already submitted in the EU. However, this has not been addressed yet in the UK government technical notices. ***This is therefore subject to confirmation by the UK government.***
- Follow UK government technical notices and guidance on REACH for more information



ASK YOURSELF

Do I Supply to the EU-27+?

- No action



NO DEAL SCENARIOS: REACH AUTHORISATIONS FOR UK APPLICANTS/HOLDERS



I AM AN AUTHORISATION APPLICANT BASED IN THE UK

ASK YOURSELF

Do I supply to the UK?

- Notify HSE of existing REACH EU authorisation within 60 days after *Exit Date*
- Follow UK government technical notices and guidance on REACH for more information

ASK YOURSELF

Do I supply to the EU-27+?		Transfer timings	More information (ECHA Q&A)
<i>Manufacturer of Chemical Substance</i>	Transfer EU authorisation or AfA to an OR or affiliate in EU-27+	At the time of the UK withdrawal	Q&A 1466
<i>Formulator Applicant</i>	Transfer EU authorisation or AfA to an OR or affiliate in the EU-27+	At the time of the UK withdrawal	Q&A 1466
<i>Importer of Chemical Substance</i>	Transfer import to an affiliate in the EU-27+, if available. Or, non-EU manufacturer must transfer to an OR in the EU-27+	Must take place ahead of the UK withdrawal	Q&As 1239 and 1241 to 1249
<i>Only Representative</i>	Contact principal to transfer authorisation to an OR in EU-27+	Must take place ahead of the UK withdrawal	Q&A 1250
<i>End User Applicant</i>	Not applicable (no further downstream use)	Not applicable	Not applicable



NO DEAL SCENARIOS: DOWNSTREAM USERS COVERED BY UPSTREAM REACH AUTHORISATIONS



I AM BASED IN
THE EU-27+

ASK YOURSELF

Is the authorisation applicant based in the EU-27+?

- No action

Is the authorisation applicant based in the UK?

- Contact UK authorisation applicant to determine a solution to maintain compliance (see options available to the UK applicant), **or**
- Identify new authorised source(s) of substance for your use

I AM BASED
IN THE UK

ASK YOURSELF

Is the authorisation applicant based in the EU-27+?

- Refer to UK government technical notices and guidance, or seek advice from the UK competent authority

Is the authorisation applicant based in the UK?

- Comply with new UK Chemical Regs



RESOURCES



UK
GOVERNMENT
PUBLICATIONS

[Technical Notice Number CBP 8403, 24 September 2018: Brexit and Chemicals Regulation \(REACH\)](#)

[How will Aerospace be affected by *NO DEAL*?
Government Technical Notices](#)

[BPR if there's *NO DEAL*](#)

[CLP if there's *NO DEAL*](#)

[Import and export of hazardous chemicals
if there's *NO DEAL*](#)



EU
GOVERNMENT
PUBLICATIONS

[ECHA Q&A: The UK's withdrawal from the EU](#)

[ECHA National Helpdesk](#)

[EC: Brexit and the transport sector](#)

[EASA](#)

 **FULL LIST**



DEFINITIONS

A&D: Aerospace & Defense.

AfA: Pending Application for Authorisation.

BPR Regulation: Biocidal Products Regulation (EC) 528/2012.

CLP Regulation: Classification, Labelling and Packaging Regulation (EC) 1272/2008.

DEFRA: UK Department for Environment Food & Rules Affairs.

Distributors (D): Legal entity based in the EEA that sources a chemical substance on its own or in a preparation within the EEA, stores it and then places it on the EEA market for someone else (also under own brand without changing chemical composition in any way).

Downstream User (DU): Legal entity based in the EEA other than the manufacturer or the importer, who uses a substance (either on its own or in a mixture), in the course of their industrial or professional activities. Uses of those chemicals include companies that manufacture goods or offer services where chemicals are not the main element of their business, such as repair shops or cleaning companies. Chemicals used typically include paints, coatings, sealants, adhesives, solvents and cleaning agents.

ECHA: European Chemicals Agency.

EEA: European Economic Area which currently includes 28 EU countries and also Iceland, Liechtenstein, Norway.

EU-27+: After Brexit, there will be 27 EU countries + EEA countries. Here we use the term “EU-27+” to define the after Brexit scenario 27 EU countries + EEA countries.

Exit Date: Date the UK will leave the EU.

Formulators (F): Downstream users who produce and supply chemical mixtures further down the supply chain or directly to consumers. They mix together substances and/or mixtures, with no chemical reaction taking place during the process. Examples of such mixtures include paints, adhesives, cosmetics, lubricants, detergents and diagnostic kits.

HSE: UK Health and Safety Executive.

Importers (I): Legal entity based in the EEA that buys a chemical product directly from a supplier based outside the EEA and is responsible for physical introduction of the chemical product into the customs territory of the EEA.

Manufacturer (M): Legal entity based in the EEA that produces or extracts a chemical substance. You are not a manufacturer under REACH if you only blend substances into mixtures or use chemicals to produce articles. In that case you are a downstream user.

Only Representative (OR): Companies based outside the EEA can appoint a European-based OR to take over the tasks and responsibilities of EEA-based customers who import from the appointing company. This can simplify access to the EEA market for their products, secure the supply and reduce the responsibilities for their EU customers.

PIC Regulation: Prior Informed Consent Regulation (EC) 649/2012.

REACH Regulation: EC Regulation 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

RoW: Rest of the World (non UK and EU-27+ countries).

UK: United Kingdom.

IAEG[®] was founded in 2011 with a vision to advance innovative environmental solutions for the aerospace and defence industry.

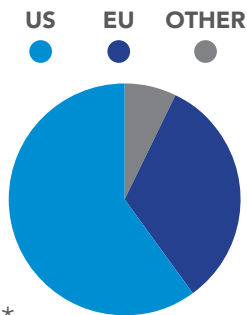
Starting with 11 Founding members, now at 50 members, this collaboration forum is designed to address pertinent environmental issues that all member companies face. As we have grown, we have found tremendous value and synergy in working these non-proprietary issues together, for the betterment of the industry at large.



REVENUE FOOTPRINT

\$400 BILLION

OUT OF AN APPROXIMATE \$700 BILLION INDUSTRIAL BASE*



EMPLOYMENT FOOTPRINT

SLIGHTLY OVER **1 MILLION**



OUT OF A ROUGHLY **2 MILLION** INDUSTRIAL BASE*

*Deloitte, 2014 Global aerospace and defense sector financial report

SOLUTIONS

COMPLEX AND INNOVATIVE PRODUCTS THAT LAST

DECADES IN THE MARKETPLACE



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