

www.pwc.nl/reach

REACH Compliance Services

Capability statement
2011



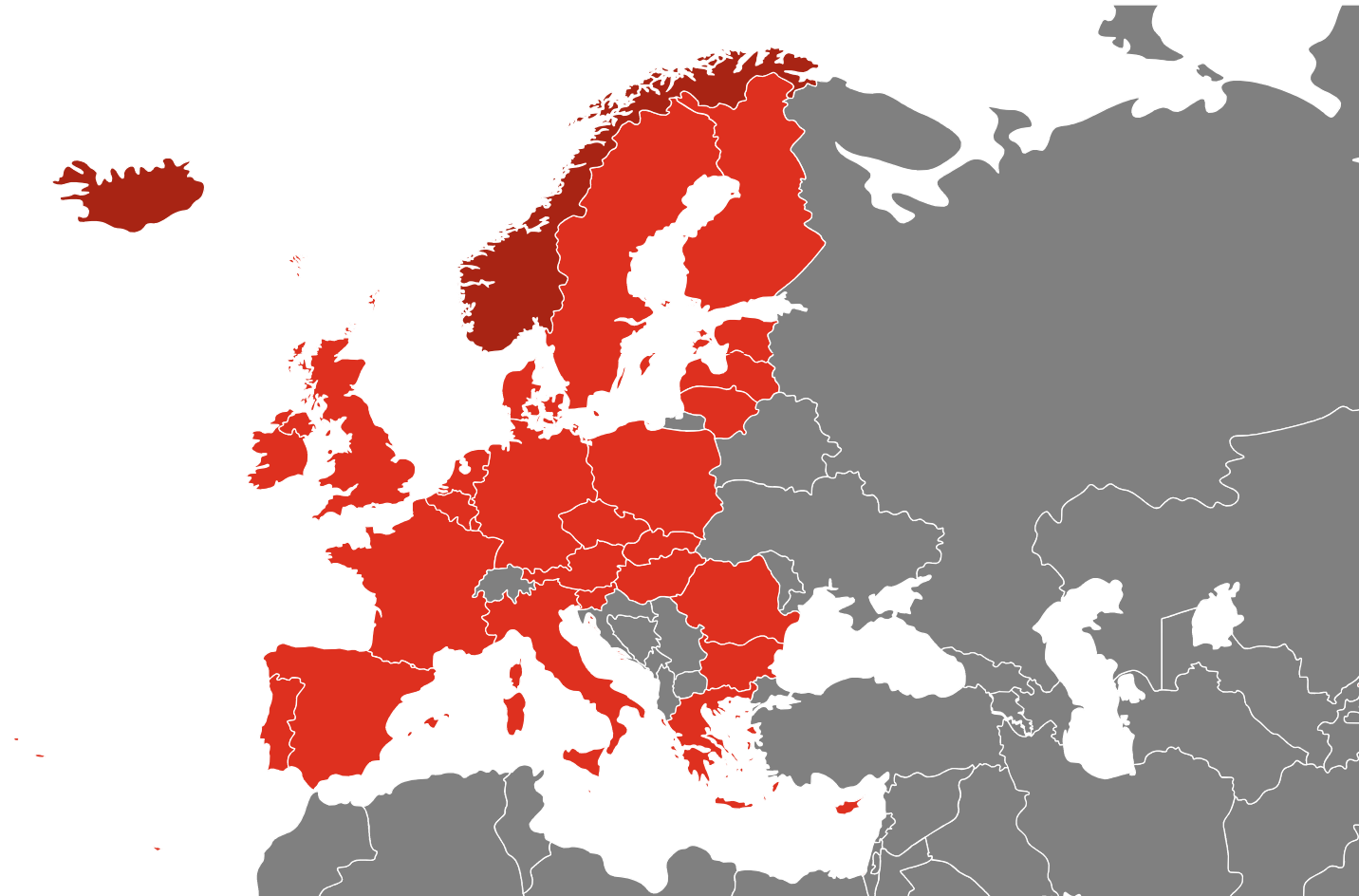
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European Economic Area = EU + EFTA

Territories with REACH impact



How to remain in control of REACH compliance?

How to remain in control of your REACH compliance?

Characteristics current situation

- Companies in the EEA Chemicals sector or its direct supply chain often need to secure their license to market under REACH (1907/2006 EC)
- REACH brings new:
 - Lead Registrant 'SIEF' obligations
 - Co-registrant obligations
 - Data ownership opportunities
 - Use restrictions and possible bans
- There is some experience following the 2010 deadline, however for many companies the 2013 challenge is much bigger
- Due to more clarity on enforcement, it becomes clear how to reduce the REACH exposure and related costs

Typical Challenges

- Compliance in complex and indirect supply chains to the EEA need attention to prevent prices become too high.
- Often the completeness of costs and revenues in SIEF and REACH consortia is poor, transactions are exposed to a VAT burden.
- The required principles of fair, transparent and non-discriminatory cost sharing are abused by free riders.
- Many compliance activities are not yet mapped in processes and guidelines, possible risks related to staff changes are not mitigated.
- For early adapters it is a challenge to rationalize free consultancy brought to competition.

How to manage the REACH challenges for your organisation?

REACH means: “no registration no market”

- 1) REACH means: Registration, Evaluation and Authorization of Chemicals, EU regulation 1906/2006 entered into force on June 1, 2007.
- 2) Manufacturers and importers need to register at the European Chemicals Agency, **No registration – no market.**
- 3) REACH concerns all chemical substances produced in or imported to the EU market in quantities greater than 1 metric ton per annum (MTPA).
- 4) Obligations to register under REACH apply to chemical substances manufactured in or imported into the European Economic Area.
- 5) Chemical **substances of very high concern (SVHC)** contained in imported products need to be notified and substituted.
- 6) Registered chemicals may be subject to authorisations after December 2011

Timeline

| | |
|-------------------------|--|
| June 1, 2007 | REACH legislation enters into force |
| June 1, 2008 | European Chemicals Agency established , Pre-registration commences |
| December 1, 2008 | Pre-registration closes for phase – in substances |
| December 1, 2010 | Registration closes for substances >1,000 MTPA or SVHC |
| December 1, 2011 | Notification closes for SVHC present in articles >0,1%w/w and marketed >1 MTPA |
| June 1, 2013 | Registration closes for substances between 100 and 1,000 tons |
| June 1, 2018 | Registration closes for substances between 1 and 100 tons |

Our experience enables your REACH compliance and adds value

2 Our experience enables our clients to become REACH compliant and adds value

Consortium & SIEF program management

PwC performs program management activities, SIEF administration, valuation and financial management , e.g.:

- Epoxy Resins REACH consortium (65 SIEFs)
- Eurochlor consortia
- Aluminum & Iron Salts consortium
- Industrial Products company (30 SIEFs)
- Flavours & Fragrances company (100 SIEFs):

Compliance effectiveness

PwC delivers REACH compliance services and tools:

- PwC supported the internal auditors of a performance products company to assess REACH readiness . The client implemented key KPI's and progress monitoring, to manage business continuity risks
- In cooperation with a Global Chemicals company PwC designed the ORT model , a solution to cover indirect imports for Only Representatives. More info on www.pwc-reachtrustee.com

Management & Tax Consulting

PwC delivers management consulting services for REACH :

- Socio economic impact assessment for European association
- Global chemical company improve administration to identify REACH related cost to be allocated to consortia/SIEFs
- REACH status review for large Chinese chemical company
- Tax assessment for large US based chemical company

Lessons learned for 2010 dossiers ***consortium management***

Lesson 1

Agree on SIEF operational rules first

Many companies cooperated well on the technical side, until it was about money and market access. With a pragmatic approach, many SIEFs started off without closing the deal on the operational rules for valuation and allocation, or the agreement was not based on the basic rights of a co-registrant. As a result, negotiations and payments of LoA's continue until after registration deadline.

Lesson 2

Require a downpayment

Co-registrants waited until the latest possible moment to commit to the Joint submission fees. Many Lead Registrants found out that an indication of interest is no commitment. Many co-registrants have wasted their own and the Lead Registrant's time by last minute withdrawal. A downpayment to compensate for time and expenses to prepare the SIEF agreement

Lesson 3

Reimbursement mitigates cash burden

Many co-registrants postponed their registrations in Q4 of 2010. Those Lead Registrants who offered LoA fees based on SIEF surveys have incomplete revenues. Their compensations have a negative cash balance, until 2013 or later. Offering reimbursement turned out to be best practice as it mitigates the cash burden for the Lead and respects the rights of future co-registrant.

Lesson 4

Respect a valuation date

Economic value of data is often determined with a list of replacement costs. In fact such a list expresses the economic value on a certain valuation date. For instance for 'Fleischer' this is around 1 October 2004. The economic value for compensation in the SIEF per mid 2013 should be corrected for the impact of 9 years of inflation.

Middle East industrial products manufacturer programme management improvement

The client prepares for REACH compliance, as a Lead Registrant of 25 substances. Data, costs and access to parts of dossiers need to be shared with direct competitors in Substance Information Exchange Forums (SIEFs).

The client is challenged to implement and run a SIEF financial administration which

- 1) is based on clear valuation and allocation principles

- 2) is compliant with EU competition law

- 3) mitigates business continuity risks following possible failure to deliver a letter of access to competitors

PwC supported the client to realise a 57% increase of the value of the data to be shared, representing a value of 1.2 M€.

The client managed to invoice its competitors prior to giving access to the dossier by means of a token.

PwC supported preparation of SIEF agreements, dossier valuation, cost allocation, licensing. As well, a VAT burden is avoided and the SIEF administration is audited.

**57% increase
of the dossier
value**



Global Chemicals Company ***compliance effectiveness***

PwC REACH Trustee services reduce compliance costs in the indirect supply chain to the EEA

The client is a global chemicals manufacturer with a big interest outside the European Economic Area (EEA), The US and Switzerland. The client aims to find opportunities to let its REACH compliance programme support the business, as much as possible.

PwC assessed the REACH business impact for the client. It was identified that REACH could introduce new entry barriers for some product – market combinations (PMC's). This is especially the case for the indirect part of supply chains to the EEA. Distributors and formulators established outside the EEA have limited possibilities to be pro-active under REACH. As a result, the indirect EEA importer needs to know the full material composition in order to be able to be compliant.

The client asked PwC to design and construct a solution to the supply chain for selected PMC's. PwC's developed the OR Trustee model, to enable EEA importers in indirect supply chains to refer to the registration of the client's Only Representative. This results in a considerable reduction of direct compliance costs for the indirect customer (25 – 250 k€ per product. As well, the client does not have to disclose its product composition to allow downstream compliance.

Global Transportation Manufacturer

Strategic approach to REACH compliance

Apart from chemical companies, REACH also affects importing and manufacturing companies established in the EEA. For a global transportation manufacturer PwC assessed whether their processes and operations are impacted by REACH.

This assessment was divided in three parts. In the first part the requirements related to REACH compliance in the context of the client's operations, are identified and compared to the current position of the client. The client's approach is also compared to leading organizations and industry associations in order to benchmark its status.

In the second and third part of the project, the company's two divisions were assessed in more detail by means of site visits, interviews and process mapping. The findings and recommendations are tailored to the specific divisions, products and manufacturing processes, and consists of strategic and operational improvements on both site- and corporate level.

This REACH assessment has moved the client to recruit a new (corporate) engineering compliance officer, adjust its operational processes, update its internal audit processes, and shift REACH compliance responsibilities to new departments/officers on site level in order to become and remain REACH compliant.

**The PwC REACH
Assessment helps
article
manufacturers
and importers
improve their
operational
processes to
become REACH
compliant**

Overview of services, tools and team

PwC has developed a range of services especially to assist businesses with REACH.

A scan of the REACH business impact is the starting point of our support. The REACH scan: is performed to identify the business impact of REACH for your company, to support your development of a strategic roadmap towards efficient compliance.

Based on the outcome of the REACH assessment we can offer a wide range of solutions and tools. It is our approach to have clarity about the benefits of our involvement beforehand. During delivery we will monitor those benefits closely.

REACH assessment

SIEF financial and tax management

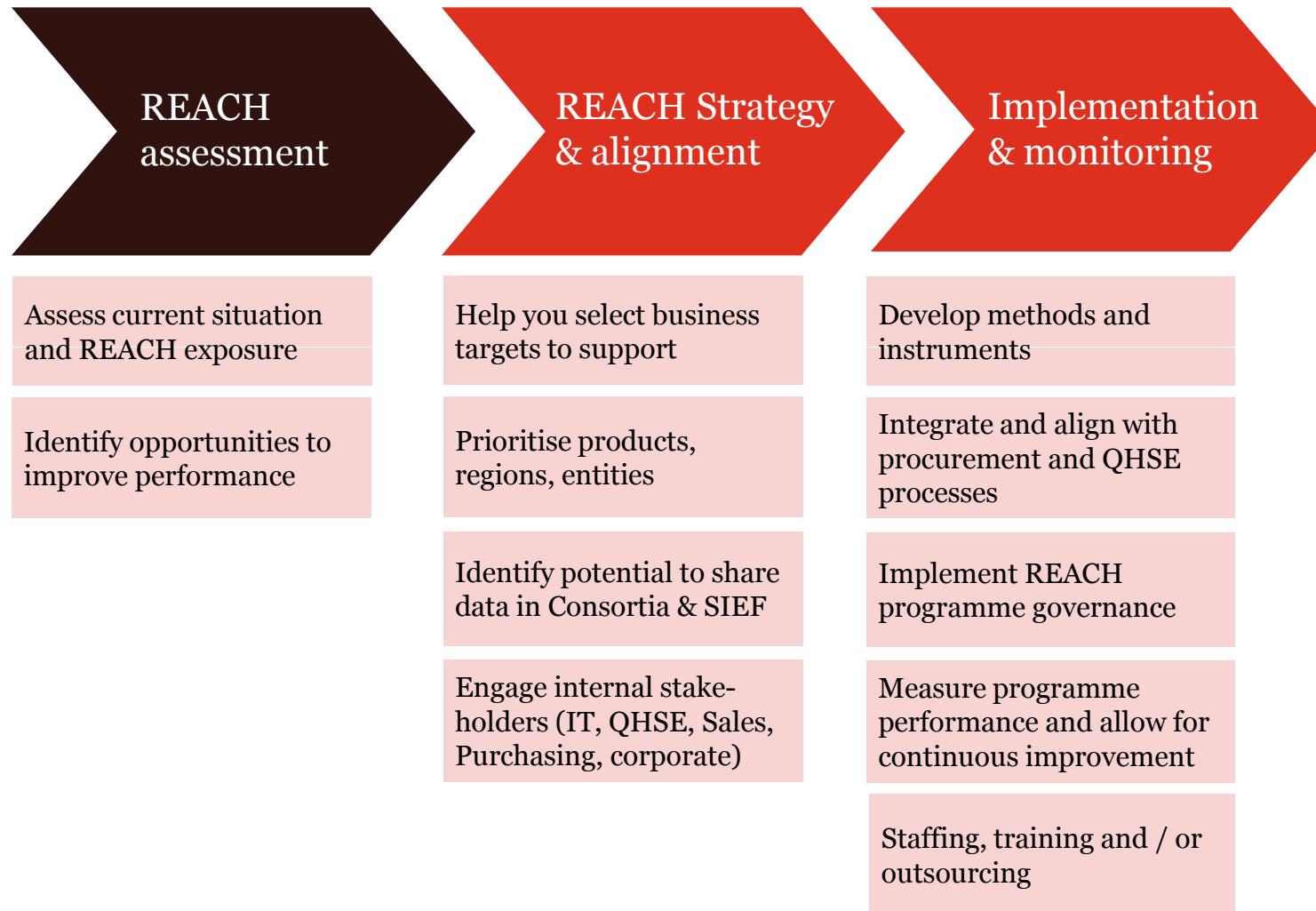
Trustee services

Dossier valuation

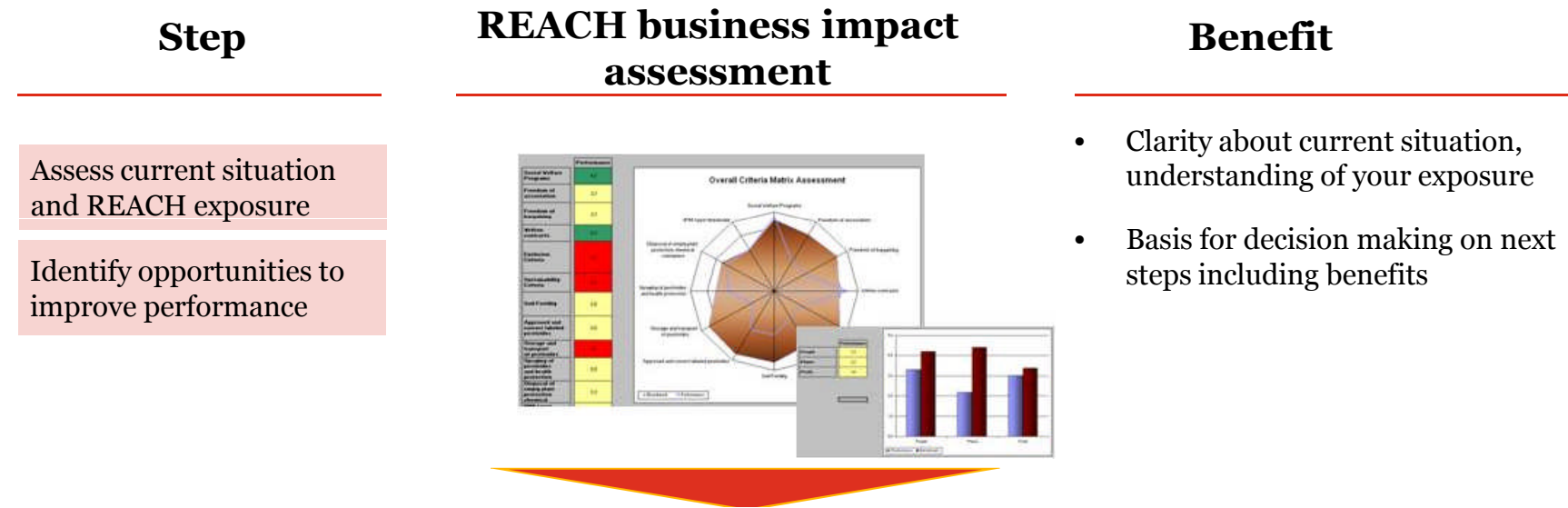
OR incorporation

Audit services

The REACH assessment is the beginning of strategy development and implementation



The assessment of the business impact of REACH to your strategy allows you to understand the benefits of our involvement



Key questions:

1. Does the key staff in your company understand your direct REACH exposure?
2. Does the business support the required investment of your REACH programme?
3. What are the barriers for REACH compliance of your suppliers ?

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