



March 2019

kp Brexit statement

On 23 June 2016, the United Kingdom (the “UK”) held a referendum in which voters approved an exit from the European Union (commonly referred to as “Brexit”). Thereafter, on 29 March 2017, the UK formally notified the European Union (the “EU”) of its intention to withdraw from the EU pursuant to Article 50 of the Treaty on the European Union. The withdrawal of the UK from the EU will take effect either on the effective date of the withdrawal agreement that will be entered into by the UK and the EU or, in the absence of any such agreement or any agreed extension to the Article 50 period, two years after the UK provided its notice of withdrawal, i.e., on 29 March 2019.

For several months at Klöckner Pentaplast (“kp”), we have been working to assess and mitigate the likely impacts of Brexit on our customers and suppliers. Although assurances have been made by the UK government regarding Brexit, the impact of Brexit and the resulting consequences on the political and economic future of the UK and the EU remain uncertain. While preparing for Brexit, including for a “no-deal” scenario, our plans must thus allow for a certain degree of flexibility.

This statement is provided to give information to our customers and supply chain partners on our Brexit preparations.

We are a global business with manufacturing plants in over 18 countries around the world. Our strong European footprint, both in the UK and across continental Europe, allows us to be flexible in these uncertain times. Furthermore, we believe we have taken and are continuing to take reasonable and appropriate precautions to prepare for Brexit. As a result, we have every expectation of being able to effectively manage and operate our business before, during and following Brexit without significant disruptions.

We are already well versed in the various procedures required to export or to import goods from continental Europe or non-EU countries, e.g., we already hold relevant Economic Operator Registration and Identification (EORI) numbers. We have reviewed our current workstreams and, considering the various Brexit scenarios, we have put in place alternative supply options and associated contingency measures to ensure as little disruption in the supply chain as possible. Whenever possible, we have also put in place action plans to maintain higher levels of stocks in our UK- and continental-based manufacturing plants. In addition, our supply chain partners are supporting us with the availability of extra forecast capacity for their products, when needed. We have considered the changes induced by Brexit and their potential impact on, notably, border delays, custom duties, costs and administrative workload, as well as the possibility of exchange rate volatility. Any impact on our prices will also be discussed with the concerned customers.

In order to ensure that our preparations are as effective as possible, we have sought the cooperation and assistance of our customers. We have asked our UK and non-UK customers to support our efforts by forecasting demand and planning in advance their order volumes for 2019, especially with respect to orders to be delivered in March-April 2019.

Eventually, with respect to the regulatory framework applicable to our business, in the event of a “no deal”, the UK government has committed to “ensure that UK legislation replaces EU legislation via the EU Withdrawal Act. Furthermore, the UK will establish a UK regulatory framework and build domestic capacity to deliver the



functions currently performed by ECHA [the European Chemicals Agency]. The legislation would preserve REACH as far as possible, while making technical changes that would need to be made because the UK has left the EU.”

EU-based *kp* entities will continue to comply with the requirements set forth in the REACH Regulation. The UK-based *kp* entities are committed to complying with the requirements of all future corresponding UK regulations.

It is also worth noting that *kp*, in its capacity as plastic converter, purchases plastic raw materials, mainly polymers. As a downstream user, *kp* is not responsible for the registration of active substances under REACH Regulation. Indeed, registration is done by our suppliers or their own suppliers which are companies in the chemical industry responsible for the registration of chemicals under REACH Regulation. Nonetheless, *kp* has always been committed to only purchasing REACH compliant/registered raw materials. We are therefore working closely with our suppliers to ensure continuous compliance with REACH Regulation and future UK legislation.

We hope that this statement answers the main concerns that you may have regarding the measures we are taking to minimise any disruption during and after Brexit. Please do not hesitate to contact your *kp* account manager or usual contact person should you have additional queries regarding Brexit.