



Notice to Suppliers

United Kingdom (UK) exit from the European Union (EU) on 29 March 2019

Originator: Gordon Tytler
Job Title: Director of Procurement, Rolls-Royce plc
Business Unit: All

NTS Number: 457
Issue: 1
Date: February 2019

For the attention of the Managing Director.

Scope/Applicability:

All Rolls-Royce plc suppliers.

Dear supply partner,

As we advised in NTS 441 on the 5th of October 2018 the UK is scheduled to leave the European Union (EU) on the 29th of March 2019 (Brexit). Although there have been extensive negotiations between the UK Government and the EU member states the exact nature of the exit and the ongoing trading relationship between the parties is still to be determined.

The UK Government has continued to release guidance to Business on the potential Brexit scenarios and their impact, and guidance on contingency planning in the event of an agreement not being reached with the EU. An event commonly termed as a 'no-deal' Brexit.

The purpose of this NTS is to firstly provide an update to you on the latest UK Government website links providing 'no-deal' Brexit advice and secondly to remind you of our expectations of your company. This being that you are taking the relevant steps to ensure continuity of supply of both goods and services to Rolls-Royce in the period leading up to and after 29th March 2019.

UK Government guidance and Technical Notices

The following section provides guidance on where to access UK Government information on the impact of a potential 'no deal' Brexit relating to the following areas:

Export Control

Currently most listed dual-use items being transferred from the UK to an entity in an EU Member State do so without the need for a licence. After a 'no-deal' Brexit this would no longer be the case and all listed items would require a licence. On 1st February 2019 the UK Government published a Notice to Exports available [here](#) enclosing the Open General Export Licence - Export of Dual-Use items to EU Member States. This licence will only come into force at 23:00 on 29th March 2019 if the UK leaves the EU without a deal. This licence should be read in conjunction with the notice 'Exporting controlled goods if there's no Brexit deal' which was first published on 23rd August 2018 and updated on 19th December 2018. It can be accessed from the same link as the Open Licence.

To minimise the disruption caused by a 'no deal' Brexit the European Commission has issued a proposal for an EU Regulation that would add the UK to the list of countries covered by UGEA001. The same terms and conditions that currently apply to the UGEA will apply after the UK has been added – see: -

[http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2018/0891/COM_COM\(2018\)0891_EN.pdf](http://www.europarl.europa.eu/RegData/docs_autres_institutions/commission_europeenne/com/2018/0891/COM_COM(2018)0891_EN.pdf)

As already notified background information regarding EU rules in the field of import/export licences for certain goods was published by the European Commission (EC) on 25th January 2018. The EC guidance can be found here: http://trade.ec.europa.eu/doclib/docs/2018/january/tradoc_156568.pdf

Airworthiness

On 14th January 2019 the UK Government issued guidance on preparing to work and operate in the European aviation sector after Brexit. This guidance supersedes the Technical Notice on Aviation safety issued by the UK Government on 23rd August 2018.

The guidance can be found here:

<https://www.gov.uk/guidance/prepare-to-work-and-operate-in-the-european-aviation-sector-after-brexit>

The guidance is supported by further information from the UK Civil Aviation Authority (CAA), on a dedicated website, which can be found here:

<https://info.caa.co.uk/eu-exit/>

An overview from the CAA on Brexit and Aviation Safety can be found on this site, as well as information related to design, production and maintenance activities.

Information from the European Commission on Aviation Safety Rules following a 'no deal' Brexit can be found at the following link:

https://ec.europa.eu/info/sites/info/files/notice_to_stakeholders_brexit_aviation_safety_rev1_final.pdf

This information sets out the position should the European Union make no legislative changes. However, on 19th December 2018 the European Commission issued a communication entitled 'Preparing for the withdrawal of the United Kingdom from the European Union on 30th March 2019: Implementing the Commissions Contingency Action Plan.' This can be found at the following link:

https://ec.europa.eu/info/publications/communication-19-december-2018-preparing-withdrawal-united-kingdom-european-union-30-march-2019-implementing-commissions-contingency-action-plan_en

The communication sets out areas, including Aviation Safety, in which the European Union is amending legislation as part of its contingency actions for a 'No Deal' Brexit. These amendments, if passed into law, will change some elements of the position stated in European Commission Notice to Stakeholders.

The EASA Brexit website provides further information supporting the European Commission Brexit Notice to Stakeholders and its Contingency Exit plan, with respect to Aviation Safety, and can be found here:

<https://www.easa.europa.eu/brexit-negotiations>

The guidance material listed above indicates where regulatory approvals for UK companies under the EASA system will not be considered valid by the EU after Brexit in a 'no deal' scenario, and where they will continue to be valid. It also explains the approach to approvals from the CAA after Brexit both in terms of approvals that will be issued by the CAA and acceptance of EU approvals in the UK. All supply partners should ensure they take any actions necessary to ensure they have airworthiness regulatory approvals consistent with continuity of supply to Rolls-Royce. It is recommended that supply partners apply for EASA 3rd country Production and Maintenance Approvals, as described on the EASA Brexit website, where this will aid continuity of supply.

As communicated in NTS 454 Issue 1 in January 2019, Rolls-Royce is planning to move to a single Design Organisation Approval (DOA), granted by EASA, for all Civil Aerospace products designed in Europe (including the UK). Approved data issued after the date of this change, planned to be by the end of February 2019, will be under the RRD DOA (EASA.21J.065). The approval status of suppliers will not change as a result of the Rolls-Royce DOA change, i.e. suppliers approved by Rolls-Royce Plc will remain approved by Rolls-Royce Plc and suppliers approved by Rolls-Royce Deutschland will remain approved by Rolls-Royce Deutschland. Direct Delivery agreements will remain valid. The opportunity may be taken at a future point when approvals are updated, to consolidate separate Rolls-Royce Plc and Rolls-Royce Deutschland

approvals into one supplier/Rolls-Royce approval. If you have any questions with regards to the impact of the Rolls-Royce DOA change on your company, please contact Rolls-Royce.

Customs Duties

If the UK leaves the EU without a deal in March 2019, there would be immediate changes to the way UK businesses trade with the EU that could impact on your business. These include:

- UK businesses having to apply customs, excise and VAT procedures to goods traded with the EU, in the same way that already applies for goods traded outside of the EU
- EU-27 businesses having to apply customs, excise and VAT procedures to goods traded with the UK, in the same way that already applies for goods traded outside of the EU

In particular, if your business currently trades only with the EU then you would have to start completing customs declarations from March 2019 and customs checks would apply to your business for the first time.

If you are VAT registered in the UK and only trade with the EU, then you may have already received a letter from HMRC which explains these changes and what businesses can do to prepare. Below is a link if you have not received it.

This also refers to further information and guidance you can access by following the links or directions in this communication, which may be helpful even if you already trade with non-EU countries.

<https://www.gov.uk/government/publications/no-deal-brexite-advice-for-businesses-only-trading-with-the-eu>

Information from the European Commission on the implications of a 'no deal' Brexit on the Customs formalities associated with the movement of goods between the UK and the remaining EU Member States can be found at the following link:

https://ec.europa.eu/info/sites/info/files/file_import/customs_and_indirect_taxation_en.pdf

REACH (Registration, Evaluation, Authorisation & restriction of Chemicals)

Regulatory issues can disrupt the supply of chemicals to any business throughout the world, by impacting the regulatory requirements placed on importers or manufacturers of chemical products, or the supply of ingredients for such products. Risks relating to this depend on the chemicals you or your sub-tier suppliers use, and where they are manufactured. The effect of these issues can be felt irrespective of where your business is located through the upstream supply chain.

Description of issue: Please read the fact sheet from the International Aerospace Environment Group: http://iaeg.com/elements/pdf/iaeg_brexit_chemical_supply_chain_risk_analysis_report_2018.pdf

Managing Obligations and Risks

Please refer to the following sources of information which can help understanding of obligations on users of chemicals, and their upstream supply chain actors such as manufacturers, importers and formulators. If these are not managed in an effective or timely manner, then mitigation action will be needed to protect continued manufacturing operations.

The following information sources are expected to be updated periodically:

European Union

The European Union has provided information to identify solutions within the limitations of existing legislation. Please refer to the ECHA Brexit Web-Site <https://echa.europa.eu/inform-yourself-on-the-negotiations>

UK Government

In a no deal scenario, the UK propose to implement a UK REACH system, which allows for some transitional arrangements. Please refer to:

- The Additional Guidance: <http://www.hse.gov.uk/brexit/uk-reach-additional-guidance.pdf>
- The associated Scenario summary table: <http://www.hse.gov.uk/brexit/brexit-chemical-regulation.htm>

Additionally, a specific statutory instrument to implement this UK system will be required, and when published may be found here: <https://beta.parliament.uk/groups/5LQ5Ar74/made-available/availability-types/laid-papers>

Finally, I would like to take this opportunity to reiterate that as a valued supply partner to Rolls-Royce, our expectation is that your business will be fully prepared for the UK's exit from the EU on 29th March 2019. We fully expect that you are taking all necessary mitigation actions required to ensure continuity of supply to Rolls-Royce, without interruption, leading up to and after that date.

NTS Category:

General Information / Communication

Authorised by:

Gordon Tytler
Director of Procurement, Rolls-Royce plc