

Regulatory Compliance Predicted to be a Major Driver of Competitive Advantage

Survey Shows Top Chemical Companies Ready for Unified Approach to Managing Regulatory Complexity

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FALLS CHURCH, Va., Nov. 4 /PRNewswire/ -- A new survey released today by CSC (NYSE: CSC) and *Chemical Week* magazine found that over the next five years regulatory compliance will advance from being perceived as a small cost of doing business to a major driver of competitive advantage. The survey, conducted by CSC and *Chemical Week*, queried senior compliance and sustainability officers at leading global chemical companies as well as five executive interviews to identify their focus on preparedness for compliance with industry regulations.

The survey revealed that sustainability programs have helped respondents refocus product development efforts, enhance their brand value, and become more competitive. In fact, approximately 75 percent of respondents said they are re-tooling their product development efforts in response to pressures from current and expected regulatory programs. "The most common business area that will be affected by regulatory complexity and change will be in product development. Most companies are gearing up for this challenge and view it as a business differentiator," said Chuck Deise, vice president and chemical sector leader, CSC.

"Akzo Nobel primarily is responding to this increasing regulatory complexity by adapting its product portfolio to greener products. The company currently classifies 18 percent of its products as 'ecopremium,' but targets an increase to 30 percent in 2015," said Andre Veneman, director/sustainability for Akzo Nobel, recently rated by the Dow Jones Sustainability Index as the most sustainable major chemicals company. "One of the big challenges is to develop ecopremium products with a lower environmental footprint." Using this strategy, Akzo Nobel is exceeding current regulatory requirements and anticipating future regulations. By working on this kind of activity now, future regulations "will not be so challenging," Veneman says.

"You can't just talk about a product being greener, it's got to be looked at from an environmental, economic, and social perspective, and you have to look at the 'footprint' value. We are trying to take a holistic approach to this. We are looking at a product's impact on climate change and resource utilization as well," said David Kepler, board member and head of Health, Safety and Environment at Dow Chemical.

Preparing for Regulations

Eighty percent of respondents confirmed the need for a universal set of capabilities to manage the increasing complexities of the regulatory environment. Half (50 percent) of the respondents have already developed a common approach for interpreting and complying with new regulatory programs while 70

percent are developing common IT capabilities and management structures to comply with the broad set of regulatory programs facing chemical companies. "Given the strategic value, we are beginning to see a major transformation in the industry to an enterprise approach with common business processes and management systems and the IT infrastructure to support this effort," added Deise.

The survey also found that most of the respondents (90 percent) anticipate that Cap and Trade legislation will have little impact on core business functions, such as financial reporting, production levels/costs and supplier costs, through next year. However, 70% of respondents felt that by 2015, Cap and Trade legislation will drive positive outcomes in product innovation, energy cost reduction, and competitive positioning.

With regards to REACH, 60 percent of respondents are confident that they will complete 2010 REACH registration requirements on time. However, the ability to manage supplier communication regarding substance use registration and Substance Information Exchange Forum (SIEF) effectiveness are major concerns. Additionally, more than half (55 percent) of the respondents are now reformulating products as a result of this legislation. "Chemical firms certainly are faced with a greater level of complexity. Rather than regulations alone becoming more complex, the chemical industry currently finds itself in a transformational phase as well," says James C. Romine, vice president, regulatory and product stewardship, DuPont. "A change of management processes is required on a number of levels, if chemical companies are to thrive," Romine says. "We'll manage the complexity of regulatory compliance, but it's the change in the business model that will have the most impact," he says.

For plant level Media and GHG reporting, most respondents indicated a focus on mandatory reporting of GHG for the EPA, defining a carbon strategy, and actively determining their company-wide carbon governance structure. Sixty-nine percent of respondents believe that their regulatory organizations are prepared to handle potential changes to Media reporting and licensing. While nearly 70% of respondents are confident they can achieve compliance with manual reporting using spreadsheets, they report concerns about their ability to manage the resulting operational changes accompanying the regulatory changes.

Illustrating the chemical industry's focus on cyber security, 85 percent of respondents have either started or completed most components of their Chemical Facility Anti-Terrorism Standards (CFATS) program strategy. However, the same respondents admit to lagging in the collection of documentation, audit preparation and site training. The respondents rated access control and reporting of security incidents and suspicious activity as the most important CFATS risk-based performance standards.

Methodology

The CSC/*Chemical Week* survey was conducted during September and October of 2009 and sampled the top global chemical companies. For complete results of the survey, visit www.csc.com/09sustainabilitysurvey.

About Chemical Week

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About CSC

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