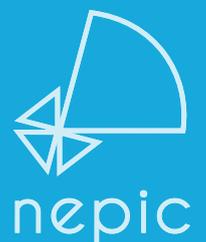


NEPIC YEAR END REPORT TO MEMBERS

Issued November
2018

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Cluster . Connect . Grow



CHAIRMAN'S REMARKS

2018 has seen significant change for NEPIC and the year-end report gives me a good opportunity to reflect and share my thoughts on 2018 with you.

It started around the time of the 2017 AGM with the recognition by the Board that we were in a very difficult financial position and that an increased level of governance would be necessary in order to ensure that we were able to operate through 2018.

It was known that Ian Swales would be stepping down as Chair around the end of Quarter 1, but the resignation of Iain Wright as CEO came as a surprise with the Board deciding quickly that the right course of action was to appoint a new CEO from within the NEPIC staff. Philip Aldridge was duly appointed following a selection process that showcased the passion, strengths and ideas that existed within the NEPIC team.

Around that time, I was elected as the new Chair of the Board to replace Ian Swales whom I thank for his custodianship of NEPIC during his time in the chair. It was not an easy time to be chair as we transitioned from the Stan Higgins era to a life without him as CEO whilst having to once again relook at our finances.

The Board proposed and it was agreed that changes were needed to its structure and composition to improve governance, board performance and representation from across the process sectors. Volunteers were sought, received and a new Board formed with effect from late Quarter 3.

Philip has made a great start to his tenure as CEO, getting to grips with the issues facing us and identifying that we must 'get back to our roots'; understand what our members value and want from NEPIC and then devise ways to deliver that. At the same time, Philip has ensured that he and his team continue to deliver against commitments already made in the shape of externally funded projects and running events such as 'Meet the Members', which once again was fantastic, many said 'best ever', bringing people together and providing a much-needed source of revenue for us.

Financially we are in a better place than a year ago but we don't have reserves to carry us through no matter what happens, and we will need to continue to plot our path forward with care. Externally, the exact shape of BREXIT is still ill-defined and therefore its impact on our industries unknown whether that is in terms of access to EU skilled workers, international trade or future legislation.

The Board, Philip and his team however are committed to working with you all to ensure that NEPIC takes its place at the centre of the process industries in the North East of England. We will reinvigorate our efforts to with members, local government in the shape of the combined authorities and LEPs, other regional and national process industry organisations such as CATCH, Chemicals North West and the CIA to influence, shape policy and promote growth in our industry and the region.

We want and need your input, help and at times efforts to do this successfully – I'm sure you'll respond.

It promises to be another exciting and interesting year!

Best wishes

A handwritten signature in cursive script that reads "Mark".

Mark Kenrick
NEPIC CHAIRMAN

CHIEF EXECUTIVE'S SUMMARY

From a personal point of view, I've had a very busy but exciting six months in my new role as NEPIC's Chief Executive. I must say I have received great support from what is now a smaller NEPIC team and from our strengthened board. It has also been very encouraging to hear so many members indicating their goodwill toward NEPIC and their range of ideas as to how we can help them.

Looking forward, I intend to reduce NEPIC's dependence of ERDF project funding as I believe this has diverted our attention away from members. However, becoming more member focused will be challenging financially, therefore we are working hard to access more appropriate sources of finance.

A greater members focus will involve retaining our ability to network a wide range of members together, although we plan to add more of a digital element to this. We intend to involve more members' employees in networking to spread the benefits of NEPIC membership more widely within each organisation. This will be especially true for younger, early career professionals.

Other areas I would like to develop would be helping members with practical aspects of innovation as well as spreading best practice within our sector. I would also like to help members collaborate across common interests such as the hydrogen economy and plastics recycling.

It is important that we also engage positively and constructively with a range of external organisations including the combined authorities and LEPs. We should be able to work together with these regional government organisations to grow the economy.

I look forward to meeting with more members as I continue to learn about the needs and aspirations within our sector. Please contact me so that I can visit your facilities, understand your businesses and how NEPIC can help you.

Thank you for your continued support of the Cluster.

Best regards

A handwritten signature in cursive script that reads "Philip".

Philip Aldridge
NEPIC CHIEF EXECUTIVE

PURPOSE & MISSION

The process industry in the North East of England is a world class, high value industry cluster based on innovative, high tech manufacturing. We are recognised as passionate and proud of our industry, region and its stakeholders.

Our mission is to help existing and future members to become successful and sustainable organisations within the process industry sector in the North East of England.

GOVERNANCE & LEADERSHIP

NEPIC is a privately owned, industry led organisation. The elements that exist within include the Board, that is responsible for formal governance including strategy, financial and operational activities; the NEPIC Leadership Council, responsible for guidance, leading issue focus groups and ambassadorship and the NEPIC team, charged with overall delivery and implementation.

GOVERNANCE & LEADERSHIP AT A GLANCE

- *Mark Kenrick, CEO at px group, is appointed Chairman in April 2018*
- *Philip Aldridge, who has been part of the NEPIC team since 2012, is appointed Chief Executive in May 2018*
- *In September 2018, the Board is strengthened to ensure overall governance and improved representation. See page 10*
- *The newly named Leadership Council agreed to provide additional support through increased guidance, the formation of Special Interest Groups and Ambassadorship*
- *The Board, with the assistance of the Leadership Council and NEPIC team, have commenced a strategic review to ensure the delivery of value adding activities for its members and the long-term financial stability of the business. This work will continue during quarter one of 2019*
- ***An ongoing annual membership price increase, based on CPI (approx. 2.5%), was approved at the 2017 Annual General Meeting, however, the Board have agreed that this increase will not be applied to 2019 membership rates.***

MEMBERSHIP

During 2018, NEPIC welcomed 60 new members to the Cluster. Along with the continued recruitment of important supply chain organisations and members of the small business community, new additions also included a number of significant organisations such as Quorn, Innogy, DuPont Teijin Films, South Tees Development Corporation, Green Lizard Technologies, Venator, Sage and Piramal, who provide the network with vital ongoing business opportunities, knowledge and influence.

In addition, NEPIC has continued to work with a further 152 companies who join us as Cluster Participants through the Innovate Tees Valley and SME Growth programmes. This figure at the close of 2017 stood at 84.

The Cluster's ability to continually attract and engage new members demonstrates a confidence in the benefits we offer, coupled with a continued and positive desire to collaborate and forge strong connections within the Cluster's footprint.

In August 2018, the team took the opportunity to review the performance and membership satisfaction levels to help identify what we do well and where improvements can be made. Results show that networking opportunities; events and meetings; sector news and business updates remain top of the list in terms of our most valued offerings.

When asked what we do well, providing networking opportunities, event delivery and promoting the region featured most highly. However, members suggested that improvements could be made by delivering more specific sector and meet the buyer themed events, in addition to offering further member-to-member promotional opportunities and business updates. Overall membership satisfaction was rated 7.2 out of 10.

Nevertheless, retention remains a challenge for the business. 49 companies resigned at the start of 2018 and, although the majority cited cash flow and resource issues as the primary reason for non-renewal, NEPIC understands the need to ensure that the value in our offering exceeds these challenges and works to deepen engagement down through members organisations.

MEMBERSHIP AT A GLANCE

- *Membership figures as of November 2018 stand at 331*
- *A further 8 companies are currently in the pipeline*
- *Several large multi-nationals joined the network*
- *152 cluster participants are accessing the network via ERDF supported programmes*
- *Membership satisfaction rated 7.2 out of 10*

EVENTS & NETWORKING

The delivery of high value, quality events that provide members with the opportunity to network, collaborate, knowledge share and identify opportunities for growth remain at the heart of our offering. Over the past 12 months, NEPIC has delivered 70 events and welcomed some 2,500 guests. The 2018 event calendar was our busiest to-date and incorporated a breadth of business and industry related themes.

Thanks to the support of our event partners, we delivered **more free-to-attend dates** than ever before and covered subjects including GDPR, BREXIT, marketing and engagement, employment law, business growth and much more. In addition, member meetings, such as Cluster Connect, Pharma Connect and Engineering Connect, continued to gain traction and provide companies with the opportunity to meet and showcase their offerings.

June's annual **Meet the Members Conference & Exhibition** saw a record number of delegates (603) and exhibitors (95). With an agenda focused on growth opportunities and industry investment, the event once again drew in a strong line-up of speakers representing the region's manufacturing base. Furthermore, 180 business exchange meetings took place between member companies and the Cluster's pool of industry mentors.

A number of significant **industry focused events** were also delivered during 2018 covering continuous processing within the pharmaceutical sector; cyber security; bioresources and the circular economy and most recently, best practice in industrial asset management.

A delegation organised by **NEPIC and Department for International Trade to India** took place in February and incorporated the India Pharma Conference in Bangalore, the Indian Chemical Council Conference in Mumbai and a series of pre-arranged meetings with major Indian process sector firms.

NEPIC's **Annual Industry Awards Dinner** continues to provide members with the opportunity to showcase outstanding business achievements and individual successes. We introduced two new awards and, thanks to the support of our sponsors, donated £16,000 to local schools for STEM education projects and a further £8,000 to young achievers and apprentices.

EVENTS & NETWORKING AT A GLANCE

- *70 events delivered providing more than 2,500 members with valuable networking and knowledge sourcing opportunities*
- *More free-to-attend business growth events than ever before*
- *Largest annual members conference to date and growing awards dinner*
- *Significant industry focused conferences covering pharmaceutical, cyber security, bio economy and asset management*
- *North East delegation to India and promotion of regional capabilities*

COMMUNICATIONS

Providing relevant promotional platforms and the distribution of information is key to the NEPIC offering, and always features high on the list of member priorities.

During 2018 the team has continued to improve existing products and platforms such as the NEPIC Directory, NEPIC website and Members' Hub, as well as working to develop our extensive database and busy social media networks.

We also carried out a review of how we could most effectively use digital communications for regular sharing of member news and updates. To ensure we offer a modern, responsive news service, we introduced two new elements to our membership offering – a new fortnightly Members' News e-bulletin and social sharing hour.

COMMUNICATIONS AT A GLANCE

- *New fortnightly members news bulletin service launched*
- *Social sharing hour introduced*
- *Increased social network followings*
- *Website developments allowing members more control and important social sharing*
- *Print directory showcases the world-leading member companies and returns to profit following an affordable advertising campaign*
- *On-line member company profiles auto-populate with posts increasing SEO*
- *Regular e-communications covering Event Round-ups and New Member promotion*

SUPPLY CHAIN & SMES DEVELOPMENT

We understand the importance of SMEs and the vital role they play in the long-term success of the region's chemical industry and therefore the success of this business community remains at the fore of our interest.

Further to the support provided through membership activities, the team has continued to deliver two key ERDF funded programmes – Innovate Tees Valley and SME Growth - both of which are in their third and final year and will end in January 2019.

The **Innovate Tees Valley** programme, of which NEPIC is a partner along with Teesside University, Materials Processing Institute and Digital City, was established to support SMEs across the Tees Valley achieve ambition and growth through service and product innovation. NEPIC's target is to support 50 process sector SMEs with 12 hours of assistance.

NEPIC is the sole deliverer of the **SME Growth Programme**. The project focuses upon supporting small businesses within the sub-regions of Northumberland, Tyne & Wear and County Durham and works to facilitate chemical-processing sector market access and ultimately business growth through mentoring and support. The final outputs for this project are 120 SMEs supported with 12 hours of assistance and 75 jobs generated as a result of NEPIC's help.

During 2018, an additional new ERDF project was approved. **Supply Chain North East** will work with businesses who want to diversify, broaden their customer base and unlock new market opportunities. RTC North is the lead partner, supported by NEPIC, Generator (digital cluster) and North East Automotive Alliance. This project aims to help 887 SMEs across the NE-LEP region, with NEPIC's involvement starting in January 2019 for three years.

Further support has been provided to members of the SME and Supply Chain community from industry mentors, Engineering & HR Connect events, the sector and technical expertise from within the NEPIC team and the SME & Supply Chain Special Interest Group that provides a quarterly forum for discussion and input into cluster-based activities.

SUPPLY CHAIN & SME DEVELOPMENT AT A GLANCE

- *81 SMEs engaged to-date via Innovate Tees Valley*
- *Delivered 10 innovation focused events and workshops*
- *Innovation support and mentoring complete for 40 companies with a further 10 in pipeline*
- *132 SMEs supported to-date via SME Growth programme*
- *Delivered 12 growth focused events and workshops*
- *Growth support and mentoring complete for 95 companies with a further 37 in pipeline*
- *Monthly mentoring support via Engineering and HR Connect sessions*

TACKLING INDUSTRY & BUSINESS CHALLENGES

The **Teesside Integrated Management Group** has continued to drive the main issues relating to the integrated manufacturing companies on Teesside. Some of the key deliverables in 2018 include a schedule of projects and shutdowns and discussions around the key themes and issues relating to construction projects, skills and education challenges, engineering, carbon capture and storage, the low carbon economy, hydrogen economy, plastics recycling and integration opportunities. The group also fed into the Tees Estuary Partnership, UK Chemistry Council, the updating of the strategy for the Chemistry using sector and the industrial strategy priorities from BEIS.

NEPIC continues to support the concept of **freeport status** within the North East, particularly in Teesside, as a means of stimulating economic activity for the region and sector after the UK has left the European Union. In addition to providing Teesside MPs with a briefing on the topic, several roundtable discussions, in partnership with Womble Bond Dickinson, have been held with manufacturing members. Discussions will continue into 2019.

Brexit, and the accompanying uncertainty regarding the negotiations, any subsequent transitional period and the nature of our future trading and regulatory arrangements with the European Union, continue to dominate the political and economic landscape. We maintain a strong working relationship with the Chemical Industry Association and are fully aligned to their priorities. Furthermore, NEPIC held a heavily subscribed to Brexit roundtable with Square One Law, providing members companies with expert insight into mitigating the effects of Brexit.

After listening to our members, NEPIC is bringing together members to discuss issues around the **Hydrogen Economy** and **Circular Economy**. Hydrogen has the ability to be a major contributor as a clean energy source for both domestic heating and as a transport fuel. NEPIC member companies produce, store and transport more hydrogen than anywhere else in the country – and several members are also using hydrogen in their chemical processes. As the UK's hydrogen needs may well increase greatly in the future, it is important that members with hydrogen expertise and technology, and the capacity to increase production, work together to take advantage of this opportunity.

Many goods follow a linear life cycle with products manufactured, sold and at end of life, are disposed of. The circular economy concept seeks to address the world's reducing raw materials and increasing pollution by taking products that have reached the end of their life and recycling them back into production processes.

One area of the circular economy that NEPIC members have a great deal to offer is in **plastics recycling**. Our membership includes many of the UK's largest plastics manufacturers, polymer technology companies, plastics recycling businesses and relevant academics, all of which have expressed an interest in working together to advance plastics recycling in the North East.

During December, NEPIC will launch a Special Interest Group focused on plastics recycling. With plastic and marine litter such a high-profile topic, we will bring members together to discuss the challenges around plastic waste and how we as an industry and region can play our part in taking responsibility for our environment – and examine the potential to make North East England a pilot for plastics recycling and how we could take this forward.

NEPIC is also working hard to identify and apply for funding relevant to the circular economy, hydrogen economy and academic – industrial collaboration in order to help members

NEPIC continues to be heavily involved in the newly named **Chemistry Council** (formerly Chemistry Growth Partnership) supporting the supply chain group. During 2018, the team worked to refocus the 2013 strategy; develop and influence a sector deal for the chemical industry and improve interaction with Government, downstream sectors and the broader community covered by the Chemistry Council.

A new 'regions' sub group of the Chemistry Council, led by Paul Booth as Chair, was also introduced during 2018. This new group will focus upon how regional clusters can support the Chemistry Council's aims; optimising cluster initiatives nationally and developing links with related clusters such as food and drink, and the medicines sectors.

In addition to this activity, NEPIC continues to press our case with Westminster about the importance of the chemical clusters to the northern economy and the need for Government support and funding.

The aim of the Chemistry Council is that the UK chemical industry further reinforces its position as the country's leading manufacturing exporter and enables the chemistry-using industries by increasing Gross Value Added contribution to the UK economy by 50%, from £195 billion to £300 billion.

During 2018, NEPIC was part of the Core Delivery Group of the **Science and Innovation Audit** (SIA) for the Northern Powerhouse Chemicals. The SIA is one of twelve such audits commissioned by the Department for Business, Energy and Industrial Strategy. The audit supports the Government's Strategy for Chemistry-Fuelled Growth.

Resource efficiency offers major economic opportunities for the European Process Industry, both in terms of cost savings as well as opportunities to offer greener products and services. **Industrial Symbiosis** is the use by one company or sector of by-products, including energy, water, logistics and materials, from another. NEPIC has been involved in the EU funded Sharebox project since 2016 that aims to increase uptake of Industrial Symbiosis and the development of a software platform to facilitate this approach. The beta version has now been launched and once at a suitable level of development, NEPIC will conduct field trials within the cluster.

TACKLING INDUSTRY & BUSINESS CHALLENGES AT A GLANCE

- *Government Sector Deal and cluster support lobbying*
- *Active and engaged Teesside Integrated Manufacturers Group*
- *Free Port status briefing for MPs and manufacturing members*
- *Regional input regarding Brexit and roundtable focused upon mitigating the risks*
- *Special Interest Groups launched covering plastics recycling and Hydrogen*
- *Core delivery group for the Science & Innovation Audit*
- *Chemistry Council support covering Supply Chain & Sub-Regions groups*
- *Actively seeking funding relevant to the circular economy, hydrogen economy and academic-industrial collaboration*
- *Sharebox Industrial Symbiosis software platform made available for testing (beta version)*

NEPIC BOARD & TEAM

NEPIC Board Members – Revised in September 2018

Mark Kenrick, px Group (Chair)
Steve Bagshaw, Fujifilm Diosynth Biotechnologies
Sue Houston, South Tees Development Corporation
Daren Smith, SABIC UK Petrochemicals
Dai Hayward, Micropore Technologies
James Robson, Entrepreneurs' Forum
Jason Barclay, Aesica Pharmaceuticals
Peter Snaith, Womble Bond Dickinson
Stan Higgins, formerly NEPIC
Martin Inskip, formerly MSD
Philip Aldridge, NEPIC (Chief Executive)
Martin Porton, RTC North (Company Secretary)

The NEPIC Team

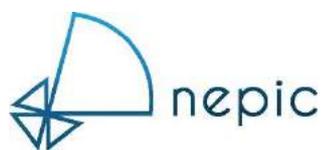
Philip Aldridge, Chief Executive
Lynne Aungiers, Office Manager & PA to CEO
Kath Birkin, Project Administrator
Louise Gwynne-Jones, PR & Communications Manager
Dawn Huntrod, Business Development Manager
Ebba McGuigan, Engagement Manager
Felix O'Hare, SME & Supply Chain Director
Victoria Pepper, Graphic Designer & Digital Marketing Assistant
Dave Robson, Project Manager
Joanne Rout, Membership Director
Amanda Rowan, Project Associate
Carole Wright, Membership Manager

ABOUT NEPIC

NEPIC is an award-winning membership cluster organisation working with the chemical-using industries in the North East of England. Together with our member companies, we work to build upon the already powerful industrial base located in the North East to make this region one of the most competitive and successful chemical-processing locations in Europe.

Privately-owned and led by industry, we support our member companies to become successful and sustainable organisations, in a collaborative business environment that helps them to grow.

www.nepic.co.uk



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This document is also available on our website at www.nepic.uk
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