

KINNARPS UK LTD – BREXIT STRATEGY

As an importer to the UK from our parent company, based in the EU (Sweden), Brexit will affect us. Kinnarps UK have formed a Brexit working group to plan for and mitigate any risks to our business. The following strategy is the result of careful planning for our business post-Brexit and consideration of the government's guidance and advice, relevant to our operations. The strategy will be regularly reviewed and amended as necessary, in order to minimize any effects the change may have on our clients and our customer service.

For each potential risk from Brexit we have defined a risk level:

- **Major**
We need to take immediate action or our business is at risk. It may not be possible to overcome this risk without significant change or financial penalty to our business.
- **Requires Action**
We will need to review the risk and take necessary actions to minimize any negative affect Brexit may have on our business due to this risk.
- **Minimal**
Although there is a potential for risk to our business, we do not consider it will impact our UK operation to any extent that will affect our customers or our profitable operation.
- **Negligible**
We do not consider this to be a risk to our UK business.

Imports

Kinnarps UK currently imports in to the UK from the EU approximately 60% of the products we provide our customers. The remaining 40% are UK sourced.

Risk: We consider the risk to our business from the perspective of Import to be **minimal** as our supply chain will not change, (we are a wholly owned subsidiary of Kinnarps AB, who will continue to supply us as normal), and we have access to various alternative UK supply chains.

UK Borders

We have undergone a review of the government guidance and used the published checklist to ensure we have completed the necessary preparations to continue importing goods (furniture) in to the UK from Sweden. These include:

- ✓ getting an EORI number
- ✓ getting an agent to make declarations
- ✓ classify our goods
- ✓ apply the right customs procedure code
- ✓ understanding that when we use a UK roll on roll off location, for example, where a Kinnarps travels through using a ferry, we will need to declare our goods before they board the ferry or train
- ✓ when importing, making a safety and security declaration before the goods arrive in the UK

- ✓ pay Customs Duty on goods

Risk: We consider the risk to our business from the perspective of UK Borders to be **minimal** in that lead time may be slightly affected – due to any delays at ports – but this would be 'built-in' to our planning lead times with customers. We do not use the channel ports (Dover, Ramsgate) which are predicted to be the 'worse hit', should delays occur, and have stock of all critical items. We expect any delays to be temporarily, and most likely to occur during the first month of 2021. Furthermore, we deliver complete products from one country (Sweden) which will also help us minimize any potential delays in custom.

Custom Tariffs

Without knowing the final outcome of government Brexit negotiations, we can only predict the outcome of a no-deal scenario and the reversion to WTO tariffs on goods.

Any tariffs implemented as a result of Brexit would be passed on to UK based clients. Clients in Eire would not be affected as we have planned logistics routes to import directly from Sweden to Eire (or via customs sealed transit in the UK).

Risk: We consider the risk to our business from the perspective of Custom Tariffs to be **requiring action** – as there is a risk of higher import prices affecting the cost of delivery and installation. The cost of the furniture product will remain unaffected.

Finance & Economic

Kinnarps UK Ltd is a wholly owned subsidiary of Kinnarps AB, Sweden and therefore trade outside of the Eurozone (Sweden, like the UK have their own currency – SEK). Although exchange rates will affect both countries' currencies, we do not trade in Euros.

Funding from the parent company will not be affected by any changes relating to Brexit.

UK client quotations are valid for 3 months. Any existing customer agreements would be reviewed at their renewal date and adjustments made if required.

Risk: We consider the risk to our business from the perspective of Finance & Economic to be **minimal**. Kinnarps AB agree a fixed rate of exchange between the Swedish Krona and UK Sterling for 12 months. Any variations will not be immediate and can therefore be planned for.

Human Resources

Kinnarps UK is not dependent on migrant workers – either from within the UK or elsewhere. 98% of Kinnarps FTEs are British nationals resident in the UK. We currently have three employees who don't hold a UK citizenship within our business. All of them are from current EU states, and have successfully applied for the EU settlement scheme.

We have undertaken an HR audit of all compliances relating to EU & UK law to ensure our policies will continue to be valid and protect our UK employee rights post Brexit. Any policy

changes required because of Brexit will be published and communicated to all UK employees.

Risk: We therefore consider the risk to our business from the perspective of Human Resources to be **negligible**

Regulation

Excluding the EU procurement directives, Kinnarps UK does not rely on specific regulations from the EU in order to specify the services / products we offer.

Risk: We consider the risk to our business from the perspective of Regulation to be **negligible**.

Summary

Whilst the outcome of the withdrawal negotiations are still pending, we are confident that we are in a strong position to operate a profitable business in the UK either with a deal between the EU and UK, or in the event of a no-deal.

We continue to monitor the situation on a daily basis in the UK, with a monthly review together with our global CEO.

Kinnarps UK Ltd
Brexit Strategy
5th of November 2020