

## KINNARPS UK LTD – BREXIT STRATEGY

As an importer to the UK from our parent company, based in the EU (Sweden), leaving the UK – and more specifically, trade arrangements following the transition period - will obviously affect us. Kinnarps UK has 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 the majority of the furniture it sells in the UK from its parent company's manufacturing sites in Sweden. Some UK specific components, such as UK specific cable management and steel storage, are sourced in the UK.

Risk: We consider the risk to our business from the perspective of Import to be **minimal** as we do not expect the supply chain to change. We are a wholly owned subsidiary of Kinnarps AB, Sweden, who will continue to supply us as normal. We will also have access to various alternative UK supply chains and can substitute products if needed. The effect on our business will depend on the outcome of negotiations during the transition period.

### UK Borders

We have undergone a review of 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. The result of the transition period negotiations could result in free-trade, WTO rules or something in between. Our preparations cover all scenarios.

These include:

- ✓ getting an EORI number
- ✓ getting an agent to make declarations
- ✓ checking if we need a licence to import goods

- ✓ 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.

### **Custom Tariffs**

Without knowing the final outcome of government Brexit transition period negotiations, we can only predict the ‘worst-case’ scenario of no agreement and reversion to WTO tariffs on goods. The current WTO tariff on office furniture is 5%.

Any tariffs implemented as a result of Brexit would be passed on to UK based clients. Wherever possible a UK sourced alternative product could be offered to match existing prices. 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 clearly 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.

### **Data**

We have followed the guidance from the Information Commissioner's Office (ICO) that sets out in six steps that a business should be taking to be prepared for EU exit.

If the UK reaches no agreement by December 31<sup>st</sup> 2020 regarding future arrangements for data protection, we foresee no change in the UK's own data protection standards. This is because the Data Protection Act 2018 would remain in place and the EU Withdrawal Act would incorporate the GDPR into UK law to sit alongside it.

Risk: We consider the risk to our business from the perspective of Data to be **negligible**. As Kinnarps complies with the Data Protection Act 2018, is compliant with GDPR and has the necessary policies in place, including a Privacy Policy, there is negligible risk to our UK business.

## **Human Resources**

Brexit transition period negotiations may result in some form of restrictive immigration regime being applied; meaning UK organisations who regularly use migrant workers will have to take measures to satisfy the needs of their business. This was confirmed as a proposed government policy ('points based immigration') in February 2020.

Kinnarps UK is not dependent on migrant workers – either from within the UK or elsewhere. The vast majority of Kinnarps employees are British nationals resident in the UK.

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**.

## **Supply Market**

In the event of changes brought about by the implementation of Brexit restricting the supply of goods to Kinnarps in the UK, we have taken precautions to source alternative UK supply options to maintain our business offering. Whilst this will not be exhaustive in terms of our full, Swedish supplied, product range; it will allow us to offer alternative core products for our typical customer orders. We must take action to ensure our UK sourced product satisfies the needs of our clients.

Government advice is to plan for a change in UK border procedures (see UK Border and Custom Tariffs) and we plan to continue to import our products post Brexit with the caveats suggested.

**Risk:** We consider the risk to our business from the perspective of Supply Market to be **requiring action**.

## Summary

Whilst Brexit presents some challenges to our UK business, we do not consider there are any major risks to our continued profitable trading in the UK. We have noted some actions required and have completed the necessary work to minimize risk in those areas.

We also believe that our competitors – whether wholly based in the UK or otherwise – also face similar risks. For example, Kinnarps imports fully manufactured furniture pieces from Europe, whereas competitors require imports of various raw materials from Europe to manufacture or assemble their furniture in the UK. The challenges are similar for all.

We do recognize there are some outcomes outside of our control – for example a risk that some of our key UK clients may consider moving their office locations to EU territories post Brexit. Whilst this could threaten our position in the UK there are two possible outcomes, both of which are positive for Kinnarps Group:

1. They move to Eire (most popular as an English speaking EU country with close ties to the UK) which is part of the sales territory of Kinnarps UK Ltd and serviced by Ergo, our Dublin based partner.
2. They move to an EU territory, and can then be serviced by a local Kinnarps subsidiary – as we have a presence in all major EU countries.

With the fluid nature of the post Brexit negotiations and transition period until Dec 2020, we will continue to monitor the situation and take any necessary actions to minimize the potential risks to our UK business as part of our monthly management review.