

exertis

Brexit Statement

BREXIT TRANSITION STATEMENT – JANUARY 2021

On 31 December 2020, the Brexit transition period ended and the United Kingdom embarked on a new post-Brexit relationship with the European Union based on the new EU-UK Trade and Cooperation Agreement (EU-UK TCA) announced on Christmas Eve 2020.

Exertis has always been determined to embrace the challenge of Brexit transition. We have set out below some of the reasons why we believe Exertis is now well-placed to prosper after Brexit, and to continue to provide our customers with the first-class service they have come to expect.

- The EU-UK TCA provides for tariff and quota-free trade between the UK and the EU, but only where goods meet strict rules of origin requirements. Many of the products traded by Exertis are manufactured in third countries and therefore may not meet rules of origin requirements to qualify for tariff-free movement under the EU-UK TCA. However, we have carefully benchmarked our list of traded products against the UK Global Tariff for imports, and the EU Common External Tariff for exports, and we can confirm that many of the product categories managed by Exertis are subject to 0% import tariffs under both the UK and EU tariff schedules. This ensures that additional costs are avoided in many cases.
- In conjunction with our vendors, we are continually reviewing our supply chains to ensure that these are efficient, and that dual tariff charges are avoided wherever possible. We continue to reassess the appropriateness of our inventory levels, taking account of the need to manage Brexit-related supply chain risks in the aftermath of Brexit transition.
- Since 31 December 2020, trade between the EU and UK has been subject to customs formalities for the first time, with declarations being required for both EU imports and exports. In preparation for this change, Exertis invested heavily during 2019 and 2020 in strengthening our import and export processes, under the auspices of an enlarged internal specialist team led by our Head of Tax & Customs and our Trade Compliance Manager. Exertis UK has imported goods from outside the EU for many years and customs formalities do not represent something new or untested for us. So we are confident that our processes are capable of handling the increase in the volume of customs declarations resulting from Brexit.
- As part of our Brexit preparations, Exertis (UK) Ltd achieved Authorised Economic Operator (AEO(C)) ‘trusted trader’ status, an internationally recognised quality standard

for customs compliance. We are pleased to note that the EU-UK TCA has provided for mutual recognition of trusted trader (AEO) schemes. As a result, AEOs such as Exertis (UK) face fewer controls relating to safety and security when moving our goods between the UK and the EU, facilitating trade flows at the border and reducing the likelihood of disruption to supply.

- Throughout the Brexit transition period, we liaised closely with our preferred freight forwarders, both in relation to their own Brexit transition preparations, and to consolidate shipments and mitigate the impact of any supply route bottlenecks.
- As the technology division of DCC Group, Exertis continues to benefit from access to significant continental European infrastructure and premises, providing a range of logistical options for servicing our partners efficiently.
- Exertis (UK) is not critically dependent on non-UK nationals in its workforce, but steps have been taken nevertheless to mitigate any potential risks stemming from the EU citizenship of any members of our staff. We have already invested heavily in automation within our 'state of the art' National Distribution Centre in Burnley, Lancashire.

We are confident that the meticulous preparations we made in the years before Brexit have ensured that Exertis (UK) is now well placed to continue to provide all our partners with class-leading distribution solutions in the future.

Exertis Brexit FAQ

1. What international trade does Exertis currently undertake?

Exertis (UK) Limited (“Exertis (UK)”) currently trades with customers and vendors in countries both inside and outside the European Union (EU).

Exertis (UK) has been exporting and importing goods to/from outside the EU for many years. Therefore, Customs formalities do not represent something new or untested for Exertis (UK). Over the past few years, Exertis (UK) has established robust processes to deal with the increase in the volume of imports and exports resulting from Brexit, and associated compliance and documentary requirements.

Exertis (UK) currently imports approximately 20% of its products from the European Union, chiefly from Netherlands, Germany, Finland, Sweden and the Republic of Ireland.

2. What impact is the new customs border with the EU having on Exertis (UK)’s trade since Brexit Transition?

EU exports: products exported to EU countries are now subject to tariffs under the EU Common External Tariff, unless they meet strict rules of origin requirements which allow tariff-free trade. The exact tariff imposed by the EU will depend on the commodity code applicable to an individual product.

EU Imports: many of the product categories managed by Exertis (UK) are subject to 0% import tariffs under the UK Global Tariff that has applied since 31 December 2020, so UK customs duty liabilities are expected to be negligible, at least for a period of time. In addition, the UK Government has provided for easements in the rules governing imports to the UK, that will apply until 30 June 2021.

However, EU imports and exports are now subject to customs declaration costs imposed according to the number of shipments crossing the UK frontier.

3. What steps has Exertis taken to mitigate the risk of trade disruption following Brexit Transition?

The likelihood of significant border disruption has been reduced by the adoption of the EU-UK Trade Cooperation Agreement (EU-UK TCA), eliminating the risk of a ‘no-deal’ Brexit outcome. However, it is still possible that some border delays may occur due to the imposition of customs formalities in EU-UK trade. Therefore, in partnership with our freight forwarders and other business partners, Exertis (UK) has taken steps to mitigate the risk of disruption at vulnerable ports of entry to the UK. In particular, Exertis (UK) now has limited exposure to high-risk Channel ports such as Dover.

We continue to review our supply chain in order to mitigate the impact of Brexit changes and to identify any refinements to our processes that might prove necessary.

Finally, we are continually assessing the appropriateness of inventory levels, to ensure that the risk of supply problems continues to be appropriately mitigated.

Although no significant border disruption has yet been reported, we are not complacent and continue to monitor the situation closely.

4. How is Exertis (UK)'s trade affected by 'rules of origin'?

The EU-UK Trade Co-operation Agreement provides for tariff-free and quota-free movement of goods between the EU and the UK, but only where goods meet specific rules of origin to qualify as EU or UK goods, as appropriate. The rules of origin are complex, but a summary may be found here:

<https://www.gov.uk/government/publications/rules-of-origin-for-goods-moving-between-the-uk-and-eu>

Rules of origin are a common feature of international free trade agreements (FTAs) and governments use them to prevent FTAs being exploited by importers seeking to avoid tariffs when they bring in goods manufactured in a third country.

In general terms, most products traded by Exertis (UK) will not meet rules of origin requirements to qualify as EU or UK goods, because in most cases they have been manufactured in other parts of the world, such as South-East Asia. It follows that tariff charges may still need to be paid in some cases when goods are imported from, or exported to, the EU by Exertis (UK). Many Exertis (UK) products fall into categories that incur 0% tariff rates anyway, but in cases where import tariffs do still need to be paid, responsibility for payment of the tariffs will be determined by the Incoterms incorporated into the sales agreement.

Unless explicitly agreed otherwise, where goods are exported under standard Exertis (UK) Incoterms® 2020 (e.g. DAP customer premises), customers will be responsible for clearing the goods through customs in their own country, and for paying any applicable tariff charges.

5. Does Exertis (UK) have Value Added Tax (VAT) registrations and Economic Operator Registration and Identification (EORI) registrations within the EU?

Yes. Exertis (UK) is registered for Value Added Tax (VAT) within the UK (GB864438791) and also has VAT registrations in the following EU Member States:

- Ireland: IE3464884NH,
- Germany: DE311467082 and
- Netherlands: NL823933969B01
- France: FR46891779761

Exertis (UK)'s EORI number is: GB864438791000

Please note that Exertis (UK) policy is to provide import clearance on a shipment-by-shipment basis.

Exertis also has a Dutch EORI number which can be used should it be required to become Importer of Record for goods into another EU Member State.

6. Does Exertis have Authorised Economic Operator (AEO) Status?

Yes. Exertis (UK) Ltd holds AEO(C) customs status with UK HMRC.

Exertis (UK) is one of a select group of just over 1,000 UK businesses that hold AEO accreditation with HMRC. Exertis (UK)'s AEO status shows that the company has implemented processes of such quality that HMRC is able to give us the seal of approval as a 'trusted trader', when it comes to the import and export of goods.

The EU-UK Trade Cooperation Agreement has provided for mutual recognition of trusted trader (AEO) schemes. As a result, AEOs such as Exertis (UK) which are recognised under either the UK or EU scheme face fewer controls relating to safety and security when moving our goods between the UK and the EU, facilitating trade flow at the border.

7. Does Exertis (UK) have a deferment account with HMRC?

Yes. Exertis (UK) operates its own deferment account with HMRC. Authorisation to use this deferment account is granted on a shipment-by-shipment basis, when customs clearance instructions are issued.

8. What import clearance processes does Exertis operate?

We operate a standard process with our freight forwarders for all goods to be imported in the name of Exertis (UK). All imports and customs clearance instructions are provided on a shipment-by-shipment basis by the Exertis Customs Clearance team.

In advance of Brexit, in order to deal with the inevitable increase in volumes, Exertis (UK) appointed a preferred customs broker to enter UK import declarations to HMRC on its behalf. Unless otherwise agreed in writing with the Trade Compliance Team, Expeditors International UK Ltd ("Expeditors") will lodge all UK import declarations, for and on behalf of Exertis (UK), to HMRC.

A copy of our updated import clearance process can be found [here](#).

9. Do new tariffs apply to goods being imported into the UK?

From 31 December 2020, the new UK Global Tariff has applied to goods imported into the UK, unless those goods meet the strict rules of origin requirements set out in international free trade agreements, such as the EU-UK TCA. Most goods imported by Exertis from the EU are manufactured in third countries and do not meet EU-UK TCA rules of origin requirements.

Nevertheless, many products imported by Exertis (UK) will still be subject to 0% customs duty rates on arrival in the UK under the UK Global Tariff, but rates can vary and will depend on the type of product and the relevant commodity code.

10. What is Exertis (UK)'s process for managing export approval and commercial invoices?

Exertis (UK) has an established export approval and commercial invoice process, which is managed by our Trade Compliance Team.

Our commercial invoices will include key information to enable a customs Export Declaration to be completed in the UK, including details of the HS code and country of origin of the goods, etc.

11. Which Incoterms® Does Exertis (UK) use?

Exertis (UK) currently operates Incoterms® 2020, which may vary from shipment-to-shipment. The specific Incoterms for a shipment will be stated either in our Customs Clearance Instructions for imports, or on our Commercial Invoice for exports.

12. Will Exertis (UK) grant enduring 'direct representation' authority to allow a freight forwarder to complete customs declarations on its behalf?

No. It is not in accordance with current Exertis (UK) company policy to sign any such enduring or open-ended requests, as they can expose Exertis (UK) to significant risk and are not a legal requirement to import/export the goods, nor are they a statutory requirement by HMRC (or as part of our AEO status) for the goods to clear the border.

For imports, Exertis (UK) policy is to provide import clearance on a shipment-by-shipment basis. This process should not delay any shipments as we endeavour to process all requests within 24 hours, subject to any queries. This robust process and the associated controls ensure that Exertis maintains its AEO(C) standards. The import clearance instructions that we provide to freight forwarders give clear and explicit authorisation to use our EORI number, deferment account and act as a direct representative on our behalf for specific shipments only. This document will satisfy all legal requirements to evidence Expeditors'

authority to act as direct representative for a specific shipment under Articles 18 and 19 of the Union Customs Code.

For exports, Exertis (UK) does not issue clearance instructions per se, but the issuing of a commercial invoice to our freight forwarder implies the same direct representation as for imports, described above.

We are satisfied that this approach will minimise disruption to imports and exports, and still preserve our AEO-standard controls.

13. What steps is Exertis (UK) taking to mitigate any potential risks stemming from the EU citizenship of any members of staff?

Exertis is not critically dependent on non-UK nationals in its workforce, but steps have been taken nevertheless to mitigate any potential risks stemming from the EU citizenship of any members of our staff, by assisting members of staff to apply for Settled Status and Pre-Settled Status. We have already invested heavily in automation within our 'state of the art' National Distribution Centre in Burnley, Lancashire.

14. Will Exertis (UK) continue to fulfil shipments from the UK to Ireland?

Under current business models and existing arrangements, Exertis (UK) is continuing to ship products from its UK warehouse to Irish delivery locations. Subject to incoterms, Exertis (UK) will typically be the Consignor / Exporter of Record from the UK, but not the Importer of Record into Ireland. Unless explicitly agreed otherwise, where orders are placed under standard Exertis (UK) Incoterms® 2020 (e.g. DAP customer premises), the customer will be responsible for clearing the goods through Irish Customs along with the payment of any associated import VAT and Customs Duty.

15. Does Exertis have a preferred customs broker?

Yes, Exertis (UK) has appointed several preferred customs brokers for both imports into the UK and exports from the UK. Details our import clearance process are available on request.

16. Does Exertis (UK) hold its own CFSP or EIDR authorisation

In line with the government's phased approach for import declarations, Exertis (UK) will work with its freight forwarders and preferred customs brokers to facilitate the clearance process of EU imported goods under their CFSP authorisation for the first six months of 2021. From 1 July 2021, Exertis will move to full frontier declarations being submitted for and on its behalf by our preferred customs broker.

17. Does Exertis (UK) have a dedicated team that handles Customs and Trade Compliance matters?

Yes, Exertis (UK) has a dedicated, knowledgeable and dynamic Trade Compliance team in-house with over 20 years' combined experience in international trade. The team is led by the Exertis Trade Compliance Manager and oversees all aspects of the import and export customs processes within the business to ensure that all the procedures are followed and in compliance with relevant legislation.

18. How are Exertis (UK)'s EU customers affected by Brexit VAT changes?

Brexit transition has changed the way VAT is applied on supplies of goods delivered to EU countries and received by EU VAT registered businesses. Before Brexit transition, no VAT was typically charged where goods are moved between EU countries and VAT-registered recipients would apply an EU reverse-charge.

Whilst no UK VAT will be continue to be applicable on export transactions, since 31 December, an import VAT charge will now arise in the EU country in which the goods cleared into EU free-circulation, as opposed to the reverse. Any import VAT due will need to be paid before the goods are released by EU customs.

Our standard Exertis (UK) terms of trade use the Incoterm 'DAP customer premises', which mean that the customer is the importer of record and liable to pay the import VAT. Some EU countries (such as the Republic of Ireland) have started to operate postponed accounting schemes allowing VAT to be accounted for through the VAT return, rather than being payable when goods are cleared. You will need to check with your local tax and customs authority regarding the payment and refund of import VAT.

In the rare exception, where Exertis (UK) is the importer of record in the EU, customers may notice that they are charged local VAT by Exertis (UK), where Exertis (UK) is VAT registered in that territory. Such VAT should be recoverable by the customer, subject to the usual rules.

19. Where can I direct further Brexit-related queries?

All queries that are not addressed by the responses above should be sent to brexit@exertis.co.uk