

# Brexit & Covid Management Policy

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## Introduction

### Brexit Situation

The UK left the European Union on 31 January 2020. We are currently in a transition period as negotiations to establish a future relationship take place. During this transition, the UK still follows EU rules and trade between the two remains unchanged. The transition period is expected to end 31 December 2020 and the deadline for extending this period has now passed, despite the current COVID-19 pandemic situation.

When transition ends, the UK will automatically drop out of the EU's main trading arrangements (the single market and the customs union) and the UK and EU will gradually revert to trading on World Trade Organization (WTO) rules to be phased in during 2021. Any trade deals the UK strikes with non-EU countries can begin from 1 January 2021.

### Covid 19 Situation

Coronavirus disease (COVID-19) is an infectious respiratory disease caused by a newly discovered coronavirus. Older people and those with underlying medical problems are more likely to develop serious illness and require treatment, increasing the demand on medical personnel and hospitals. As the disease continues to infect more people both locally and globally, the UK government has recommended various measures to maintain the nation's health and wellbeing, as well as mandating restrictions with a second national 'lockdown'.

## David Phillips Response

### Steering Committee

David Phillips has taken steps to ensure that business continues as normally as possible during the pandemic and in the run-up to, during the transition and post-Brexit. We have established a steering committee of senior management charged with reviewing all areas of our business and our supply chain to identify and mitigate risks & issues.

### Health & Safety

Throughout the COVID-19 pandemic, our chief concern has been the health and safety of our workers, customers, suppliers and the broader community. As an essential business, David Phillips will continue to operate but with the enhanced safety measures required to minimise the risk of disease transmission.

The steering committee continually monitors & revises our response in light of any new regulations, guidance and best practice, and with the overall object of acting responsibly and transparently.

Some of the precautions being undertaken by David Phillips are set out below:

- Keeping our employees well informed about the COVID-19 virus, the disease it causes and how it spreads.
- Actively encouraging sick employees to stay home; checking the temperature of staff before they start work; employees with symptoms to notify their manager immediately and avoid our offices and warehouses.
- Implementing social distancing in our warehouses and installation teams.
- Quarantining sick or vulnerable employees, or those who recently travelled internationally.
- Encouraging employees to work from home where possible to reduce transmission, including during their commute.
- Encouraging all employees to wash their hands and having an alcohol-based rub readily available throughout all offices & warehouses and in delivery vehicles.
- Moving most meetings to online platforms, reducing face-to-face gatherings.
- Our installation crew are wearing masks to reduce the spread of droplets.
- Installers are working in 'micro-bubbles' to isolate potentially sick employees from contacting with the wider group.
- Conducting sales transactions via phone, email, online chat or other such media to minimise physical meetings.
- Maintaining a diverse supply chain that allows for contingency with supply arrangements where government regulations or infection prevent manufacture or delivery.
- Regular communication with our customers, managing delay requests and assisting with installation scheduling and product options.

## Suppliers

David Phillips has implemented plans to ensure we have the stock to supply our customers.

Covid and lockdown has caused disruption throughout the supply chain, with shortages of raw materials, difficulty with transportation resulting in outages and delays. Brexit may exacerbate these problems, particularly in the event of 'no deal', with border delays expected at the end of the transition period.

We purchase from factories & distributors in UK, Europe & Far East to provide a broad variety of sources. We have revised our forecasting to add contingency to lead times and invested in building stockpiles of goods across our warehouse estate as a contingency against unexpected delays or outages. We are liaising with our suppliers to ensure they have appropriate stock levels of raw materials. We are working closely with our freight forwarders to minimise the effect of any delays and to have contingency routes from Europe and the Far East.

## Customers

Despite these extensive measures, we may have temporary difficulties in maintaining good stock levels across all product lines. We therefore encourage our customers to place orders as early as possible to reserve the stock and thus avoid disappointment. This also helps us and in turn our suppliers with forecasting demand.

## UK Borders

In the event of 'no deal' Brexit, any goods arriving from the EU will be subject to the normal customs processes already in place for our suppliers beyond the EU. We are therefore already set up to deal with the administration required. We are working with our suppliers and freighting providers to ensure that they are ready to meet the customs requirements and to have a variety of transport routes and options to deliver to the UK.

There is a risk of border delay to goods arriving from outside the EU as well if new EU customs arrangements need to be set up. It is likely there would be significant general disruption for some weeks at ports and exit points of goods leaving the UK for the EU that would affect inbound supply. Such delay is likely to affect our UK suppliers too. The measures set out above under Suppliers should minimise the impact of these delays.

## Financial Impact

We are constantly updating our analysis of the financial impact of a no deal Brexit, including increased duty and tariffs, increased cost of freight and customs administration, foreign exchange fluctuations and are looking at ways to mitigate this to ensure minimal impact on our customers.

Most of our purchases are for goods originating in the UK. The greater part of the remainder originate outside the EU where WTO tariffs are already applicable. These goods will therefore not be affected by any tariffs that may result from Brexit.

For the minority of our products originating in the EU, WTO or other tariffs may be levied from 2021. Tariffs would make EU products more costly and border checks could increase lead times. However, these impacts could be reduced by trade agreements with specific regions either during the transition period or post transition. Ultimately, if tariffs and/or increased lead times render any EU-origin products commercially unattractive, we may need to discontinue them and replace with more competitive items from elsewhere in our 2021 product range. Our Product team is monitoring this situation closely with our EU suppliers.

## Regulations

The current directives and standards governing David Phillips' products and services will still apply. Product markings may change in the event of a no deal scenario. In this case, the CE mark may no longer be applicable within the UK and may be substituted by a UK equivalent. Our Product team will ensure we comply with any regulatory change to product markings.

## People

David Phillips' operates from our UK offices and warehouses in central London, Beckton and Manchester. Our workforce is primarily sourced from the local area. The proportion of non-UK nationals will be managed in accordance with any legal or regulatory requirements, with international staff able to register for pre-settled status under the European Settlement Scheme (EUSS) by 30 June 2021. We consider our workforce to be at minimal risk and that our ability to maintain delivery in the post-Brexit environment will not be compromised.

## Conclusion

We recognise that many of our customers, suppliers and staff may have legitimate concerns about the potential impacts of Brexit and Covid and how these might affect our ability to continue trading and providing reliable customer service. We hope that the summary above shows that we are alive to the issues and we are already taking all reasonable steps to mitigate the risks. We have arrangements to monitor developments, including government guidance and industry best practice, and to react quickly to make the necessary adjustments to our plans, policies & practice to minimise the possible effects so that we can continue to operate as smoothly as possible.

If you have any questions or concerns about either the Covid 19 pandemic or Brexit, we invite you to raise them with our customer service team, our product team or HR as appropriate.