

Brexit preparations

Supplier Responses

OEMs

- Audi/VW/SEAT/Skoda/Porsche** - Volkswagen Group UK has been preparing for many months for all Brexit eventualities and we are confident of our readiness. Our contingency planning is focussed on preparedness in the following key areas, regardless of whether it may become necessary:
 - appointing customs agents to manage the import of cars and parts;
 - achieving customs accreditations to facilitate speedy flow of our goods at the UK border
 - preparing systems and process changes to enable the import of cars and parts
- BMW/MINI** - This topic remains a priority for BMW, to ensure we're prepared, which includes continuity of supply for both vehicles and parts. Whilst it's very likely that we will leave the EU on 31st January as you mention, it's highly likely that this will be with a deal agreed (following the election result) and therefore we'll enter the 'transition period'. The transition period is business as usual for BMW; we will continue to closely monitor the politics regarding any future trade agreement or a future risk of a no deal, such as at the end of the transition period and prepare accordingly.
- Mercedes-Benz/Smart** - Mercedes-Benz has the clear objective of ensuring that goods can continue to enter and exit the UK in a timely manner following the UK's exit from the EU. We are constantly monitoring the status of negotiations and have plans in place to ensure that our objective is met should the UK exit the EU without a transition period. These plans cover all relevant topics e.g. the supply and movement of goods, customs procedures and logistics.
- Volvo** - While we acknowledge the general risk to supply you have outlined, Volvo has taken a number of steps to ensure our logistical operations continue to function as efficiently as possible, whatever the outcome. This includes planning for a no-deal scenario and last year we appointed a bespoke Customs Manager to give us specialist, in-house expertise purely for this purpose.
- Hyundai** – Hyundai UK have taken in-house control of their warehouse operation that was previously managed by Unipart Logistics Ltd since 2008. And took on full management responsibility for their transport partner, XPO logistics. Hyundai UK completed a 5,000 Square metre (20,000 Square feet) extension to its existing warehouse facility to support the continued growth of the Hyundai brand and has increased the available part numbers by 10% over the last 18 months. This significant investment to the facility and structural changes are designed to bring about greater efficiencies and improve capacity and capability to ensure that future growth can be successfully catered for Hyundai, dealers and customers. The recent signing of the trade agreement with Southern Korea will greatly improve the position.
- Toyota/Lexus** - Toyota GB PLC is fully committed to the highest levels of customer satisfaction. This includes ensuring the efficient supply of both Toyota's high-quality vehicles and service parts to support our customers. The Government is currently negotiating the UK's withdrawal from the EU. Should any implications arise we would continue to make our best efforts to minimise any disruption to our sales and after sales customers in order to meet their expectations.
- Ford** – Ford is planning for a range of possible Brexit scenarios and timelines. A no-deal “Hard” Brexit – i.e. no UK-EU free trade agreement and default to a WTO tariff regime – would severely and negatively impact the UK automotive industry. This is a worst-case scenario and is

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not our current base planning assumption. Nonetheless we are monitoring the situation closely and have prepared contingency plans should the UK leave the European Union with no withdrawal agreement in place. In a no-deal Hard Brexit scenario, Ford will take whatever action is necessary to protect our business, customers, and other partners, to minimise disruption and ensure business continuity. Our contingency planning is looking in detail to maximise the opportunities available as a result of operating our own dedicated port of entry in Dagenham, which may help avoid some of the expected increases in congestion at major ports of entry, as well as the capabilities in place today for importing vehicles from outside the EU in operation at both Southampton and Liverpool ports. Ford has taken many measures to protect vehicle and parts supply however, there remain many factors that are outside of our control, therefore it is impossible to guarantee that we can mitigate against every eventuality and unintended consequence resulting from a 'no deal' exit from the EU.

8. **FCA** - Mopar is raising the parts and accessory stock level, held at the UK Parts Warehouse in Skelmersdale, by increasing the monthly stock coverage based on the forecast demand and working with the main warehouse in Italy to manage on a case by case scenario
9. **Suzuki** - short-term we don't have an issue even if it's a hard Brexit because we have a UK based warehouse however mid-term strategy depends upon what deal the UK makes with the EU. Either hard or soft Brexit, the Inventory in Milton Keynes will be assumed to be already imported into the UK, so initially we can feed from that with no affect plus we have also requested an increase in stock levels in the UK to cover the expected customs chaos. We have applied to make the UK warehouse and are debating if we should make the Magyar warehouse bonded, to allow SGB to still have full participation in the European parts hub and spoke process; this means we can transfer parts duty free between warehouses, duty is paid at point of sale and we carry on as we are today, although with higher costs as we will either have to pay duty and have a customs system or even, with no duty we will still have to have the customs system, which means we will need import / export headcount increase too. Last resort strategies:
a) Continue to operate as we are and pay 10% on everything until we can implement a customs system. b) Come out of the hub and spoke strategy altogether, receive parts direct from the factories as we did pre 2009 but that means a customs system, ERP system and additional staff (IT and Inventory Control and import / export) - The Parts GM is planning to visit Magyar in the Czech republic with SMC in a couple of weeks and will have a better understanding after this meeting.
10. **Honda** - Whilst there is still uncertainty surrounding the Brexit process, the priority for Honda Motor Europe Logistics (HMEL) remains to minimise disruption for the supply of parts to our Dealer Network. In order to mitigate any negative effects, the process may have to our supply chain, we have taken the following actions in the UK.
 - Increased the range of part numbers stocked by 13% which brings total number of items to just under 46,000.
 - Significantly increased the depth of existing stock held.
 - Revised Pan-European supplier activity/transport synergies to gain optimum supply.

As a result of these actions we expect that an average 92% of parts ordered by the UK Dealer Network will be on first allocation from our Swindon Operation. The remaining 8% of parts, for slow moving and non-current models, will be on second allocation from Belgium.

All predictions are indicating that any new customs arrangements will inevitably cause delays for inbound goods to the UK. With this in mind and in an effort to maintain continuity of supply we

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will be increasing the lead time from our Belgium Operation (2nd allocation) from 48 hours to 72 hours with effect from Monday 11th March 2019. HMEL will continue to monitor the situation and take further action if deemed necessary, in the meantime please accept our sincere appreciation for your continued support.”

11. **Kia** – the only thing to comment since the runup to the originally Brexit date of 31/319 Kia has maintained the UK-held inventory at above normal levels (c+20%), pending the developments surrounding Brexit. Therefore, we are in the same shape as a year ago.
12. **Nissan** - Since 1986, the UK has been a production base for Nissan in Europe. Our British-based R&D and design teams support the development of products made in Sunderland, specifically for the European market. Frictionless trade has enabled the growth that has seen our Sunderland plant become the biggest factory in the history of the UK car industry, exporting more than half of its production to the EU. Today we are among those companies with major investments in the UK who are still waiting for clarity on what the future trading relationship between the UK and the EU will look like. As a sudden change from those rules to the rules of the WTO will have serious implications for British industry, we urge UK and EU negotiators to work collaboratively towards an orderly balanced Brexit that will continue to encourage mutually beneficial trade.
13. **IM group** - IM group who are responsible for the aftersales parts supply on Subaru and Isuzu vehicles in the UK, have extensive experience importing and exporting across the world. In a post-Brexit environment, the only concern regarding parts availability for IM Group is at the Dover checkpoint and consequently have increased stockholding levels by an additional 6-months until the position is clarified post Brexit. The current understanding from Government is that parts arriving into the UK via a bonded warehouse will be fast-tracked. All IM Group vehicle, parts and accessory stocks are held in a bonded warehouse regime until processed or sold and this arrangement bonded warehouse authorisation has been in place for over 20 years. In addition, IM Group receive advanced warning of any changes in excise duty so can increase stockholding in advance of these changes.
14. **Renault/Dacia** – Renault UK will put in place appropriate measures to ensure that the impact of BREXIT on our business will be minimised. These will include, but are not limited to, increasing stock levels in the lead up departures and efficient customs processes.
15. **Mazda** - As Mazda is a Japanese Manufacturer with no European production, the UK’s departure from the European Union, with or without a deal will have no immediate impact on the Tariff’s paid by Mazda UK for cars or parts imported into the UK. Mazda has a Central UK based parts distribution centre which is regularly restocked from Japan and holds approximately 6 weeks’ worth of stock cover at any one time. We therefore anticipate no significant impact to supply as a result of a no deal Brexit.
16. **Peugeot/Citroen/DS** – Present indications are that it looks unlikely that there will be any tariffs collected by the UK Government for automotive parts. However, in line with industry expectations, parts prices would increase if any form of tariff was collected by the UK government. With our primary distribution warehouse and network of Distrigo Hubs, we do not foresee supply issues on parts in the short-term, given the mitigation plans that we have put in place

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17. **Jaguar/Land Rover** – no statement provided.
18. **Vauxhall** – no statement provided (do not envisage any change for the next 12 months).

Parts suppliers & independents chains

- a) **BOSCH** - Bosch has set up a project team since the beginning of last year to assess the impact Brexit will have on our business. The target is to work towards a solution which prepares the business in the event of a “no deal” being in place. This is in effect the worst-case scenario with the UK becoming a 3rd country at that point and reverting to WTO rules. A ‘no deal’ scenario is expected to have an impact on the UK economy and UK customers. Bosch pays close attention to the political developments and prepares accordingly to mitigate the above risks and comply with any regulatory changes.
- b) **Parts Alliance** - we have buffer stock in all branch locations throughout the UK’s 165 sites and the same in our central warehouse in Midpoint. All our suppliers have also increased their UK stock holdings, because of the extended Brexit Deadline we have improved our position on the March Deadline.
- c) **Euro Car Parts** - Inevitably, there continues to be uncertainty across the UK’s aftermarket sector as to the possible outcomes of Brexit discussions. At Euro Car Parts, we’ve been drawing up contingency plans for all of the possible post-Brexit scenarios for a significant amount of time. As part of our commitment to maintaining a seamless supply chain for the UK aftermarket and ensuring repairers can get any part at any time, we have invested more than £25 million in additional stock. Working in close partnership with our suppliers and thanks to our new national distribution centre in Tamworth, we’re able to maintain a continuous delivery across the UK to our 330-strong branch network. We pride ourselves on providing unparalleled levels of customer service and highly competitive prices for the UK market. Of course, at the centre of all we do is a market-leading product range and talented, highly knowledgeable and dedicated team. For us, customers remain our absolute priority and we are doing everything we can to ensure we continue to offer seamless, unbeatable service.”

Windscreens, tyres & specialist repairers

- a) **Kwik Fit** - is part of the European Tyre Enterprise (“E TEL”) Group which holds in the region of 2.25m tyres in stock across its 11 warehouses and 700+ centre network. Kwik Fit is engaged with all premium brand tyre suppliers and is not solely aligned to one which means that it can react to strategy changes by the manufacturers and fluctuations in £ Sterling. Furthermore, Kwik Fit has made contingency plans with all the major premium brand tyre manufacturers to hold additional UK stock at their locations.

All centres received a two-month additional order of oil covering the top 9 oil grades at the beginning of June this year. This move trebles the oil stock holding at all centres. Re-order of oil is on a same day/next day replenishment from our main supplier, Fuchs. Kwik Fit centres also have the option to purchase Castrol oil from ECP as a fallback, although ETEL fully expects Fuchs UK to have the necessary UK provision to cope with oil demand post-Brexit.

There are two main UK parts suppliers - ECP and PA – and as there is no alignment to one supplier nor one single manufacturer of parts, we can switch supplier or brand preference to cope with fluctuations in £ sterling. The UK stock holding of both suppliers is sufficient (across all spare parts) with over 3m individual SKU’s in stock in the UK. ETEL has an exclusive

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arrangement with both suppliers to stock additional “OE matching” parts as means of post-Brexit contingency

- b) **Nationwide Windscreen Services (NWS)** - We have taken the decision to increase our minimum stock holdings at our central distribution centre and these have already started to be implemented based on the lead times from our suppliers. We have already secured extra storage capacity to manage this. Our main distributor has increased levels on all fast-moving stock items to the following extent -for stock that comes from Central Europe, we aim to hold a minimum of 5 weeks stock in the Main Distribution centre; for stock that comes from the rest of the world, we aim to hold a minimum of 4 weeks stock in the Main Distribution centre.
- c) **Aftercare Response** - As we press ahead to leave the EU on 31st January, our position remains very much the same as our previous communication. We have invested heavily in additional parts stocking for our central stores however, at this stage, we are unsure of future import duties on parts from European partners but will communicate this once we have further information.
Should any clients require type approval for tail-lift fitments, our future approvals will come via European Community Whole Vehicle Type Approval (ECWVTA) which will reduce potential approval delays post Brexit.
- d) **National Windscreens** - In light of the uncertainty surrounding the end of the Brexit transition period, National Windscreens has in place robust business continuity plans to manage and avoid any potential disruption. Our ‘Prepared for Brexit’ programme examines the effect of various exit scenarios across all areas of our business, including:

- Customer service and supply chain
- Storage and logistics
- Systems & administration
- Employees, status and mobility

As all of our glass is imported, we have significantly increased our stock holding in the UK to mitigate against any potential disruption at UK ports. We are working closely with partners and our customers, to ensure these stock levels remain appropriate for us to continue delivering a high quality and timely service through any period of disruption in supply from the EU.

We continue to monitor regulatory, legal and data standards very closely for any possible variations that may come about between the EU and the UK following Brexit. National Windscreens will provide support to all of its EU employees undergoing the administration process required for them to continue working in the UK following Brexit.

We will continue to work with all customers, supply chain partners and our advisers over the coming months, to ensure we maintain service and quality standards throughout the Brexit process.