

## BREXIT STATEMENT

Softcat plc is committed to ensuring that we continue to provide excellent service to our customers and maintain supportive working relationships with our partners and suppliers following Brexit.

The United Kingdom (UK) formally ceased to be a member of the EU with effect from 11pm (GMT) on 31 January 2020. We are currently in a transition period, which will run until 31 December 2020. During this period, the pre-Brexit rules governing the trading relationship between the EU and the UK will continue to apply while the two sides negotiate the terms of a new free trade deal.

The UK Prime Minister has previously stated that a deal would have to be agreed by the time of the European Council on 15<sup>th</sup> October 2020 if it is to be in force by the end of the year. The EU has indicated that a deal must be reached by the end of October to allow it to be ratified by the EU Member States before the transition period expires. The last round of UK-EU negotiations concluded earlier this month without an agreement; however, a joint UK-EU statement confirmed the importance of reaching an agreement, if at all possible, as a strong basis for the future UK-EU relationship and that both parties will continue to work intensively to agree terms.

If an agreement is concluded in time, it should take effect immediately from 1 January 2021; if not (and assuming there are no extensions to the transitional period), the UK's departure from the EU will continue on a no-deal basis and, in the absence of any other agreed trade terms, WTO rules will apply to the UK's international trade.

We are continuing to monitor the progress of the UK-EU negotiations and those relating to new trade deals directly between the UK and non-EU countries. Our regular discussions with our distributors and suppliers to understand the plans they have in place are ongoing and, as we enter the second half of the transition period, we are continuing to work together to share best practice and to minimise the impact of Brexit (in whatever form) on our supply lines.

The measures we are taking will ensure the potential challenges of Brexit create minimal disruption for our customers. We will update our plans as more information on the legal basis of the post-Brexit relationship between the UK and the EU (and trade agreements with other non-EU countries) is made available but if you have any questions in the meantime, please speak to your Softcat account manager.

### FAQs:

- **Will Brexit impact product pricing?**

One of the potential consequences of Brexit is the loss of free trade with the EU and the imposition of import and export duties on goods coming into or being exported out of the UK.

Unfortunately, the lack of certainty about how this will work means that we are currently unable to provide any definitive answers on our supply chain costs. However, we believe that maintaining a strong base within the EU through our Irish office in Dublin and our Netherlands office in Amsterdam will enable us to respond quickly and positively to any new arrangements.

We are continuing discussions with our distributors about how best to manage the administrative requirements of a new import and export regime and minimise any cost increases. We can also use our EU operations and our international shipping capability to devise the most cost-effective solution for our customers.

- **What impact will Brexit have on product availability and lead times?**

During the transition period, we do not anticipate any changes to our current logistics arrangements. Lead times beyond this point will depend on the structure of any new import/export regime and how this is resourced by the UK and/or the EU at the relevant borders. However, there are a number of steps we can take, with the support of our suppliers and distributors, to help reduce any potential impact on lead times.

For example, several of our distributors and suppliers have worldwide operations so we can use their international capability to ensure that we are sourcing kit from the most appropriate location and we have seen this approach put to good use already to mitigate the impact of the Covid-19 pandemic around the world.

We remain in close contact with our distributors and suppliers and they are keeping us informed on the development and implementation of their own contingency planning. This includes making provision for alternative delivery routes, such as air freight and utilising ports around the UK.

Last year, in anticipation of a no-deal Brexit with no transition period, many of our key suppliers increased their stockholdings in the UK. If new trade deal terms (or a lack of agreement) seem likely to impact lead times, we would expect our suppliers to increase their stockholdings again to mitigate any delays. Following the impact of Covid-19 earlier in the year, stock levels are steady and largely expected to remain so; however, it is likely that there will be some restrictions and delays on some product lines as we approach the end of the transition period. We are working very closely with manufacturers and distributors and will continue to do so to address this issue. We will also continue working with our customers to look at early commitments, prioritisation, bonded stock, alternative lines, and more, to help to eliminate these risks.

If you would like to find out more about international shipping and how we can support your business in managing lead times, please speak to your Softcat account manager.

- **How will Brexit affect data and GDPR?**

The UK is no longer a member of the EU but the UK Data Protection Act 2018 (which implemented the EU General Data Protection Regulation into domestic legislation) remains in force. During the transition period, the GDPR will continue to apply in the UK. The Information Commissioner's Office has also confirmed that UK businesses are not required to appoint a European representative during this period.

The extent to which personal data can be transferred between the UK and the EU and between the UK and non-EU countries after the transition period ends will depend on the terms of any new trade agreements and whether or not the UK is deemed to be an "adequate" country for the purposes of protecting personal data. We are continuing to monitor the advice from the Information Commissioner's Office in this regard and will continue to update our processes accordingly, including amending our customer and supplier contracts to incorporate the standard contractual clauses where necessary.

- **How will Brexit affect your staff?**

We are monitoring changes to immigration rules and how this may affect our ability to recruit from overseas. However, we do not anticipate that Brexit will have any significant impact on our operations or our ability to provide continuity of service to our customers.

- **What steps should we be taking now to prepare for the end of the transition period?**

We recommend that, in light of the potential uncertainties around future trade arrangements, you evaluate your project priorities and pipeline work and consider your requirements in relation to those projects. You may wish to consider making early commitments on those projects, or at least forecasting your requirements and talking to key suppliers at an early stage, to allow you more time for contingency planning to make sure any changes to import and export processes won't derail your projects.

We may be able to secure flexible finance agreements to bridge any budget gaps which may arise as a result of bringing forward projects/stock orders. Please let us know if you require further information on this.

Bonded stock arrangements may be useful in helping you manage your stock requirements, particularly in relation to any critical stock. This enables you to call off the stock as and when you need it, so you can avoid the risk of delays in fulfilling your business as usual requirements and any



additional project demands. Softcat has recently expanded our own warehousing capability so we have multiple options available here, including internal stock holding and the ability to hold stock with our distributors.

As always, we're here to help so please let your Softcat account manager or your main contact at Softcat know if you have any specific queries or concerns.