

Date: 16/10/2020

Brexit statement – October 2020

Dear Customers and Suppliers

The United Kingdom has now left the EU and is heading towards the end of the transition period on 31st December 2020.

The steel industry is at the heart of the UK economy and the requirement for steel in key national infrastructure projects continues. We believe that the UK government will make the transition as frictionless as possible whilst helping to maintain key supply chains. During the last 12 months we have continued to plan for the various Brexit scenarios – including a no-deal Brexit - in order to remain as agile as possible.

Kloeckner Metals UK has taken a range of preparatory steps, including the following:

- mapping out our supply chain
- identifying alternative domestic sources of material to replace delays in EU-based sourcing
- obtained an EORI number
- maintained a robust and diverse stock range
- documented our custom codes/goods classification
- obtained professional advice and training on potential VAT/customs changes.

As a company we understand the demands of domestic and international trade and we have every confidence in the skill and expertise of all of our staff to be able to cope with any changes in import and export procedures.

The key impact areas for Kloeckner and our supply chain continue to be the importing of steel, the outcome of the Irish border agreements, potential tariffs or quotas, CE marking and fluctuations in foreign exchange rates. Taking each of these in turn:

Kloeckner Metals UK has strong relationships with domestic suppliers for the majority of our metals products and so this reduces the impact of Brexit.

The Irish border situation is still not fully resolved, however we understand that from 1 January 2021 the NI Protocol means that for trade between Northern Ireland and the Republic of Ireland there will be no border checks, no customs declarations, no tariffs and no changes to VAT.

While Northern Ireland will continue to follow EU rules, the rest of the UK will stop doing so after 31 December. That means, in order to comply with EU requirements, some checks will be needed on certain goods entering Northern Ireland from Great Britain (England, Scotland and Wales) - creating a regulatory and customs border in the Irish Sea.

These checks are needed to ensure:

- any taxes, known as tariffs, on EU-bound products are paid
- goods (such as animal and food products) comply with EU standards

The extent of checks at Northern Ireland's ports is still to be agreed. We continue to monitor the Northern Ireland situation both internally and also with an outside specialist which means that we will adapt quickly should the need arise.



The UK will have its own steel import safeguards measures from Jan. 1, 2021, similar to those already put in place by the European Commission, according to a document released by the UK Department for International Trade (DIT) on Sept 30. The new import quota rules mirror those of the EC insofar as they will be quarterly and on a country-by-country basis, but important issues have yet to be addressed, for example what the quotas will be, whether quotas will be allocated to products originating from the EU, and if the EU will be treated as one 'country' or as 27 individual countries.

As in the EC measures, the new UK measures stipulate that where the relevant quota is exhausted for a specific country, imports from that country can access the residual tariff-rate quota for the same product category. This provision shall only apply during the last quarter of each year of application of the definitive tariff-rate quota. Again, this is something that we are monitoring closely with our Brexit task force.

In terms of CE marking Kloeckner Metals UK is covered under current EU Regulation 305/2011/EU until January 2022. KMUK is already working with our accrediting body, SCCS, in readiness to adopt the new UKCA mark certification commencing January 2022. Kloeckner Metals UK Westok have undertaken full accreditation through the NSAI (National Steel Association of Ireland) to ensure that dual certification is held. This will enable Westok to continue to use the CE mark once the Jan 2022 deadline has passed to ensure continuity of supply to our customers outside of the UK.

We continue to take an informed, risk averse approach to foreign exchange and use hedging instruments where appropriate.

Finally we would like to reassure all customers, both domestically and internationally, that we will continue to work tirelessly to meet your requirements. Should you have any further specific needs or concerns, please do not hesitate to get in touch with your normal point of contact within Kloeckner Metals UK.

Barrie Salter
Director

