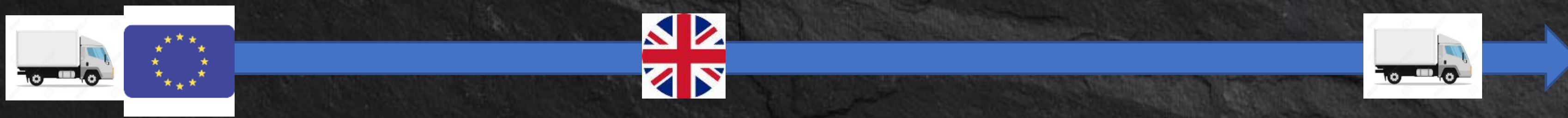
Brexit

Planning for all outcomes

#StrongerWithBrakes

High level Brexit risks and potential mitigations

Roughly 30% of food consumed in the UK comes from the EU



Producer	Border	Primary distribution	Secondary distribution	Outlets
<u>Risks</u> ▪ Suppliers prioritise EU customers ▪ Winter sourcing	<u>Risks</u> • Lack of knowledge of new procedures leads to delays and cost	<u>Risks</u> • Delays as product held up in queues at port • Circular nature of trade	<u>Risks</u> • Delays in Kent. • EU staff shortage	<u>Risks</u> • EU staff shortage. • "Lack of choice" on fresh • Tariff** / cost impact
<u>Mitigations</u> • Stock building & consignment via Dunkerque site • Regular communications • Clarity in incoterms • Heat treated pallets	<u>Mitigations</u> • Supplier best practice guide & communication • KPMG workflows • Expertise gained from own export business • Alternative crossings (e.g. DFDS and own fleet)	<u>Mitigations</u> • Contingency plan per SKU / Supplier • 6K pallet stock build • 3rd party storage • 3>4 weeks on longer life • Fresh Direct joint plans • Frozen options on chilled • UK sourcing where feasible	<u>Mitigations</u> • Previous contingency plans (e.g. Operation Stack) • Communicate Withdrawal Agreement assurance to staff	<u>Mitigations</u> • Communication to staff • Menu flexibility

Supported by end to end "war gaming" of different outcome scenarios: i) no deal, ii) acrimonious deal, iii) deal.

Likely Brexit Timeline

Risk Rating	November	December	January	February	March
	Green	Green	Amber	Red	Red
Calendar Events		➢ Christmas		➢ Valentines' Day ➢ Half Term (last 2 wks)	➢ Mothers' Day (14^{th}) ➢ Easter (Apr 4th)
brakes a Sysco company	➢ Ambient / frozen stock build >4 weeks ➢ Fresh Produce moves to winter season (EU based) ➢ Brakes sourcing UK alternatives or different supply routes	➢ Chilled contingency lines bought in & sub products agreed ➢ Final communications ➢ Preparations for new customs paperwork & checks	➢ Daily Brexit team calls ➢ Stock holding mitigation for any ambient / frozen supply delays ➢ Advising customers of alternatives if there are chilled shortages	➢ Initial stock build starting to deplete ➢ Longer queues in Kent ➢ Pressure on UK supply ➢ Tariff impact (if applicable) now impacting end to end supply chain	➢ Further support from Sysco / Constellation ➢ Ensuring Brakes UK is prioritised
HM Government	➢ Fishing, State Aid, Regulations, NI Protocol ➢ Deal vs No Deal delta narrowing	➢ Deal approved across UK and 27 EU parliaments ➢ Clarity on tariffs ➢ Clarity on GB / EU customs ➢ Clarity on GB / NI checks	➢ Project Brock enacted ➢ New IT border infrastructure in play ➢ Mitigation from reduced volumes	➢ Dover / Calais running at 45-65% capacity ➢ Long queues of lorries in Kent	➢ Dover / Calais running still only at 45-65% capacity ➢ Longer queues of lorries in Kent

- **Brakes / KPMG "war gaming" suggests biggest disruption around Feb / March as stock builds run down, lorries are increasingly stuck in Kent queues and demand grows towards Spring foodservice events.**
- **Brakes cross functional team is practised / ready to ensure continued supply. We believe our preparations are the most advanced across the industry.**

Jan 1^{st} unremarkable as volumes low, but pressure mounting through Feb and March

Brakes’ Brexit preparations

7 cross functional work-streams coordinated centrally

1	2	3	4	5	6	7
Communications	**Stock Build**	**Chill Contingency**	**Import**	**Export**	**Tariffs**	**Distribution**
➢ Customer updates ➢ Impact assessments completed per customer ➢ Supplier updates / requests / checks ➢ Colleague comms ➢ Brexit response team in place from Jan 1st ➢ Exec Committee “war gaming” ➢ Expert 3rd party support from KPMG consultants	➢ Long life imported product stock build ➢ 6K extra pallets built over 8 weeks (Oct/Nov) across frozen and ambient ➢ Brakes holds c3 weeks’ average stock – 6K pallets increases to 4 weeks on higher risk lines ➢ Stored at Brakes / 3rd party depots ➢ Sufficient to maintain availability if up to 7 days’ delay ➢ “Master file” SKU list shows country of origin, risk status + contingency	➢ Highest risk to availability as short shelf life ➢ Joint working with Fresh Direct ➢ Managing summer to winter change ➢ Sourcing from UK where feasible ➢ Product substitutions suggested by Brakes chef teams and added to “Master file” ➢ Dover / Calais pinch point – alternative DFDS via Holland	➢ Joint working with KPMG ➢ 30% of range is EU sourced ➢ Majority purchased as “Delivered Duty Paid” (DDP) ➢ Working sessions with import suppliers covering: ➢ Customs papers ➢ Veterinary + Phyto-sanitary checks ➢ Heat treated pallets ➢ VAT treatment ➢ Key ingredients ➢ Consignment stock held in Dunkerque, paperwork completed via 3rd party	➢ Specific relevance to customers operating in Ireland ➢ Requirements likely from day 1 (whereas UK Govt may relax some import processes) ➢ 950 product packaging changing to include EU address ➢ France to Ireland supply route ➢ Commodity / Meursing codes updated ➢ Process for export checks + paperwork ➢ 1K extra pallets in Park West	➢ Resolved by an EU/UK deal ➢ If no deal, then UK’s own tariff schedule applies ➢ Lower impact than full WTO but material on proteins / certain commodities ➢ UK sourced prices likely to rise on impacted ranges ➢ Detailed work with KPMG to isolate highest risk areas ➢ Ingredients as well as products ➢ Procurement team seeking alternatives via Sysco global ➢ Stock build to delay impact	➢ Process built for correct treatment of Kent Access Permit ➢ Even if UK Govt relaxes import controls, delays still likely as lorries get delayed on return to EU ➢ Customer deliveries ex Aylesford depot ➢ Alternative routes to avoid M20 scoped ➢ Priority given to Education / Health sectors ➢ Some “slack” likely given reduced volumes post COVID