

Business Resilience – COVID and Brexit Preparations

13 August 2020

apetito UK developed a successful and robust resilience plan for a potential no-deal Brexit in 2019. These principles were extended to mitigate the challenges of the Coronavirus crisis, which led to exceptional levels of customer demand. We are now refining our planning for EU Exit on 31 December 2020 and the potential impact of any Coronavirus second wave.

The Brexit transition period is due to end on 31 December 2020. In the event of a negotiated deal which allows continued frictionless trade, we do not anticipate any significant impact on our business. However, we are preparing on the basis that we leave without a deal or the deal arrives too late to allow sufficient time to adjust.

We are very conscious of the sensitivity of our customer base – hospitals, care homes, meals on wheels, nurseries, schools and older people in their homes – so have committed substantial funds and resources to risk mitigation. We believe we have addressed the risks as far as possible, endeavouring to support our customers whatever the circumstances.

Contingency Plan

apetito are proud supporters of the British and Irish food and farming industry and have substantially increased our level of domestic procurement in recent years. However, Brexit has major implications for the entire UK food industry as the food chain is significantly dependent on EU supply. In addition, we could face further supply chain pressures in the event of a Coronavirus 2nd wave.

We are, therefore, in the process of finalising a detailed contingency plan based upon a detailed analysis of our finished goods and raw material/packaging supply chain. We start from a very strong position, having built an average of 6 weeks of finished goods stock cover to protect our customers during COVID-19. We will update this statement with our plans for further stock build in the coming weeks.

Costs

Due to the high level of uncertainty, it is possible that we might see changes in costs arising from market conditions. Potential impacts include:

- Import tariffs
- Changes in exchange rates
- Border delays/restrictions
- Supply Chain challenges in both raw materials and movement of labour

We believe it is difficult to predict the impact on food raw material costs at present. Regardless of whether a material is UK sourced or imported, market prices could change if there is a shift in supply and/or demand. In addition, for food products subjected to tariffs, some items may have import free tariff quotas. This means that actual price impacts are uncertain.





Should this happen, we would respond accordingly. Please note that we're not predicting such a particular outcome – simply acknowledging the possibility.

Our Team

We employ a substantial number of EU nationals in our team. Naturally, we want to retain these valued team members and to date we have not experienced any higher turnover in this respect.

In March 2019, we met with every individual to reassure them, to provide information and to address any issues or concerns. We will continue to support staff and provide information to help them with their applications for “settled status”. The Government has confirmed that there will be no change to the rights and status of EU citizens living in the UK until 30 June 2021.

We feel confident this will enable us to retain the vast majority of our team. It is worth noting that the high quality of our employment offer (such as our “Real Living Wage Employer” status), has helped us to achieve a far lower staff turnover than is typical in the food industry.

We will continue to monitor the situation closely and adjust our plans accordingly, providing regular updates to this statement, including progress of the contingency plan, as we move closer to 31 December 2020

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