

GETTING READY FOR BREXIT

Customer discussion document

Last Updated: August 2020



AGENDA

1. **Current Brexit Status**
2. How DHL Express is Preparing
3. How you can prepare your business for Brexit



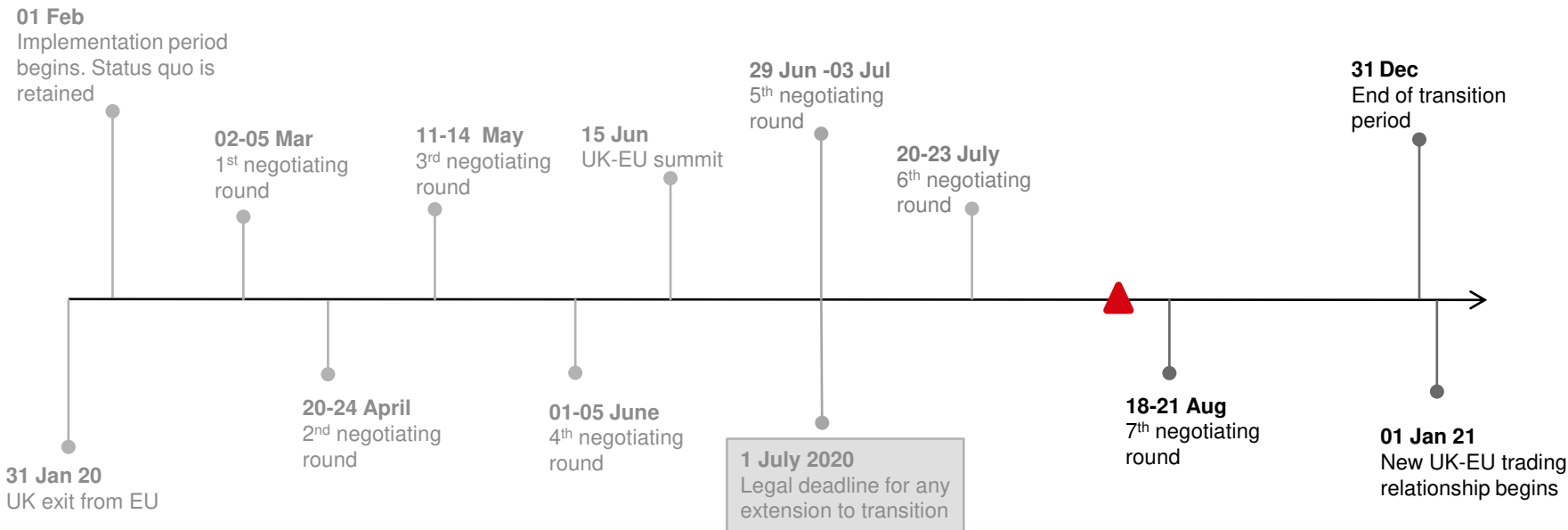
1. CURRENT BREXIT STATUS

BREXIT



Brexit Timeline: Political Milestones

UK-EU trade negotiations on-going



SUMMARY OF CURRENT SITUATION (1/2)

Our expert taskforces in the UK and Europe have been assessing every aspect of Brexit for more than 2 years now, considering all implications for trade in goods.

As international specialists, we're already in a strong position with our existing customs teams, network capabilities and experience in tackling such challenges.

OUR SUMMARY:

- The UK left the European Union on **January 31st 2020**.
- The **transition period** agreed in the Withdrawal Treaty started on February 1st 2020 and is to end on December 31st 2020.
- During the transition period the **EU and UK negotiate a new Free Trade Agreement (FTA)**. The aim is for both parties to reach a comprehensive trade agreement, as described in the Political Declaration. As this endeavour is challenging in such a short period of time, trade relations could potentially fall back to World Trade Organization (WTO) standards.
- During the transition period the **current legal status quo continues to apply**, and the UK is treated like a EU member state without the right to participate in the block's decision-making.



SUMMARY OF CURRENT SITUATION (2/2)

Throughout the transition phase, our cross-border business remains unchanged.

Across the business we are making significant and continued investment with the aim of maintaining service post-Brexit, regardless of the future trading arrangements between the UK and the EU. There are still a number of critical questions about the way goods will move across borders between the UK and the EU, and importantly the different arrangements that will need to be put in place between Great Britain and Northern Ireland.

- Notwithstanding the still unknown operational details in the areas of customs, employment, road transport and aviation, our planning continues based on the assumption that the post-Brexit trade scenario will include customs and border formalities between the UK and EU and also between Great Britain and Northern Ireland following the implementation of the Ireland/Northern Ireland Protocol.



Current Brexit Status: The **Transition Period** (1/2)

During the transition period (i.e. until December 31st 2020) there is no change to how we currently operate, everything remains the same.

This means:

- No customs, no changes to the current trading regulation;
- No controls at the EU and UK border;
- Free movement of persons and employees taking place according to the existing rules - the identity card will still be a valid travel document;
- No restrictions on road transport;
- No need to adapt exported goods to other standards;
- No need for additional certificates;
- No need to submit customs declarations, apply for licenses, meet different sanitary or phytosanitary requirements;
- No restrictions on the free movement of capital;
- Continued mutual recognition of qualifications.



Current Brexit Status: The Transition Period (2/2)

- **In practical terms the transition period will end on December 31st 2020.** The UK will become a third country for the EU and thus restrictions would be in place. These will relate to borders and the need to comply with customs and other requirements in movement of goods.
- **From January 1st 2021** the terms of economic cooperation between the two entities are supposed to be dictated by a new Free Trade Agreement (**FTA**). Customs controls will apply but Customs Duties may be completely eliminated. However, VAT and excise rules will be levied.
- In the case an FTA is not reached, the economic relations between the EU and the UK will be governed by the rules of the World Trade Organization (**“no-deal” Brexit**). Customs rates will apply as currently for third countries, the rules for settling VAT will change, the rules for collecting excise duty will change.

No matter “deal” or “no-deal” – these and many other obstacles to trade would constitute new realities on the EU27 – GB route.



Current Brexit Status:

The Northern Ireland Protocol (1/2)

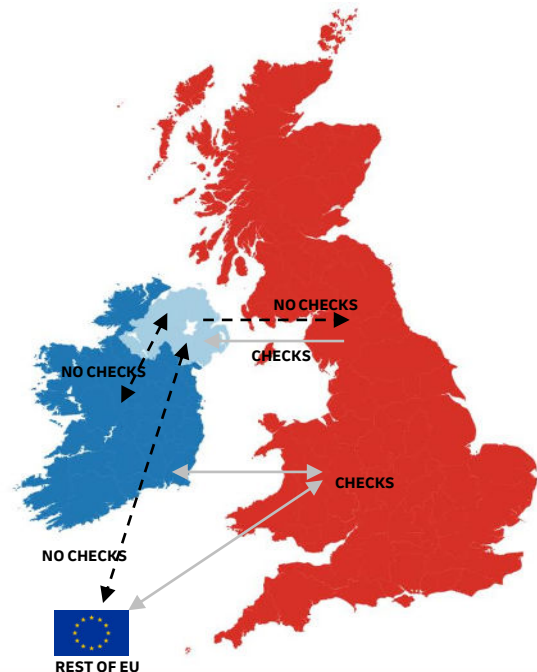
What does the Protocol say?

- Protocol is designed to be a “fully legally operative solution.” It will come into force from 01/01/2021.
- NI remains in the UK’s customs territory, but aligns with EU Single Market rules.
- NI will remain in the UK VAT area, but in alignment with EU VAT rules (including access to EU’s IT system).

What does it mean generally?

- No customs procedures, regulatory checks of tariffs on Northern Ireland (NI) to Rest of Ireland (RoI) trade (and vice versa).
- Goods moving from GB to NI will be tariff free, unless they are “at risk” of entering the EU. Goods moving from RoI to NI “at risk” of entering GB will face tariffs.
- The extent of customs procedures and regulatory checks for goods moving between GB and NI are subject to agreement between UK and EU.

current working assumption



Current Brexit Status:

Northern Ireland: Additional Guidance (2/2)

published 07 August 2020

NI to GB

- No import declarations
- No exit summary declarations for goods leaving NI (**subject to formal agreement by the UK-EU Joint Committee**)
- No customs or regulatory checks
- Where special procedures are used, e.g. transit, no additional facilitations will apply.

GB to NI

- “At risk” goods yet to be defined. The “ultimate destination” of the goods will be relevant.
- **Optional, free to use Trader Support Service (TSS) will be available from September.**
- No UK customs export declaration or UK S&S exit summary declaration required
- EU entry summary declaration required via ICS (NI)
- **“Specific solutions” for authorised traders to limit impact of SPS checks**

NI to EU

- No substantive change for the movement of goods between NI and EU Member States (including Ireland).
- **No customs checks or requirements**
- **No tariffs, nor checks on rules of origin**
- No discrimination against Northern Ireland goods by EU member states

NI to RoW

- The current processes for trading with RoW will continue to apply
- NI to benefit from any FTAs the UK agrees

Acronyms: NI = Northern Ireland; GB = Great Britain; EU = European Union; RoW = Rest of World

2. HOW DHL EXPRESS IS PREPARING



As **International Specialists**, we're already in a strong position

We already have a number of key differentiators and all the expertise needed to support you through Brexit:



3000+
dedicated customs
professionals



50+ million
customs transactions
each year



60+
bonded or customs warehouses
in the EU and the UK



AEO
DHL is an Authorised
Economic Operator



WHAT IS AEO?

- Authorised Economic Operator (AEO) status is an international quality mark for companies whose customs processes are trusted, secure and efficient
- AEO enables us to leverage simplifications in Customs processing which facilitates goods release from Customs and allows deferred payments

What is DHL Express doing to **prepare for Brexit**?

Our Brexit Taskforces in UK and Europe have been in place for more than 2 years to ensure the DHL operational readiness

DHL Express – Brexit taskforce workstreams



DHL is active with **political engagement**

DHL is working closely with the EU and the UK legislators, to help them understand the complexity and implications of Brexit terms on businesses, highlighting issues and calling for terms that are in the interest of our organisation and our customers.



CUSTOMS

- Simplified declarations
- Inland pre-clearance
- Use of periodic payments
- Use of simplified procedures / processes post-BREXIT.



ROAD HAULAGE

- Maintenance of current road market access as much as possible
- No rationing of international freight permits and mutual recognition of driving licences and driver qualifications & vehicle standards
- Light touch international trailer registration



PORTS INFRASTRUCTURE

- Allow for inspection away from the border
- Reduction in checks for agrifood (Sanitary & Phytosanitary goods) on both sides of the border



AVIATION

- European Aviation Safety Agency (EASA) and UK Civil Aviation Authority (CAA) membership
- Conclusion of an Open Skies Agreement between the EU and the UK and protection of investment by EU citizens in UK carriers
- Agreement providing for the mutual recognition of cargo security

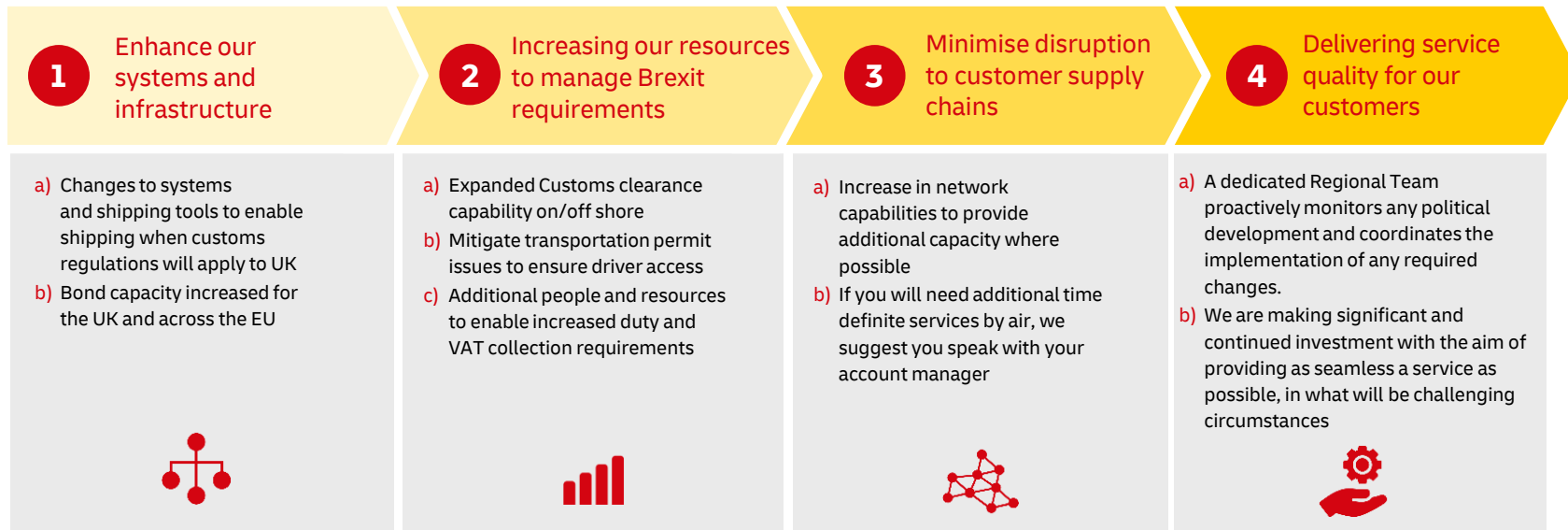


IMMIGRATION

- Simple visa requirements for key workers

DHL Express Implementation Planning

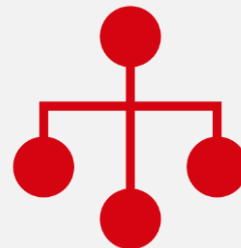
We are enhancing our DHL infrastructure & increasing resources to ensure a smooth Brexit transition without disruptions



1 Enhance our **systems and infrastructure**

We are currently implementing the following actions:

- **Standard Shipping Tools:** Our IT systems have been reviewed and development taken place to ensure all systems are ready for product code changes and to accept line item information to facilitate customs clearance. This includes our electronic shipping tools. Changes required to our standard shipping tools, such as MyDHL+, will automatically be in place ready for Brexit.
- **Bespoke Shipping Tools:** If you currently have a bespoke IT shipping tool (EDI or API) or use Shipment Import within EasyShip, we suggest you speak with your account manager or the ESS Helpdesk to discuss the development needed. We have a guide available outlining the system changes you'll need to make. If you're only shipping to the UK or within the EU currently, we recommend you get in touch with us.
- **Bond Capacity:** Increasing bond capacity in the UK and EU. Additional bond space has been sourced and our existing bonds are being expanded. This will allow us to handle the increased number of bonded shipments we're expecting if Customs requirements are applied to/from the UK.



2 Increasing our **resources** to manage Brexit requirements

Managing the impact of changing regulations

- **Customs:** We currently anticipate the need to employ and train hundreds of additional customs agents and support staff, both onshore and offshore, to manage and process additional customs entries.
- **Operations:** Additional resources for Duty & VAT collections, additional couriers, operational processors and support staff.
- **Vehicles:** Investment in vehicles and equipment for the additional couriers.
- **Customer Service:** Additional customer service advisors to support with an increased volume of queries.
- **Permits:** We are ready to apply for ECMT* permits for our drivers, as well as for International Driving Permits, in the case it will be required.

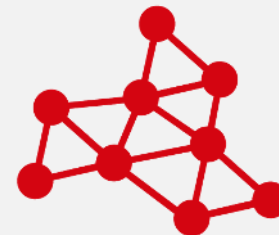
**ECMT – European Conference of Ministers of Transport*



3 Minimise disruption to customer supply chains

Preparing our network for the post-Brexit:

- We are exploring the option to introduce **greater capacity** to our own air network, as well as looking for **alternative road entry/exit** points to/from the UK.
- We are also reviewing our **line haul and sort hub** capabilities & timings **against customs-clearance deadlines** and exploring mitigation measures in the case the bottleneck is identified to be customs clearance capacity on the side of Customs authorities rather than freight capacity.
- **Moving day definite material to time definite air network (where compatible)** could be considered as a contingency measure to avoid potential delays at the Brexit moment, or as a permanent change to your supply chain model for goods destined to the UK/EU after Brexit. If this is the case, we recommend you discuss this with your account manager well ahead of time.



4 Delivering **service quality** for our customers

We are investing to maintain the standard of our service post-Brexit

- During the transition period a dedicated Regional **Team monitors pro-actively any political developments** and coordinates the implementation of any required changes to the network.
- Across the business we are making significant and continued investment with the aim of providing a **seamless service as possible post-Brexit**, in what will be challenging circumstances.
- As a consequence of changing conditions triggering operational adjustments and impacting on our operational costs, we expect changes in our terms & conditions.
- We will keep you duly informed of any developments that may impact your shipments.



3. HOW YOU CAN PREPARE YOUR BUSINESS FOR BREXIT



Preparing for Customs post-Brexit

New Customs procedures will apply when trading with the GB after Brexit

Already trading outside the EU?

- If you're currently trading outside the EU, you'll be familiar with customs requirements.
- However, the information in this section could still be useful in helping you prepare.
- Thus please review the content on **Customs Data Integration**, availability of Commercial/Proforma Invoice, Paperless Trade and EORI numbers.

Only trading within the EU?

- If you currently only ship within the EU, now is the time to get familiarised with customs procedures.
- The following **CHECKLIST** (see next slide) is designed to highlight areas where you can make customs clearance a smoother process post-Brexit.
- We suggest reaching out to your local Chambers of Commerce for advice on any specific paperwork required for your products – they can produce Certificates of Origin (COO), ATA Carnets, etc.
- DHL Express will submit customs data & paperwork directly to Customs Authorities on your behalf.
- Therefore, we need to receive **high quality Commercial Invoice line item data** to transport & clear your shipments.
- Additionally, providing the relevant documents via our Paperless Trade option will help ensuring a swift customs processing.



How you can prepare your business for Brexit

CHECKLIST

Please find below **a checklist** (*non-exhaustive*) to help your business preparing for Customs Post-Brexit

- ☐ Make use of the **Customs Data Integration** options of DHL Express to provide high quality data including detailed **goods description**
- ☐ Be ready to provide **complete and accurate commercial or pro-forma invoice**
- ☐ Identify the **commodity code (HS/Harmonized System Code)** of your product and include on your Invoice and electronic data transmission to DHL
- ☐ Check if your products are classed as **document or non-document**, since those are treated differently from customs perspective.
- ☐ **Apply for an EORI Number** (for EU and GB)
- ☐ Check if any **product restrictions apply in the GB or EU countries** you're sending to
- ☐ Check if **additional licenses or certification** are needed for your product
- ☐ Check if there are **special requirements for controlled exports** that apply for your products
- ☐ Confirm your **UK VAT number** & the option of **postponed VAT** accounting
- ☐ Establish a **UK deferment account** for Import Duties & VAT
- ☐ Use our **DHL Duties & Taxes Paid (DTP)** billing service & ensure **compliant returns process setup**
- ☐ Are you using **Paperless Trade (PLT)**?

ON THE FOLLOWING SLIDES WE WILL DISCUSS EACH POINT SEPERATELY



How you can prepare your business for Brexit

Customs Data Integration

Do you make your Customs Data available electronically to DHL Express (including detailed goods description)?

☐ Yes ☐ No

Avoid potential delays due to wrong or missing information by integrating your Shipment & Customs data with DHL Express.

Via e.g. **API** or **EDI** messages, DHL Express receives the customs invoice data together with the shipment data (including **detailed goods description**). In this way the customs clearance process can start immediately giving huge advantages in terms of quality and lead time performance:

- Complete & accurate customs declaration with minimum human intervention
- Fast & automated customs clearance processes for both exports & imports
- Increased level of service quality, enabling clearance prior to arrival of goods
- Enhanced level of trade compliance towards Customs Authorities
- Enabler of risk-assessment (e.g. dangerous goods identification) prior to goods arrival

Contact your DHL representative or Electronic Shipping Solutions Team to learn more!



How you can prepare your business for Brexit

Commercial/Proforma Invoice

Are you ready to provide a complete and accurate commercial or pro-forma invoice (and other Customs-relevant documents)?

☐ Yes ☐ No

This is essential paperwork in order for your goods to clear through Customs Authorities.

It's essential to provide detailed **goods description, commodity code (HS code) & correct goods value.**

If you need advice on what this paperwork should look like, go to [DHLGuide.co.uk/Brexit](https://www.dhl.co.uk/Brexit) or contact your DHL representative for any type of support.

You have the option to produce a standard commercial or pro-forma invoice within our shipping tools, for example within MyDHL+

For DHL Express to clear shipments through customs on your behalf, a **number of documents** should accompany your shipment. They may differ by origin and destination. These documents can be submitted electronically using Paperless Trade (PLT) or attached to your shipment:

- Commercial or Pro-forma **Invoice**
- Any relevant **licences or certificates**
- A **packing list** is often required by destination Customs
- Depending on local regulations a **power of attorney** (for DHL to clear on your behalf) may be required

The **Waybill** (generated by the shipping tool) is also essential as Customs will compare your shipping paperwork to the waybill details, so ensure all information is correct and corresponds.



How you can prepare your business for Brexit

Commodity Code

Have you identified the commodity code (HS/Harmonized System code) of your product(s) (to include on your Invoice and electronic data transmission to DHL)?

☐ Yes ☐ No

The goods you are sending should be identified via a precise, internationally-recognised commodity code as this will ensure the correct duties and taxes are applied by Customs.

This code is also known as a HS/Harmonised System code. To identify the commodity code for your product(s) visit:

<https://www.gov.uk/guidance/ask-hmrc-for-advice-on-classifying-your-goods>
or
<https://trade.ec.europa.eu/tradehelp/eu-product-classification-system>

Ensure the commodity code is included on your commercial / pro-forma invoice & electronic data.

The commodity code can be used to identify the duties and taxes applicable in each country you're sending to. The rates that will apply in the EU for UK (and vice versa) shipments are yet to be agreed.



How you can prepare your business for Brexit

Product Class (Document vs. Non-Document)

Have you checked if your products are classed as document or non-document (since those are treated differently from customs perspective)?

☐ Yes ☐ No

When shipping internationally it is important to consider the content of your shipment, as documents and non documents are treated differently.

Only items of correspondence can be considered documents, such as letters and contracts, for example.

It isn't always obvious which category your shipment falls in to, so please speak with your account manager to ensure compliance.



Preparing for Customs post-Brexit

EORI Number

Do you already have an EORI Number and provided the number to our DHL Customs Teams?

☐ Yes ☐ No

What is an EORI number?

An EORI number is an **E**conomic **O**perator **R**egistration and **I**dentification number.

Currently, you need an EORI number to move goods from the EU to non-EU countries. From 01 January 2021 you will need an EORI number to move goods between the UK and the EU.

- Customers in the UK should apply via www.gov.uk/eori You'll get your EORI number by email. It can take up to a week. If you already have an EORI number that does not start with GB you will need to apply for a new one.
- Customers in the EU should apply for an EORI number in the member state they are established in. A list of customs authorities in the EU [can be found here](#).
- Customers who are responsible for both the export declaration from GB/EU and the import declaration into EU/GB will need both a GB and an EU EORI number.

Inform our DHL Express Customs team of the new number(s) and please include your EORI number(s) on the Commercial Invoice and Waybill to promote smooth and fast customs processing and clearance.



How you can prepare your business for Brexit

Product Restrictions

Have you checked if any product restrictions apply in the UK or EU countries that you're sending to?

☐ Yes ☐ No

- Check if restrictions apply to the product you're sending to UK using our country profile guidance at www.dhl.com at the top right side of the dhl.com landing page.
- If your products are mentioned in the list of restricted goods, contact DHL Customer Service or your DHL representative to confirm the details of the regulation in place.
- Please have in mind that for the transport of **Sanitary & Phytosanitary goods** (e.g. food products) between EU and UK, as of January 1st 2021, **stricter rules & controls** will be in place causing potential clearance delays and additional costs.



How you can prepare your business for Brexit

Additional Licenses or Certificates

Have you checked if additional licences or certification needed for the Customs Clearance of your products?

☐ Yes ☐ No

Licences or certificates are required in a number of cases, for example:

- Goods subject to control **due to trade conventions**, such as Washington Convention or Kimberley Process.
- **CITES** documentation is required for any movement of **endangered species**.
- If goods are being temporarily exported/imported, an **ATA Carnet** is required to prevent customs charges.
- **Certificates of Origin** can be required in destination country.



How you can prepare your business for Brexit

Controlled Exports

Have you checked if there are special requirements for controlled exports that apply for your products?

☐ Yes ☐ No

- For goods considered to be **military or potentially have a dual use**, special controls & license requirements may apply.
- Please find more information at [Gov.uk](https://www.gov.uk) and <http://trade.ec.europa.eu/>
- To comply with Customs and Trade regulations, we may ask exporters to provide a declaration to confirm that their goods are not controlled.
- In cases where goods are subject to controls, we ask for an email pre-alert in advance.



How you can prepare your business for Brexit

UK VAT & Deferment Account

Have you confirmed your UK VAT number (to benefit from postponed VAT accounting)?

☐ Yes ☐ No

- The UK government has announced that postponed VAT accounting will be applied to UK imports by VAT registered traders when Brexit takes place.
- If you are importing to the UK, please confirm your VAT number and that you wish to postpone accounting to emahubcmfupdate@dhl.com.

Do you have a UK deferment account for Import Duties & VAT?

☐ Yes ☐ No

- Opening a deferment account allows you to postpone the payment of import duties and VAT on goods imported to the UK by up to 46 days. Apply via [Gov.uk](https://gov.uk).
- Please authorise us to clear your UK inbound shipments using your deferment account with form C1207N available from [Gov.UK](https://gov.uk).
- Advise us of your deferment account and if appropriate your CCG (Customs Comprehensive Guarantee) reference by emailing emahubcmfupdate@dhl.com.
- You will need to increase your deferment guarantee if you expect to pay higher duty amounts.



How you can prepare your business for Brexit

Duties & Taxes Billing Services

Do you use our DHL Duties & Taxes Paid (DTP) billing service?

☐ Yes ☐ No

By using our DTP billing service, we can bill all duties & taxes back to your account instead of your customer (receiver) being charged on receipt of their parcel.

In case you don't use our Duties & Taxes Paid (DTP) billing service and prefer to ship using Duties & Taxes Unpaid (DTU): do you encourage your customers to use our DHL Advanced Duty Collection (ADC) process?

☐ Yes ☐ No

By using our DHL Express' **Advanced Duty Collection** (ADC) Process, we will collect Duties & Taxes from your customer (the receiver), with an **improved customer experience** including:

- Easy online Customs Invoice & Customer Paperwork retrieval
- Payment confirmation
- Delivery option selection via On Demand Delivery
- Multiple Payment Options and localized Payment Options



How you can prepare your business for Brexit

Returns Processing

Do you offer a compliant returns process to your customers?

☐ Yes ☐ No

- Your returns policy for your customers could be impacted by Brexit.
- Shipping an order to your customer **pre**-Brexit would fall under current European Union (EU) trade agreements.
- However if your customer then returns an item **post**-Brexit, it may need to have a commercial invoice to facilitate Customs clearance.
- DHL can support you with understanding the Customs requirements for a compliant returns process.



How you can prepare your business for Brexit

Paperless Trade (PLT)

Are you using Paperless Trade (PLT)?

☐ Yes ☐ No

- PLT is a service incorporated within our Electronic Shipping Tools to support **electronic transmission of customs documents**, preventing the need for paper copies to be supplied with the shipment, and helping speed up the customs clearance process.
- We recommend setting up and using PLT within your shipping tool where available.
- It is also worth using PLT as it provides a two-fold benefit: reduces potential delays as our data-entry team have earlier visibility and removes the requirement for physical paperwork.
- **In addition, providing DHL with electronic Commercial Invoice line item data (on top of using PLT) will enable a smooth Customs Clearance.**
- Please note that if original certificates or licences are required, you will need to include the original paperwork with your shipment and not use the PLT option for these documents.



Additional Information and Government Support

► THE EUROPEAN COMMISSION IS PUBLISHING BREXIT RELATED INFORMATION AT:

EU | BREXIT Overview, Publications/News, EU-UK Negotiations

https://ec.europa.eu/info/european-union-and-united-kingdom-forging-new-partnership_en

EU | BREXIT Legislative Developments, Links to Member States

https://ec.europa.eu/info/brexit/brexit-preparedness_en

► THE UK GOVERNMENT IS PUBLISHING BREXIT RELATED INFORMATION AT:

<https://www.gov.uk/transition>

UK | How to Import/Export to/from UK, EORI Registration, Duty/VAT, Customs Declaration

<https://www.gov.uk/topic/business-tax/import-export>

UK | Export Control Guidance

<https://www.gov.uk/guidance/exporting-controlled-goods-after-eu-exit>



THANK YOU

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