

Brexit risk register

Supply chain



As the date for the UK leaving the EU looms ever closer our legal experts have pulled together a must-read risk register for all organisations. Our register pulls out the vital issues that you need to be thinking about now in the run-up to the end of the Brexit transition period on 31 December 2020.

The risk	How to mitigate it
<p>Supply chain disruption caused by delays at transit points (such as ports). This could lead to:</p> <ul style="list-style-type: none">breach of “on time” delivery commitmentsservice level failingsnegatively impact production cycles	<ul style="list-style-type: none">Assess the ‘on time’ delivery commitments given to your customers.Renegotiate service level commitments.Renegotiate ordering ‘lead times’ with customers.Stipulate longer lead times.Stockpile key materials/components that may be subject to inbound delays.
<p>Increased costs such as:</p> <ul style="list-style-type: none">delivery costsduties and tariffsincreased administration costs	<ul style="list-style-type: none">Assess whether there are price review mechanisms in customer contracts that you can invoke.Are your terms of trading with customers/suppliers subject to an agreed Incoterm? What is the impact? Can this be renegotiated?Are your “buy” prices with key suppliers fixed?Assess the duration of your contractual commitment to your customers. Do you need to consider exercising any ‘break’ rights?Do you need to consider resourcing strategies to bring supplies of key materials/components closer to home?

The risk	How to mitigate it
<p>Currency volatility impacting on cost base and eroding margins</p>	<ul style="list-style-type: none"> • Do you have hedging arrangements in place? If not, can you put these arrangements in place now? • Do your contracts with customers and suppliers allow a price review for exchange rate fluctuations? • How long are your contractual commitments to customers and suppliers?
<p>Changes in regulatory compliance potentially leading to:</p> <ul style="list-style-type: none"> • increased costs • inability to supply to agreed specification/other contract terms • increased administrative burden 	<ul style="list-style-type: none"> • Understand the impact of any potential changes in (a) regulatory standards (b) rules of origin on the key markets for your products • Have contractual commitments been given that your products will comply with “all applicable laws”? Can you still achieve this? • Assess whether import and export control rules may change? What mechanisms do you need to put in place to ensure continued compliance?
<p>Customers and suppliers are made insolvent</p>	<ul style="list-style-type: none"> • Assess the impact of Brexit on your customers and suppliers • Consider the potential impact of the Corporate Insolvency & Governance Act 2020 on your ability to terminate or suspend supplies • Consider the systems you have in place to monitor the financial stability of customers and suppliers. Are these systems sufficient?



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