

Prepare for Brexit Checklist

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Begin

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It is important that businesses understand the potential impact Brexit could have on their business. To do this, a company may want to consider looking at the following areas to assess how they could be impacted:

Supply Chain:

For firms who import directly from the UK, or whose imports originate elsewhere but are transported through the UK

- ✓ How could your supply chain be impacted?
- ✓ How could your supplier's supplier be affected? Talk to your suppliers to see how they may be impacted and what steps they are taking to address this.

We have seen a number of firms re-engineer their supply chain by:

- ✓ Sourcing products from outside the UK.
- ✓ Firms that export to the UK are now sourcing raw materials from the UK where they didn't previously to create a natural sterling hedge.
- ✓ Irish companies setting up in the UK, either through acquisition or setting up directly.

Route to Market:

Some businesses' route to market will be relatively straight forward, for example where they supply directly to a retailer or the end consumer. They can then assess their potential impact of Brexit on how they get their goods to market.

- ✓ However, route to market can be more complicated if your business supplies components where you do not have a detailed knowledge of your customer's customers, or the end market for the finished product that your component is used for.
- ✓ Talk to your customers, especially those in the UK or customers that trade with the UK. It is important to consider what your customer's supply chain options are and if they can source from alternative suppliers

Tariff and Non-Tariff Barriers:

In the event of tariffs being applied on exports to the UK, a business exporting to the UK should understand what the potential tariff would be. This varies significantly across different products.

- ✓ Understand what tariffs would apply to the raw materials / good you purchase (if they are imported from the UK).

- ✓ Understanding the supply chain and route to market is essential, for example if you sell a component for a finished product that is then sold into the UK, the tariff on that finished product could impact the price you can sell your product for.
- ✓ If tariffs would apply, could these be passed on to customers or would you have to absorb the tariff cost? What impact would this have on your profit margins?
- ✓ What other "non-tariff barriers" (e.g. customs checks) might there be? What impact would delays in receipt of goods or in getting goods to your customer have? This is especially important in the case of perishable goods and may involve a business considering changes to its processes to mitigate this.
- ✓ Review any contractual obligations to your UK customers which delays may make more difficult to achieve (e.g. shelf life of product on arrival in the UK). This may also be an issue if the business transports its product to mainland Europe through the UK.
- ✓ What documentary requirements would be needed for importing and exporting from the UK? Companies that are currently trading with non-EU countries will have experience of this and will be better able to adapt, however companies that trade only with the UK need to consider what the requirements will be if the UK is outside the Customs Union.

We have seen a number of companies invest and train their staff so that they have the skillset to manage the potential documentary and logistical impact.

Cashflow:

A business should consider what impact the above may have on their cashflow.

- ✓ If there were delays in receipt of goods or in getting goods to market, what would be the cashflow impact of this or on the imposition of tariffs if that were to arise.
- ✓ In the event of no Withdrawal Agreement or Transition Period, VAT may become payable at the point of entry (i.e. when goods are arriving into Ireland). What impact this would have on your cashflow?

Currency Risk Exposure:

If your business is importing goods from, or exporting goods to any non-Euro based country or market and you do not have a hedging strategy in place then you are taking a gamble with your bottom line.

- ✓ What is your exposure to foreign currency risk? How exposed would your profit margins be to any changes in rates?
- ✓ Do you have a risk management policy or treasury policy in place that outlines how you manage currency risk and what levels of volatility you can tolerate?
- ✓ Look at FX hedging strategies for example using Forward Contracts and Foreign Currency Accounts
- ✓ Have you considered Dual Invoicing as a way of ensuring you pay the lowest price?

For more information read our Guide to Preparing against Currency Risk.

Efficiencies:

- ✓ What process improvement opportunities could you implement now to reduce the impact / costs caused by disruption or delays in supply chain or route to market or from the potential imposition of tariffs?
- ✓ What new market opportunities exist to reduce your reliance on the UK market, and enter those markets in a more cost competitive position?

Market Diversification and Opportunities:

While Brexit will present challenges for many businesses, there will also be opportunities for some companies. Consider what opportunities may be there for your own business.

- ✓ UK companies currently supplying into Ireland and the EU could face the same challenges as Irish companies exporting to the UK so there is the potential to displace UK suppliers.

- ✓ Who are your UK competitors? Who are they supplying to in Ireland and the UK and is there an opportunity to displace them?
- ✓ EU companies dependent on UK suppliers will be re-assessing their supply chain to plan for alternative suppliers if tariffs and non-tariff barriers impact UK suppliers. This presents an opportunity for Irish companies looking to enter new markets to target these companies.

At Bank of Ireland, we're here to help and support our customers. There are a number of ways we can do this. If you log on to our new **Brexit Hub**, you'll find we have a range of supports available.

But also talk to your Relationship Manager who will be delighted to help. We have a team of 120 mobile Relationship Managers who are out talking to customers at their place of business every day.

(Please note this is not an exhaustive list, depending on the business activity further areas may need to be examined. Clients will have to consider on their own requirements and whether or not to seek independent legal advice if required)

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