

Brexit and the impact on your supply chain

With Brexit fast approaching it's important to look at the risks Brexit poses to your supply chain and how to identify these risks. Although it is still uncertain what Brexit will look like and the impact it will have on your business and your supply chain, we have set out below how to assess the various risks and protect against them.

Risks your supply chain will face

1. Import / export controls – Following Brexit there may be a requirement for export or import licences and paperwork, which will increase your outgoing costs. Assess who is responsible for these costs, is it specified in the current contract? If not, look at negotiating revised terms to provide certainty over who will be responsible for these outgoings.
2. Cost and delays in crossing into EU countries (for both employees and goods) – It is inevitable that higher costs will be incurred due to labour accessing the EU, transporting goods and as a result of delays when crossing the border. The paperwork required is likely to be more extensive. These extra loopholes will make your process longer and more expensive.

Again, who will bear the burden of the additional costs?

3. Fluctuating and unstable exchange rates – we have already seen volatility to the pound exchange rates not only with the Euro but non-EU currencies as well. It is unlikely that this volatility will settle anytime soon.
4. Insolvency risks – with uncertainty and lack of stability, the likelihood of insolvency occurring within your supply chain will increase.

Identify where your main risks lie

Within your supply chain identify the following:

1. Prime customers and suppliers – if relations with your prime contacts break down, it will have a greater financial impact on your company.
2. Key customers and suppliers – these are not necessarily your largest suppliers or customers but they are an essential part of your supply chain, if anything occurs with these customers/suppliers it could critically effect your supply chain.
3. Geographic locations - Contracts with an EU



supplier, non-EU supplier and domestic supplier. Each category of supplier has its own risks. Assess the ones with a higher risk and look at the effect of that on your business.

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4. When does the contract end? 29 March 2019 or beyond? Will the contracts be in place until December 2020 after the UK has officially left the EU.
5. Do you or any of your supply chain rely on EU grants or funding? If any part of your supply chain relies on funding, this could cause issues if the funding is no longer available after Brexit.

How to prepare your supply chain

Credit risk reviews – consider if you need to re-run credit checks on your suppliers and customers.

New contracts – Although difficult at this stage as the details of Brexit are still unknown, consider what risks pose the biggest threat to your business and try drafting clauses to deal with these issues.

Review contract terms – are your current standard terms and conditions sufficient to support your supply chain relationships through Brexit? Do your contracts require more robust terms? Clauses covering delivery, price, performance, delay outside of a party's control and liability will need to be reviewed.

We can assist you in reviewing your contract terms and provide advice on how terms can be adapted to help lower the risk of Brexit effecting your supply chain.

If you have any questions please contact:



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