Navigating Brexit: Risk or opportunity?

What Swiss companies should consider

September 2016
Navigating Brexit – Risk or opportunity?

Little may change immediately but **strategic action now can maximize opportunity**

By understanding the possible risks and opportunities, businesses can effectively prepare for the path ahead.

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**So what happens now?**

The Leave vote will trigger a chain of events against a backdrop of global political change, particularly in Europe and the USA.

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**Current status and indicative timeline**

- *June 2016* Referendum
  - **Little may change immediately but strategic action now can maximize opportunity.**

- **By understanding the possible risks and opportunities, businesses can effectively prepare for the path ahead.**

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**June 2016**

**Referendum**

**13 July 2016**

**New Prime Minister**

Theresa May appointed Prime Minister with responsibility for negotiating the UK’s exit.

**As of 1 January 2017**

**UK triggers Article 50?**

The formal process of negotiating exit begins.

- **2017/18**
  - **Deal reached?**
    - EU Commission negotiates the withdrawal, for approval by the Council of Member States after ratification by the EU Parliament.
  - **UK exits?**
    - It is unclear whether the withdrawal agreement - or a separate one - would cover the UK’s future relationship with the EU.

- **1 January 2019**
  - **UK exits?**
  - **Extension granted?**
    - Only possible in the event of a unanimous agreement.

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**November 2016**

US Presidential Election

**Once notice given, negotiations start and clock is running – when to give notice?**

**March 2017**

Dutch general election

**April/May 2017**

French Presidential Election

**August-October 2017**

German Federal Election

**Treaty provides for two years**

- **could be shorter if agreed or longer if extended by unanimity**

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**2019**

**Extension granted?**

Only possible in the event of a unanimous agreement.
Pivotal questions to consider

**Change**
- As actions become necessary, what is the organisation’s change management strategy?
- Have you conducted scenario and contingency planning?
- Do you know already what events during the Brexit process will trigger necessary actions for your organisation? What have you communicated with staff and do you have a communications plan?

**Finance and accounting**
- Are you comfortable in the strength of business relationships with non-UK based distributors, customers and suppliers?
- Are there any risks to supply contracts, including outsourcing, as a result of the vote?
- Is there a plan to mitigate the impact of possible increases in import costs?

**Treasury and Risk**
- What is the impact of a steep fall in sterling on the business?
- Have you challenged your banks services for cash pooling and payments?
- Are you comfortable with your financing given the risk of interest rate rises to bolster sterling and a likely re-rating of the risk profile of UK assets?

**People**
- How accurately have you identified who is at risk of losing their right to work in the UK?
- What workforce strategy opportunities are you exploring (considering also digital, contingent workforce and global business services)?
- What are your plans to attract, retain and motivate the workforce (both skilled and unskilled)?

**Tax & Legal**
- Do you benefit from cross-border customs and VAT simplifications with respect to the UK market?
- Do you utilize Free Trade Agreements when importing/exporting goods to/from the UK?
- Do you have an EU hub transacting with the UK? Do you have a UK hub within your group?
- Does it change your withholding tax position? Where is the location of current and future Intellectual property?
- Have you consider which contract could be beneficial under Swiss vs. foreign (UK) law?

Proceeding with caution and accessing opportunities

**Step 1**
Set up governance (accountable executives, initial working party, shared vision for contingency planning, probably crisis management team)

**Step 2**
Define scenarios (determine the organization's assessment of likelihood and scale of impact, agree/prioritize scenarios to include in the planning exercise)

**Step 3**
"Heat map" approach (operating/business model as starting point, workshops to determine impact per area/service/geography, mobilise central program)

**Step 4**
Conduct impact (assess impact of scenarios on processes, people, systems and data, war game planning/use cases)

**Step 5**
Develop contingency plan (for each prioritized impact, determine mitigation response; including, in advance of Day 1, what on Day 1 etc.)

**Step 6**
Implement, test and refine contingency plan (test the plans, including chain-of-command, refine plans)
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