



Bord Bia's
Brexit Action Plan

Business Continuity

4TH EDITION: SEPTEMBER 2020



The UK has left the European Union. It is now in the Transition Period until the 31st of December 2020, during which it remains in the Single Market and Customs Union. The ratification of the Withdrawal Agreement by both the EU and the UK in October 2019 means that there will be permanent changes to the trading relationship between the EU and GB from the 1st of January 2021.

From next year there will be customs and regulatory controls on trade including trade in agri-food products between the EU and UK, excluding Northern Ireland. The details and scope of the customs and regulatory controls on trade in goods between EU/Ireland and UK will be defined based on the successful conclusion of negotiations on an EU-UK Free Trade Agreement or in the absence of an FTA based on application of WTO MFN trading rules for Third Country trade. However, what is certain is that these new Controls will add costs, delays and complexity to the supply chains of Irish food and drinks manufacturers.

Northern Ireland Protocol

The EU-UK Withdrawal Agreement includes a dedicated Protocol on Ireland and Northern Ireland. The Protocol ensures that there will be no regulatory controls on trade moving between Ireland and Northern Ireland, other than those already in place. The Protocol applies even if there is no trade agreement between the EU and the UK.



Urgent actions required to prepare for January 2021

Bord Bia's Readiness Radar and Brexit Barometer have both played a vital role over the past three years in enabling Irish food and drink manufacturers to identify, assess and prepare for the challenges that businesses face as a result of Brexit. Both risk diagnostic tools focus on six key risk areas related to Brexit: Customer Relationships, Supply Chain, Customs and Controls, Financial Resilience, Market Diversification and Emerging Risks.

It is positive to note that as of April 2020, over 91% of Readiness Radar respondents said they had made progress in relation to their Brexit preparedness over the past 12 months. The results show that only a small number of companies report having made no progress in the past year. Looking to the rest of 2020 and the permanent changes coming into effect

from 2021, this Brexit Action Plan is an important resource to ensure your business is prepared for these changes.

This is the Fourth Edition of Bord Bia's Brexit Action Plan and provides practical information that Irish food and drink manufacturers can utilise in order to prepare for increased complexity in future trade with the UK. It addresses actions companies should take in two scenarios: a future Free Trade Agreement (FTA) between the EU and the UK (still to be defined as it is currently under negotiation) and No Agreement, whereby the UK and EU will trade on WTO terms. Bord Bia's support services, along with other State supports, can be found listed at the end of each chapter. Each chapter provides step-by-step guidance on the six risk areas and is accompanied by a checklist to help guide companies

through potential next steps and other considerations in their Brexit planning.



SUMMARY OF ACTIONS

1. Understand your risk profile.
2. Understand your key risks, rank the risks and assign controls.
3. Identify which risks you can control and develop appropriate strategies to manage them.
4. Develop a risk response strategy.
5. Assess suitable risk transfer strategies to mitigate the risk exposure.
6. Monitor regularly to determine the progress and effectiveness of the preventative controls.
7. Escalate the significant risks to the board or suitable level of management.

Business Continuity & Emerging Risks

This focuses on key actions to help Irish food and drink manufacturers identify, monitor and manage risks to their business in the run up to the end of the Transition Period. It also provides some tools that businesses can use to help manage risk more effectively.

Differing attitudes, interpretations and approaches to risk management have made way for unparalleled and collective concern in light of the Covid-19 pandemic. There has never been a more important time for formal and tested risk management practices. There is a stark realisation that risk management will require a renewed focus, in terms of strategy, internal positioning and investment, in the weeks, months and years to come.

It requires a more cohesive approach, connecting all relevant risks to the overall company objectives and strategy. This aims to help with the setting of priorities, to ensure the success of strategy execution and to protect the interests of stakeholders.





Key tips for managing risks

Valuable lessons in risk management have been learned by the Irish food, drink and horticulture industry as a result of Brexit, and there's evidence that the industry has been better able to manage the impact of Covid-19 because of the actions it has taken to manage Brexit over the past three years. Nothing in business is risk-free, but there are certain things you can do to protect yourself against new threats and ensure you are not blind-sided by unexpected developments:



Assess your evolving risk profile by better understanding both existing internal risks and emerging external risks.



Gain greater insights into the risks facing your industry. Horizon-scanning can help you think about new threats to your own business that may not be immediately obvious. Attending thought leadership seminars and workshops can be an effective way of looking at and better understanding the bigger picture.



Take the opportunity to attend Bord Bia events to help deepen your insight and understanding of the industry.

Top three Brexit related risks:

According to the results of the Brexit Barometer 2019 and the Readiness Radar 2020, the top Brexit and Industry related risks for Irish food and drink manufacturers are:

1. Economic performance and risk of recession

Brexit uncertainty can have a knock-on effect to consumer confidence and companies will be more sensitive to volatility. 57% of Readiness Radar respondents are still uncertain on the impact Brexit will have on their businesses. It is especially important in this environment to understand the risks and what could be done to manage them.

When asked to rank the top concerns for businesses as a result of Covid-19, recession was ranked to have the highest significance, with over 70% of respondents ranking it either significant or very significant. According to the World Bank, global economy GDP is expected to fall by 5.2% as a result of Covid-19. Some companies might find it hard to respond to this crisis which could lead to bankruptcies and defaults. According to Atradius, corporate insolvencies are expected to grow by 2.4% in 2020.

2. UK consumer confidence

With the uncertainty surrounding Brexit and fears about the stability of the UK economy, consumer confidence has slumped to a five-year low. The impact of low consumer confidence means people are more conscious about spending their disposable income. The Covid-19 pandemic and the significant job losses experience under the UK government's furlough scheme have also contributed to low consumer confidence.

As of the 12th of August, the UK has also entered into a recession for the first time since 2008 after a 20.4% GDP decline in Q2 2020.

3. Competitiveness

Brexit may damage the competitiveness of Irish companies, particularly if competitors from non-EU countries increase their access to and presence within the UK market. The impact of an increasingly competitive market could cause more damage proportionately to smaller companies. For example, if prices are squeezed and labour and production costs rise, cash flow will be impacted, reduce margins and erode profits.

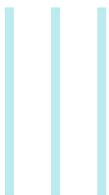
4. Calculated cost of customs formalities

The 2020 Readiness Radar identified that only 51% of respondents calculated the cost of customs processes for their business. It is important that 100% of all food and drink businesses have calculated the cost of customs formalities, such as submitting declarations, as this will be a guaranteed and permanent change from the 1st of January 2021.

5. Managing Sustainability Pressures

It is apparent that Origin Green verified members are more aware and prepared for future sustainability risks. It is also very clear from the 2020 Readiness Radar data that Origin Green verified members are deriving value from the programme, with 98% stating that Origin Green is helping them mitigate sustainability risk.

Responding to new EU and national policies, emerging consumer behaviours and industry expectations emerging from Covid-19, Brexit, Diversity & Inclusion and other challenges will ensure that Origin Green continues to position Ireland's food and drink as a global leader in sustainable food production, acknowledged by trade and consumers alike.



6. Investing in Insights & Innovation

77% of Readiness Radar respondents stated that they invest less than 3% of turnover on research and development. Consumer and market insight and new product development are the lifeblood of industry growth and Bord Bia commits considerable resources to facilitating the development of innovation that opens fresh revenue streams in established and emerging markets. Food and drink manufacturers should put more emphasis on these areas to ensure they are in the best position to compete and grow in their markets when considering the challenges Brexit will bring.

7. Attracting, Retaining & Developing Talent

60% of Readiness Radar respondents agreed that there are certain roles within the industry that are difficult to recruit for. In addition to this, 72% of respondents have not availed of the Agrifood Diversity & Inclusion Forum/ Origin Green Toolkit. Diverse input and new ways of thinking are essential in helping the industry to progress. Proactive Diversity & Inclusion (D&I) strategies will help firms to achieve this diversity of thought and approach, and is a viable solution to enable them to overcome recruitment challenges in the long-term. Brexit may also create opportunities within your business to create new roles, especially if you decide to cover customs formalities in-house.





Risk Management

Strong risk management improves organisational decision-making through evaluating, controlling and monitoring risks. There will inevitably be new risks regardless of the outcome of EU-UK negotiations at the end of 2020, and each company needs to consider appropriate actions to manage these in an suitable way. This is dependent on the nature, size and complexity of the organisation, which will impact the response to managing risks.

There are three key steps that your business can take to ensure that it is effectively managing risk.

1. Understand your risk profile

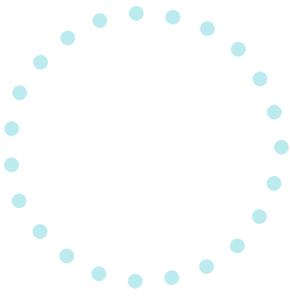
The first step is to understand the risks facing your organisation. One approach would be to bring together key internal stakeholders from different functions and discuss the significant risks affecting the organisation.

To understand your risk profile, the following steps can be followed:

- Identify key risks that the organisation faces with a group of key stakeholders.
- Agree on the likelihood of each of those risks occurring and impact if that risk was to materialise.
- Use a risk register to capture risk information which shows the likelihood and impact of each risk (see diagram below).
- Assign 'owners' to monitor each risk going forward.
- Update the risk register regularly and monitor the movement of risks. Capture the current controls and future controls to be implemented for each risk.

Example of a Risk Register Example of a Risk Register

Identifiers		Risk Information	Inherent Risk Assessment Scores				Controls		
Unique Risk Id	Risk Description	Risk Owner	Likelihood	Impact	Risk	Date	Description Of Existing Controls	Effectiveness Assessment	Improvement Potential



2. Risk Control

Next is to understand which factors can be controlled.

To understand the control environment, the following steps can be followed:

- Assess whether the risks can be treated as an opportunity, or if they are unacceptable and therefore need an action plan.
- Focus on mitigation strategies for strategic, operational and compliance risks.
- Map current controls against your risks, and highlight which controls need to be executed or enhanced.
- Ensure that the risk register is on the agenda to review during internal stakeholder meetings to build alignment on areas of focus.

- Determine whether the controls to implement should be preventative or corrective.
- Regularly assess the quality and effectiveness of the controls.

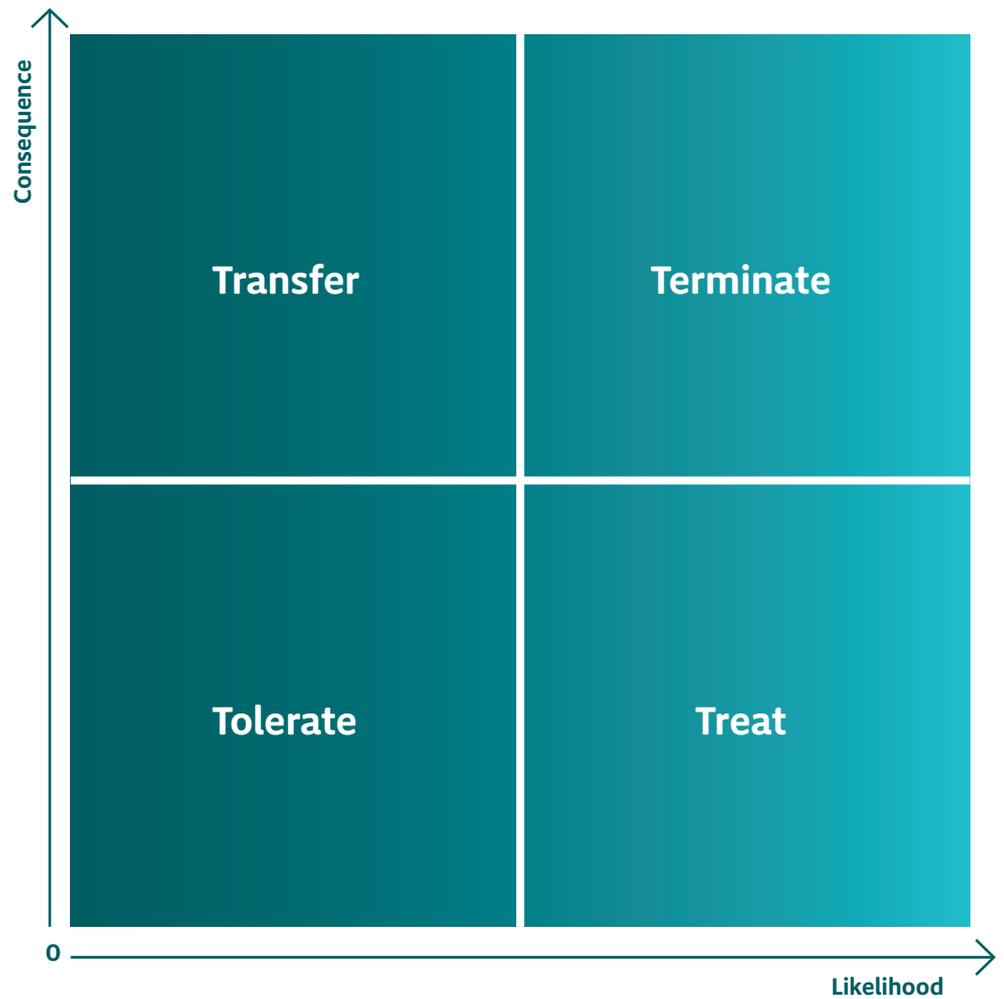
3. Risk Response

The third step is to consider the risk response. Use a risk map to provide an indication of the appropriate response strategy to each risk that has been identified. The range of responses available can be described as the 4Ts: Terminate, Transfer, Treat and Tolerate as demonstrated in the graphic below.

Terminate	Avoid the risk by terminating the activity
Transfer	Pay a third party to take the risk (e.g. insurance)
Treat	Contain the risk to an acceptable level
Tolerate	Accept the risk and take no further action

To mitigate risk, it is important to identify an appropriate strategy for each individual risk. The risks that are categorised as high likelihood and high consequence could cause major disruption to the organisation. The mitigation strategy for such risks should be to stop the process or introduce an alternative activity.





“Escalating the information to the Board or CEO builds awareness of strategic and operational risks facing the organisation.”

Risk Governance

The risk information captured in the previous steps should be reported up to a suitable level of management. Escalating the information to the Board or CEO builds awareness of strategic and operational risks facing the organisation. These risks should be linked to the strategic objectives of the organisation; this will ensure that if any those risks have a negative impact on the company’s strategy they can be managed in an appropriate and timely manner.

Putting the recommendations into action demonstrates accountability and good corporate governance. Over time this will increase stakeholder confidence in the organisation’s ability to manage and control their risks, and ultimately will increase shareholder value.

Emerging Risks Checklist

As we move towards the end of 2020, manufacturers will immediately need to ensure that their Brexit preparedness work carried out over the past three years is still fit for purpose. Over the course of the next four months they must begin to activate and implement their Brexit plans.

The Irish food, drink and horticulture industry has had to withstand many shocks over the years. While an interruption event is always an immense challenge for business, dealing with the challenges such an event brings inevitably helps businesses to build resilience and be better prepared for the next curve ball. Companies who embrace risk management, at a level that is sensible and appropriate to their structure and size, will invariably be able to respond faster to a crisis, and reshape and recover more quickly than those who are unprepared as the crises passes.

The following emerging risk self-assessment checklist will help you take proactive measures to ensure risks are identified and managed in an appropriate manner.

	REVIEWED 'BUSINESS AS USUAL'	DRAFTED A PLAN FOR IMPROVEMENT	IMPLEMENTED CHANGE FOR BREXIT- PROOFING
Understand your risk profile.			
Understand your key risks, rank the risks and assign controls.			
Identify which risks you can control and develop appropriate strategies to manage them.			
Develop a risk response strategy.			
Assess suitable risk transfer strategies to mitigate the risk exposure.			
Monitor regularly to determine the progress and effectiveness of the preventative controls.			
Escalate the significant risks to the board or suitable level of management.			

Business Continuity Supports

Bord Bia Supports

Information on all of the Bord Bia supports listed below is available on the Bord Bia website.

[Bord Bia's Readiness Radar](#)

In July 2020 Bord Bia launched the Readiness Radar, which is a risk diagnostic tool developed to assess industry thinking and performance around a number of priority risks and challenges. These include Covid-19, Brexit, Challenges to Market Diversification, Sustainability Pressures, Consumer Insights and Innovation, and Talent Management.

It enables Irish food and drink manufacturers to prioritise and assess their own company specific risks facing their businesses.

[Readiness Radar Gap Analysis Report](#)

Each client company that completed the Readiness Radar received a Gap Analysis Report. The Gap Analysis Report enables you to understand your risk exposure and level of preparedness across the six key challenges outlined in the Readiness Radar: Covid-19, Brexit, Challenges to Market Diversification, Sustainability Pressures, Consumer Insights and Innovation, and Talent Management.

[Business Continuity Webinars](#)

As a part of Bord Bia's Covid-19 response, three webinars on Business Continuity took place focusing on payroll supports, protection from creditors, finance supports and cash flow management; supply chain and logistics issues; Government advice on return to work; and managing the changing operational environment. The link to each of the three webinars can be found under the Previous [Covid-19 Webinars webpage](#).

[Small Business Mentoring](#)

In light of the impact of Covid-19 on small businesses it is expected that many businesses may have to change their business and marketing plans, update their overall strategic plans and seek new routes to market. In line with these unexpected impacts to business the Small Business Team will be piloting a Small Business Mentoring Programme, with a number of mentors available to support businesses in making clever business decisions based on their current status.

To be eligible to avail of this service small business clients must have a turnover of between €100,000 and €3.5 million in 2019.

[Weekly Brexit Alert](#)

Informs latest Brexit developments in the UK Market and implications for the Irish Food & Drink sector. As part of the weekly FoodAlert Newsletter highlighting emerging trends in food and drink and how those trends are manifesting in different markets. Newsletter also links to Bord Bia's pricing pages. Used by clients to stay abreast of latest developments in categories and in market.

Sign up at www.bordbia.ie/industry/news/food-alerts/

For more information on Bord Bia Covid-19 supports, please see [Bord Bia's Covid-19 Hub](#)





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