

## Helping you see the bigger picture

Contractual risk analysis and  
Brexit proofing your IT and  
outsourcing arrangements



The UK's momentous vote to leave the EU marks the dawn of an unprecedented period of uncertainty for business. The precise nature of the UK's future relationship with the EU and the impact this will have on business and trading arrangements is currently unknown. There is a significant risk that the UK will not manage to negotiate a new trading agreement with the EU by the time UK formally withdraws from the EU. The biggest impact is at a macro-level. Uncertainty and a change in priorities for the major buyers of IT and outsource services will mean, in the short term at least, that there is less business to be won. This is of course not a prediction that is unique to the outsourcing and technology markets.

Brexit is unlikely to have been envisaged by most businesses when setting up their current contracts for the procurement of IT and outsourced services and is therefore unlikely to be expressly dealt with in most contracts. Buyers and vendors will need to give careful thought to their arrangements and understand what the Brexit impact will be, on a contract by contract basis. This audit should apply to both new and existing arrangements. So what could the impacts be?

**Contract risks** – there is a potential impact on a range of the legal terms. Could Brexit amount to force majeure or trigger a right to terminate? How are any references to the EU in a contract likely to be interpreted post Brexit? Generally, outsourcing and technology contracts continue to be more and more impacted by regulation and those regulations often have EU law as their source. It will be important to understand what the contracts say on changes to, and compliance with, laws to then identify the commercial and legal impact of changes in regulation, and who will pick up the compliance burden. Where the contract has been awarded under the EU public procurement rules, any risk assessment must also pick up the risk of substantial change.

**Commercial risks** – there will be wider commercial impacts on IT and outsourcing contracts arising from Brexit. Currency fluctuations will cause volatility in contracts, and this could lead to different ways of hedging and potential contract renegotiations, especially for those arrangements that are pan-EU. In addition, thought needs to be given as to the impact where there is an outsource model with heavy reliance on service centres that are located in the EU (with central and eastern Europe having been a popular destination in recent times).

### How we can help

Using our Brexit Risk Analysis, we can help you answer these and other questions, understand the potential legal and commercial risks to your arrangements arising from Brexit (whether pricing, currency, regulatory, people, data or otherwise) and put measures in place to protect against those risks.

Our Brexit Risk Analysis comprises a three stage process which can be tailored to your business needs.



## What happens next?

For further information, please contact:



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