Energica™

IT SOURCING MANAGEMENT. GOVERNANCE. ADVISORY.
Governance Matters > Perfecting Partnership > Delivering Value

© Copyright 2016. Energica ASPL. All Rights Reserved.

Energica is a advisory and consultancy services company providing IT Sourcing, Supplier Management and Governance services to global clients. This material has been prepared for general informational purposes only and is not intended to address the circumstances of any particular individual or entity or situation. We intend to provide accurate and timely information, there can be no guarantee such information is accurate as of the date received /or/ this will continue to be accurate in future.. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Any other company or product names mentioned are used for identification purposes only, and may be trademarks of their respective owners

www.energica-global.com

STRATEGIC GOVERNANCE THROUGH YOUR EXTENDED PARTNER

BREXIT: CHANGING EQUATIONS

A RESPONSE STRATEGY TO BREXIT

- Timeline
- Implications
- Supply Base Restructuring
- Contract Management Challenges
- Response Strategy
- IT Sourcing Management
- Supplier Governance

Ramesh Somasundaram
CEO & Head
IT Sourcing Mgt. & Managed Governance Services
ENERGICA ASPL

- Energica provides insights and advice to our client in IT Sourcing, Sourcing Management & Supplier Governance arena through its Managed Governance Services from India.

- This presentation on **BREXIT: CHANGING EQUATIONS** (BREXIT Planning Approach & Methodology on Response Strategy*) from our team is to share **our point of view** with some baseline assumptions w.r.t **BREXIT Transformation.** However this **Approach and Methodology*** will be refined based on the client 'actual scope and requirements ' w.r.t BREXIT Transformation eco-system, timeline & business changes going forward.

- This publication from Energica provides information, views and comments on **BREXIT implications and response strategy is limited to IT Services, Contract management challenges**, **supply base, legal and regulatory issues and developments of interest to our clients (Buyer Organizations)**. The foregoing is not a comprehensive treatment of the subject matter covered and is not intended to provide legal advice. Readers should seek legal advice before taking any action with respect to the matters discussed herein

- Please contact Ramesh Somasundaram (Energica) with any additional questions or clarifications. ramesh.somasundaram@energica-gloabl.com

- For more Information , please visit http://www.energica-global.com/service-innovation.html#

© 2016 Energica ASPL

BREXIT: CHANGING EQUATIONS

- BREXIT Indicative Timeline
- BREXIT Implications on IT Services

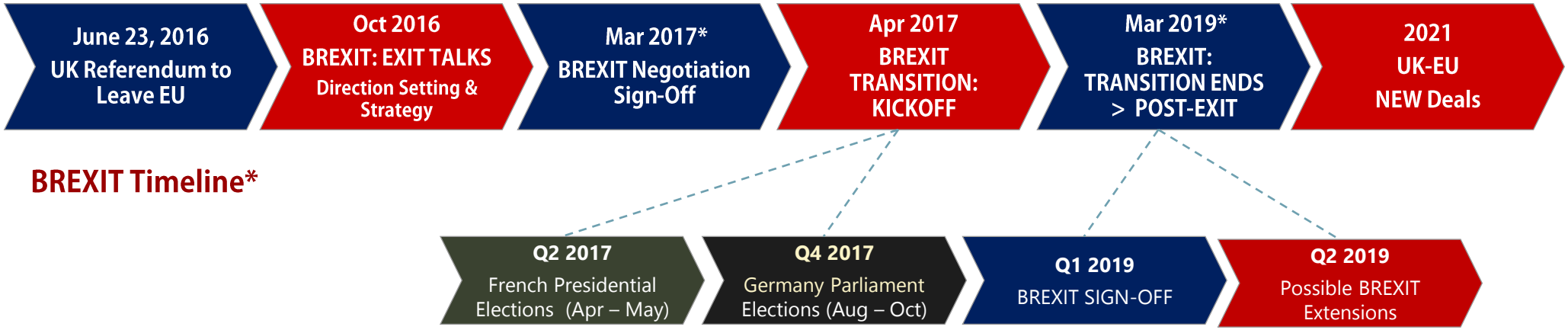
BREXIT: CHANGING EQUATIONS

BREXIT LIFECYCLE: INDICATIVE* TIME LINE

- BREXIT creates uncertainty concerning how buyer organizations have to accommodate the BREXIT business transformation changes in the UK and the EU with respect to their IT Services, Supplier Relationships, Data Governance, regulatory and Customer Standpoint.

- The BREXIT Timeline provides an ample of breathing space to prepare an Contingency Plan with respect to their scenario planning. We try to portray the possible impact areas & considerations on this transformation*

BREXIT Timeline*



*Indicative Time Lines : Timelines highlighted are Indicative; timeline windows may likely to be changed in due course of BREXIT Negation or Transition or depends on the Economic Growth delays .

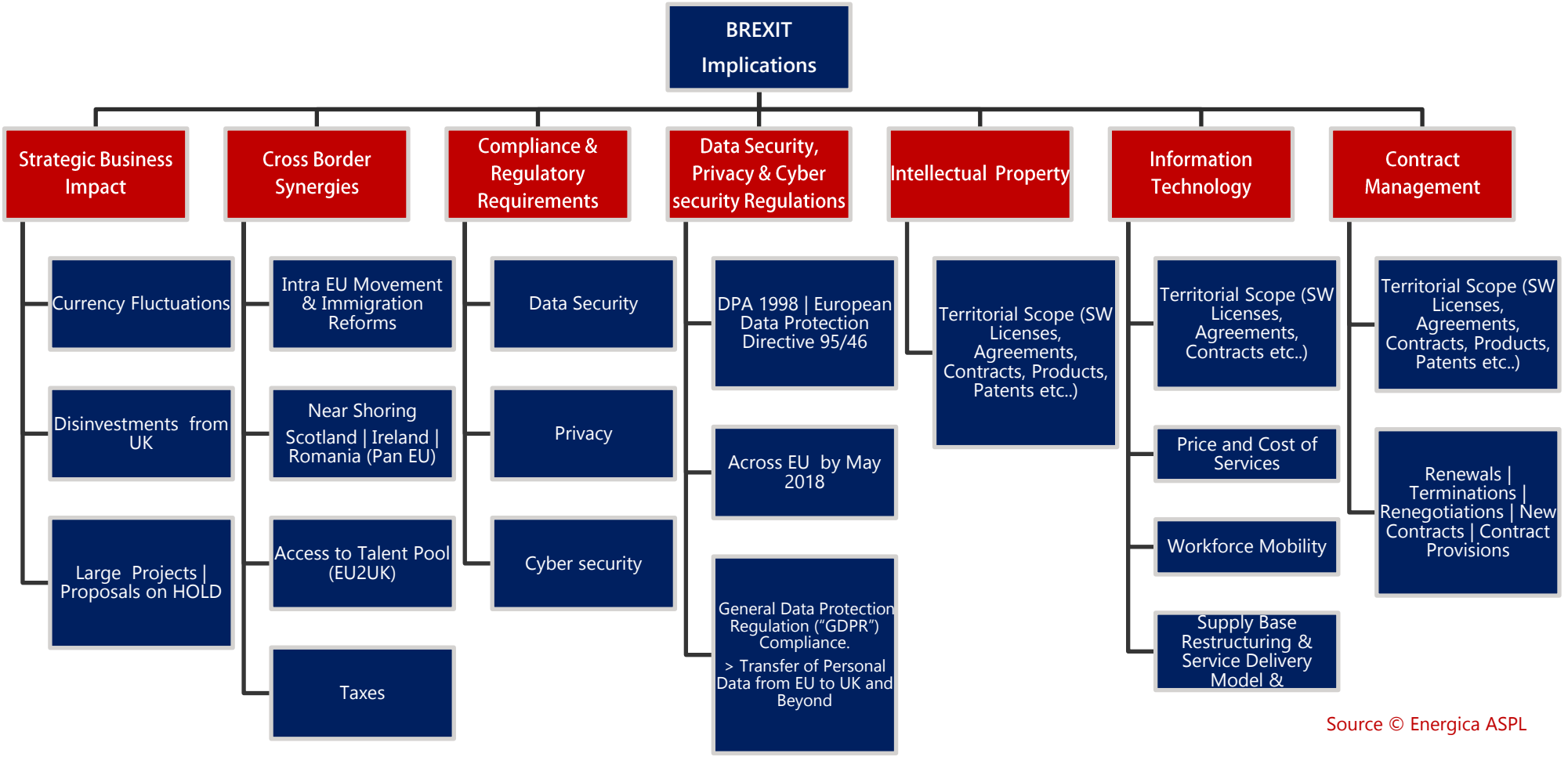
1. Source: The Economist: http://www.eiu.com/
http://country.eiu.com/article.aspx?articleid=324689816&Country=United%20Kingdom&topic=Politics&subtopic=Forecast&subsubtopic=International+relations

2. BREXIT Negotiation Signoff (Mar, 2017)
3. BREXIT Transition Kick-Off (Apr, 2017)
4. BREXIT Transition Ends (Mar, 2019)
5. UK-EU New Deals (Apr, 2021)

© 2016 Energica ASPL

BREXIT : IMPACT ON IT SERVICES

- The diagram below depicts the indicative impact areas and provides an opportunity for a better understanding on BREXIT Transformation with respect to IT Services.



Source © Energica ASPL

© 2016 Energica ASPL

BREXIT: CHANGING EQUATIONS

BREXIT: RIPPLING EFFECTS | IT Services | ReSourcing | Technology & Service Innovation

- Currency Fluctuations
  - A weak pound therefore has the potential to cut into profit margins;
    - Currency Fluctuations and IT Budget Impact
  - Anticipate discretionary budget reductions and have a plan to address these challenges
    - Refresh Business Cases and strategic review priorities by Buyer Organization (Go/No Go/Hold)
- Potential Disinvestment from UK
  - Movement across UK and Europe. Movement from UK to other European Country in setting up Business HQ for European Operations rather than operating from UK (loss of Tax Revenue)
  - Investment Decisions may be on hold (more specifically on IT Initiatives) till BREXIT Roadmap emerges
- Access to Talent Pool
  - Restricted Access to Talent Pools in the EU (from EU to UK) ; Stagnation of the Talent Pool resulting in Wage Inflation within UK
- Risk Management
  - Regulatory Impact lead to Effective Risk Management (managing and monitoring risks) across BFSI and other Industry segments.
- Near Shoring Approach
  - Scotland | Ireland | other EU counties may get momentum for near shoring opportunities.
  - Scottish independence referendum* may likely to be succeed; then it may attract Near Shoring Opportunities for both UK and EU countries*
- Intra-EU Movement and Immigration Reforms* may provide prospective opportunities for Non-EU Countries more specifically India
- Exiting from EU will have an impact on Compliance and Regulatory Requirements
- India-UK Relationship Continuum in the Long Term
  - Offshore Vendors rely on the ability to move resources to deliver scalability
- Short Term Impact on India based Service Providers
  - Spending Decisions on Vital Projects may be on Hold
  - Planned Projects may be scrapped rather than simply deferred
  - Larger transformational initiatives that require considerable effort to modernize IT infrastructure and application architectures to get put on hold
- Digital Transformation
  - Spending on Customer-facing digital technologies will continue to grow

© 2016 Energica ASPL

BREXIT: CHANGING EQUATIONS

BREXIT: RIPPLING EFFECTS >> IT Services >>SUPPLY BASE RESTRUCTURING >> SERVICE DELIVERY MODEL

- Access to Visa | Dependency Constraint
- Changes in Service Delivery Model (near shore , onshore, offshore and resource spread mix across UK and Europe)
- Work Visas and Travelling Costs (between UK and Europe) for the customer who is operating across both UK and EU
- DPA and Cloud Data Strategy across UK and Europe; Impact on CSPs operating from UK/EU and across UK/EU and work across both countries (UK and EU) => Visa Restrictions and Entry constraints
- Free Movement provisions into and out of Britain
  - EU Workers Hired to work in UK — Visa free EU Nationals
  - British Citizens hired to work in EU (EEA)
  - Work Permit
- Data Center Relocations to EU from UK
- Offshore — Near shore GIC (Captives) for UK based customers will increase
- Service Delivery automation resulting an increase in IT , RPA and Cognitive Automation
- Near Shoring Approach
  - Scottish independence referendum may likely to be succeed; then it may attract Near Shoring Opportunities for both UK and EU countries
- Cyber Security
  - The Cyber Security Directive - Security Obligations for Online Market Places , Search Engines and cloud Services from 10 May 2018
- Data Privacy
  - New EU General Data Protection Regulation (GDPR) from 25 May 2018
- Data Governance | Data Management
  - Identify where all your data is physically hosted, and who is accessing it
  - Data Location Strategy
  - Data Placement Strategy inline wrt Regulatory exposure or Risk
  - Risk Mitigation & Contingency Planning
- Supplier Governance
  - Supplier BCP-DR | VCRA | Contract Management
  - Refresh your IT sourcing and location strategies together in light of the GDPR rules as well as the EU's Network and Information Security Directive and currency fluctuations to de-risk your Brexit scenarios.
- Disclosure and Reporting Requirements
  - Brexit-related risk factors and reporting mechanism as a part of the governance and corporate reports.

© 2016 Energica ASPL

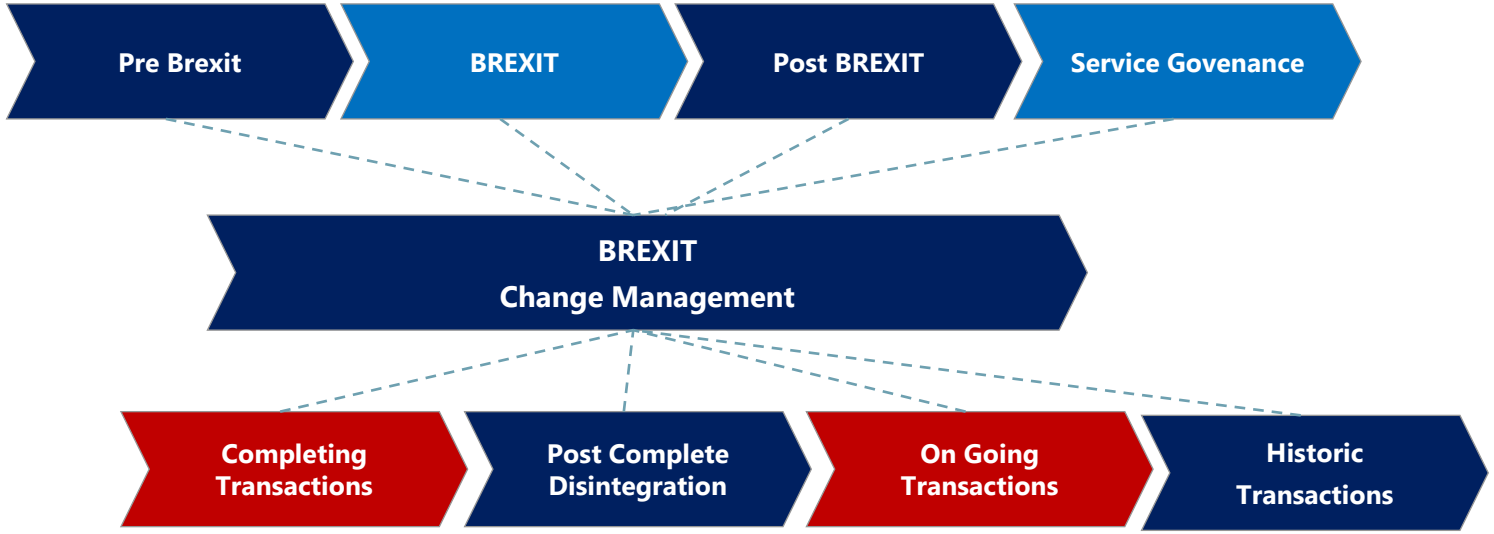
BREXIT: CHANGING EQUATIONS

- BREXIT Life Cycle
- Cross Border Synergies
- Service Innovation

BREXIT: CHANGING EQUATIONS
BREXIT LIFECYCLE

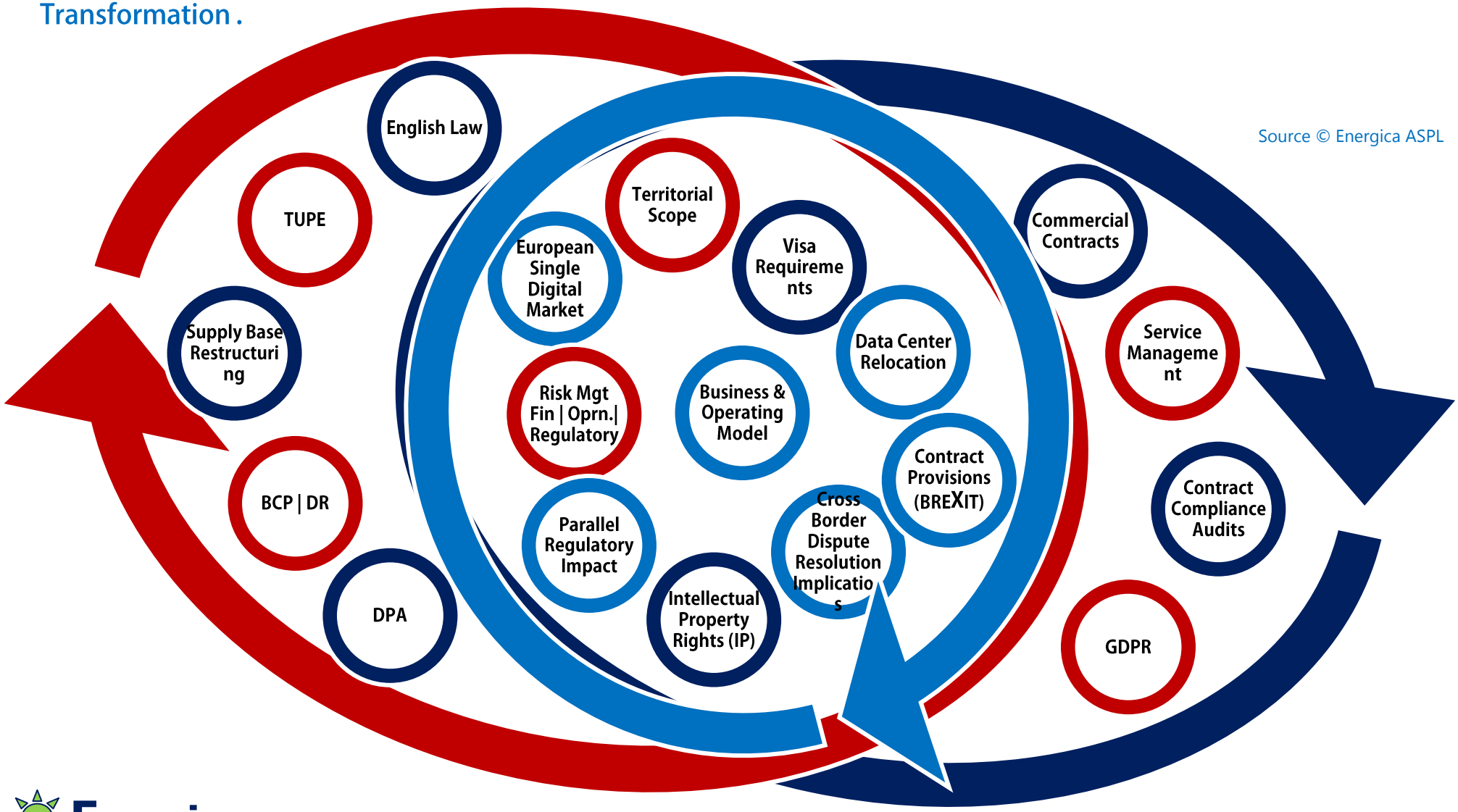
- SETTING THE STAGE: This presentation allow our client to get prepared well and set the stage for an effective BREXIT Transformation .
- SCENARIO PLANNING: BREXIT Transformation scenario planning covers the scope, requirements, operating model, business objectives, driving factors for BREXIT Scenario planning, identifying and evaluating the impact analysis
- RESPONSE STRATEGY: Setting up the appropriate change management, response strategy and operating model revolving around IT services, restructuring the supply base, making the optimal contract change management provisions and pricing etc.. with respect to BREXIT Transformation.

BREXIT Lifecycle



© 2016 Energica ASPL

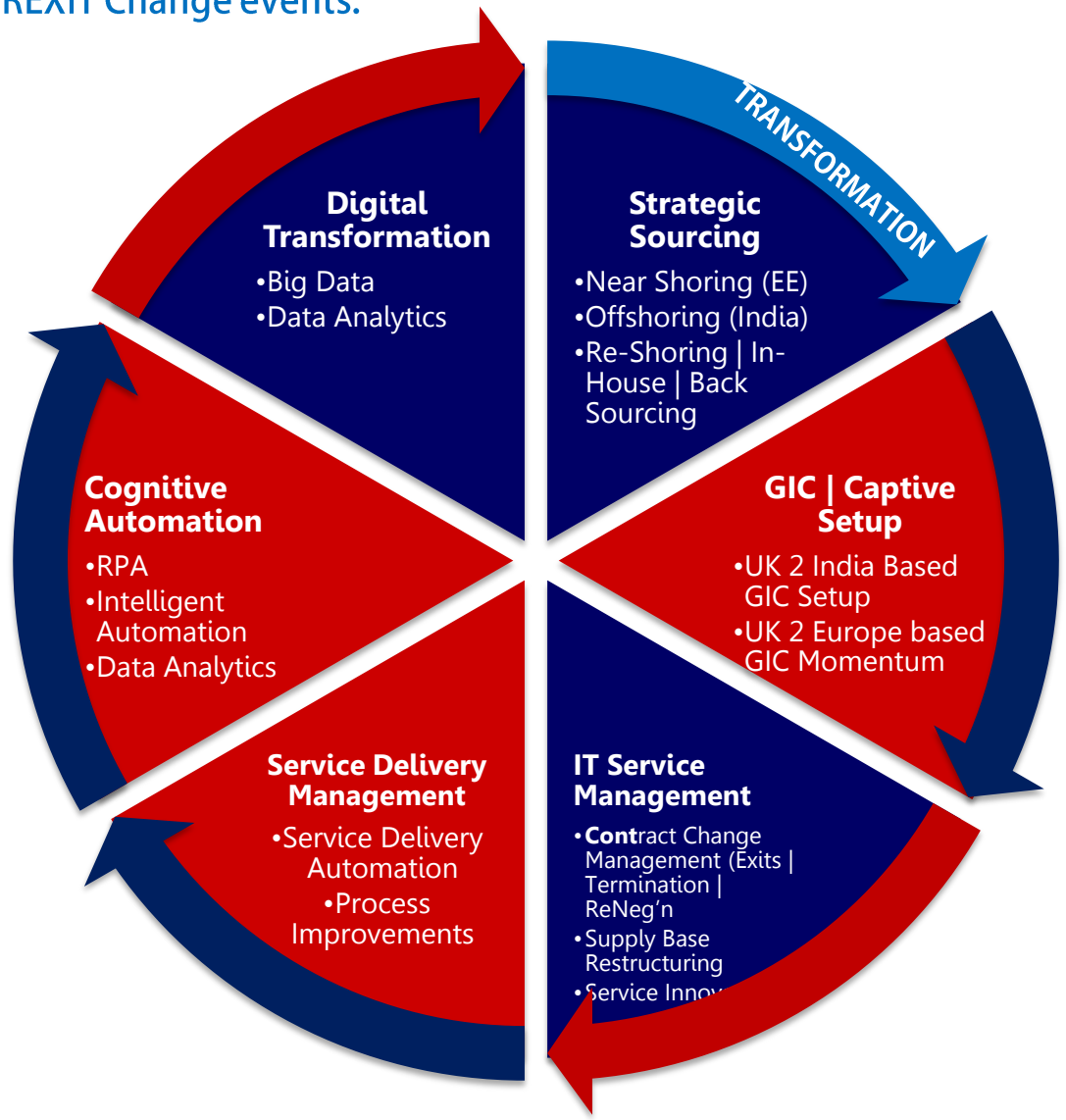
- Cross Border Synergies & Cross Over Criteria: The below figure depicts the cross border challenges more to the specific issues and challenges to EU, UK and the overlapping impacts cut across both EU and UK on BREXIT Transformation .



Source © Energica ASPL

© 2016 Energica ASPL

- BREXIT TRANSFORMATION INITIATIVES: We anticipate the following IT Transformation Initiatives will gets momentum inline with BREXIT Change events.



Source © Energica ASPL

© 2016 Energica ASPL

BREXIT: CHANGING EQUATIONS

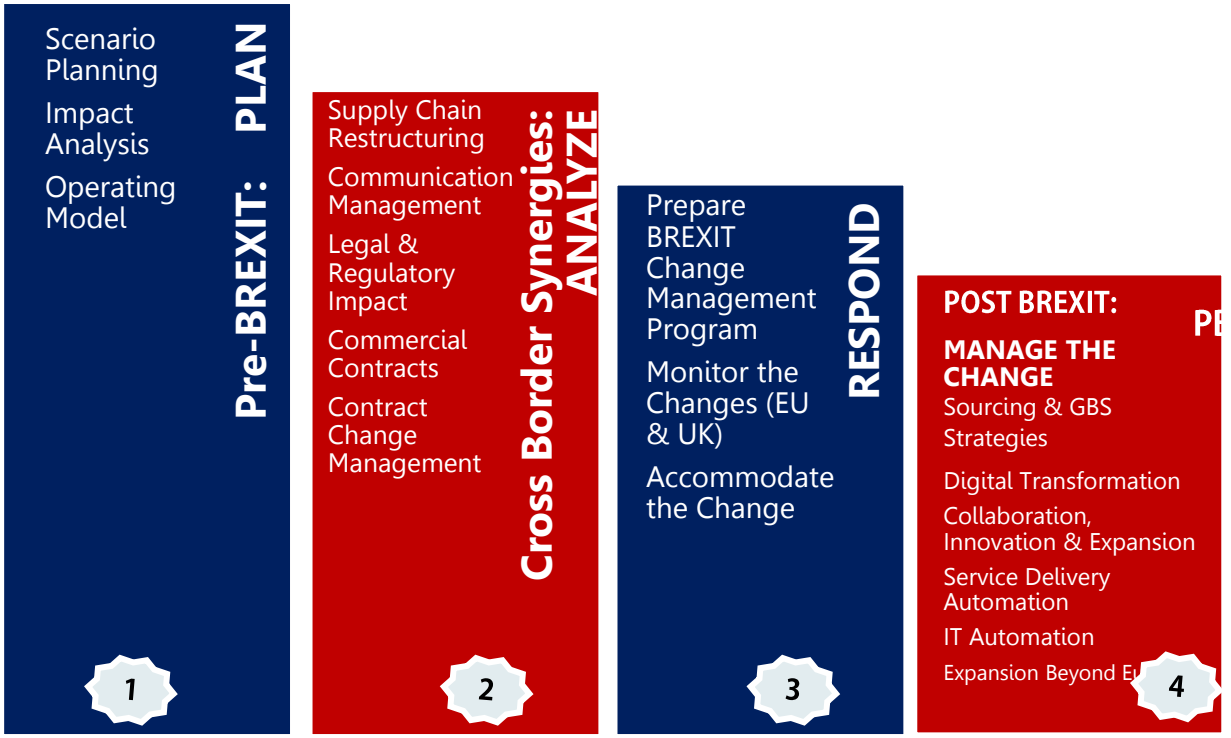
- Scenario Planning
- Response Strategy

BREXIT: CHANGING EQUATIONS
BREXIT: SCENARIO PLANNING > ANALYZE > RESPOND > MANAGE THE CHANGE

BREXIT& CROSS BORDER SYNERGY

1. PRE-BREXIT : PLAN

- **Assessing Potential Impacts**
- Direct & Indirect Tax, Regulatory and Compliance, Technology, Human Resource
- Scenario Planning, assess the potential risks, opportunities, challenges
- Derive a BREXIT Operating Model
- **BREXIT Scenario Planning**
- Supply Chain Destruction
  - Supply Base Re-Structuring
- Legal & Regulatory Impact
  - European Subsidiaries and Branches
- Communications Management



2. ANALYZE: Legal Analysis & Impact

- Business Immigration — Work Permits — Visa — Travelling — Cost Implications
- **IT Services & Commercial Contracts**
- Contract Change Management and contract provisions due to BREXIT events (due to the parent organization /operating entity /Regulatory Impact)

3. RESPOND: Response Strategy

- Prepare a Response Strategy inline with BREXIT

4. Manage the Change

- Accommodate the BREXIT Change and run the BAU

Source © Energica ASPL

© 2016 Energica ASPL

Managing BREXIT: Response Strategy for - IT Services

Response Strategy : Various stages of the BREXIT Lifecycle | Management process

Due Diligence | Contracts

- Review Your IT Services Contracts, 3rd Party Services Agreement, Schedules, Exhibits etc..
- Find out the Impact Analysis on the Contracts and the associated contractual documents

Prepare Response Strategy

- Work with Suppliers, Partners on the Extraordinary event (BREXIT)
- Share the Impact Analysis with your supply base
- **Identify the Impacts and Prepare a Response Strategy for :**
- IT Services | Supply Base Restructuring
- Existing Contracts
- Contract Amendments
- Terminate Contracts
- Establish New Contracts (New Services)
- Review and Amend Pricing Adjustments
- Include BREXIT – Contract Provisions (extraordinary events clause)
- Prepare Transition | Disengagement Plans
- Redefining the Operating Model
- Regulatory Impact – Response Planning
- Impact Analysis on Assets, Resources, , IP, Software, Employees

Review Response Strategy | Plan & Obtain Consents

- Review Response Strategy
- Engage 3rd Party Advisor for Legal Reviews
- Negotiate with supplier(s)
- Get Management Buy-In
- Finalize and signoff on Response Strategy with appropriate Risk Mitigation & Related Plans and Documents covering Pre-Brexit, Brexit Change Management Program Plan, Exit Period Extensions and change freezes

BREXIT Service Transition & Sourcing Governance

- Preserving flexibility through change processes the contract and pricing mechanisms
- Separate internal governance processes and reviews from reviews concerning the supplier's scope

Source © Energica ASPL

© 2016 Energica ASPL

BREXIT: CHANGING EQUATIONS

- Contract Change Management
- Indicative Treatment*
- Energica Contract Management Services

BREXIT: IT Services - Contract Change Management & Supply Base Restructuring

- *Highlighted are indicative scenarios. The indicated treatment and the anticipated outcome will vary for every client organization depend on a number of factors unique to each matter w.r.t BREXIT events.
- Amendments* on existing contracts and contract provisions (during & post BREXIT changes) that should be included in future contracts w.r.t forthcoming BREXIT events.
- Termination * of your existing contracts*
  - Termination of a contract will depend very much on the particular terms and specific facts. (due to BREXIT events)
    - EU as the Territorial Scope — To be evaluated in your existing contract
    - New Agreements - BREXIT Specific Material Adverse Changes (MAC) , Force Majeure clauses that are linked to Termination rights and implications on the commercial viability of the commercial arrangement
- Contract Renewals* | Restructuring * | Renegotiations* (PAN EU) may happens on IT Services
  - Lead to smaller, short-term deals revolving around AD services
  - However Renewals of current service agreements or contracts may face uncertainty due to legal framework implications for UK based buyer organizations (adapting to new UK laws — though it is going to be the same or replica of exiting EU with customized changing conditions + TUPE
- Contract Change due to BREXIT events may impact on offshore vendors due to long term annuity based contracts and provide possible potential opportunities for UK and European Players like Capita, Tieto, CSC. Atos etc..
- Please seek an Expert Advise* from Legal to assist businesses with pre-BREXIT planning. This includes reviewing existing contracts advising on new ones and providing practical and strategic advice on managing contracts ahead of a BREXIT.

© 2016 Energica ASPL

BREXIT: CHANGING EQUATIONS

MANAGING BREXIT: SUPPLY BASE RESTRUCTURING: MANAGE THE CHANGE

Contract Management | Scenario Planning for Existing and New Contracts*

BREXIT: IT Services - Contract Change Management & Supply Base Restructuring

1. Existing Contracts | Amendments

- Scope Changes (due to BREXIT event)
- Force Majeure Clause (due to BREXIT event)
- Material Adverse Change (MAC) clauses,
- Hardship clauses &
- Price Review Provisions
- Payment Terms & Price
- Adjustment Mechanism
- Term & Termination (Exit of UK or BREXIT events)
- Renegotiate | Terminate ? (Exit of UK or BREXIT events)

BREXIT Planning & Due Diligence

2. NEW Contracts

- Territorial Scope (EU, EEA) /or/ Explicit reference to UK
- Reference to EU Legislations
- Scope of Services
- Service Levels
- Payment Provisions
- Assignment & Novation
- Delivery model
- Transition
- People
- Process
- Relocation
- Intra Group Assignment
- Dispute Resolution
- Sub-Contracting & Novation.
- IP Rights
- Auditing
- DPA
- Data Center

3. Special Treatment * Contract Analysis & Review

- Insolvency Provisions
- Include an exclusive English jurisdiction clause.(Disp. Res)

- Brexit-specific material adverse change

?

Contractual Relationship Changes

- Governing Law
- Service Documents
- Position Post-Brexit

4. Existing & New Contracts

Contract with IT Service providers | Suppliers | Vendors

- Territorial scope
- References to EU legislation
- Intellectual property provisions
- Payment provisions
- Insolvency provisions
- Assignment and novation
- Dispute resolution
- Term and termination
- GDPR compliance
- Contract Risks
- Pricing
- Exit Strategy

*Please seek an Expert Advise from Legal to assist businesses with pre-Brexit planning. This includes reviewing existing contracts advising on new ones and providing practical and strategic advice on managing contracts ahead of a Brexit.
Energica can help in carryout the Contract Review & Impact Analysis with prescriptive recommendations

© 2016 Energica ASPL

MANAGING BREXIT: How Energica Can Help Buyer Organization?

Energica' Contract Management Advisory Services

- Energica can help in carryout the Contract Review & Impact Analysis for your IT Services Contracts with prescriptive recommendations on BREXIT Transformation.
- Energica offers and executes the following Contract Management Advisory Services to our clients across the globe in a unique managed services delivery model from India in a cost effective manner.
- Vendor Contract Compliance Audits
- Contract Compliance Reviews (Compliance, Performance, Cost Recovery & Risk)
- Contract Management Compliance Roadmap
- Contract Management process assessment and Improvisation
- Contract Management Product Selection (Software) and Implementation
- Contract Admin and Support

- For further information and inquiries, please contact ramesh.somasundaram@energica-global.com
- For more information, please visit www.energica-global.com

© 2016 Energica ASPL

BREXIT: CHANGING EQUATIONS

IMPACTS | PLANNING | RESPONSE STRATEGY | MANAGE THE CHANGE

BREXIT: Managing BREXIT

PLANNING
RESPOSNSIVE SOURCING STRATEGY
CHANGE MANAGEMENT

CONFIDENTIAL

OCT. 2016

Energica' Capabilities Presentation

Managed Governance Services

SOURCING. SOURCING MANAGEMENT. GOVERNANCE
ADVISORY

Ramesh Somasundaram

CEO & Head IT Sourcing Mgt. & Managed Governance Services,

(C) +91.99620.55678

Email: ramesh.somasundaram@energica-global.com

ENERGICA ASPL

Energica Advisory Services Private Ltd

Energica™

IT SOURCING MANAGEMENT. GOVERNANCE. ADVISORY.

Governance Matters > Perfecting Partnership > Delivering Value

© Copyright 2016. Energica ASPL. All Rights Reserved.

Energica is a advisory and consultancy services company providing IT Sourcing, Supplier Management and Governance services to global clients. This material has been prepared for general informational purposes only and is not intended to address the circumstances of any particular individual or entity or situation.

We intend to provide accurate and timely information, there can be no guarantee such information is accurate as of the date received /or/ this will continue to be accurate in future.. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Any other company or product names mentioned are used for identification purposes only, and may be trademarks of their respective owners

www.energica-global.com

Endnotes:

- MAYER.BROWN: The UK has voted. Brexit - What now? What happens next ? , 2016
- Hogan Lovells : The Brexit Effect: The legal implications behind the headlines, April,2016
- Enhance your Risk Radar: Approach on 03rd Party Supply base Risk Assessment , Ramesh Somasundram, March 2013, Energica
- Track & Trace: Contractual Obligations , Ramesh Somasundram, March 2012, Energica
- Managing Your Contract Performance : Adding Value & Reducing Costs through Effective Vendor Contract Compliance Audit , Ramesh Somasundaram , Sep. 2011, Energica

© 2016 Energica ASPL