

MetricStream

GRC

SUMMIT 2017

November 6 - 7, 2017

L O N D O N

Brexit Planning and Execution

Presenter Details



PEADAR DUFFY
FOUNDER DIRECTOR
SOLUXR



DR. RAY NULTY
MANAGING PARTNER
BREXIT PARTNERS

CONTENT

| The Problem

| The Solution

THE PROBLEM



GLOBAL RISK OVERSIGHT 2017; CGMA

1. Companies all round the world perceive an increasingly complex risk environment
2. Risk management practices are relatively immature across the globe
3. Most organisations struggle to integrate their risk management processes into strategic planning
4. There appears to be a lack of detailed risk oversight infrastructure in most organisations
5. Internal management-level risk committees are more common than chief risk officers
6. The Board of Directors is placing pressure on management to strengthen risk oversight
7. There are real barriers within organisations that are impeding progress in maturing risk management processes



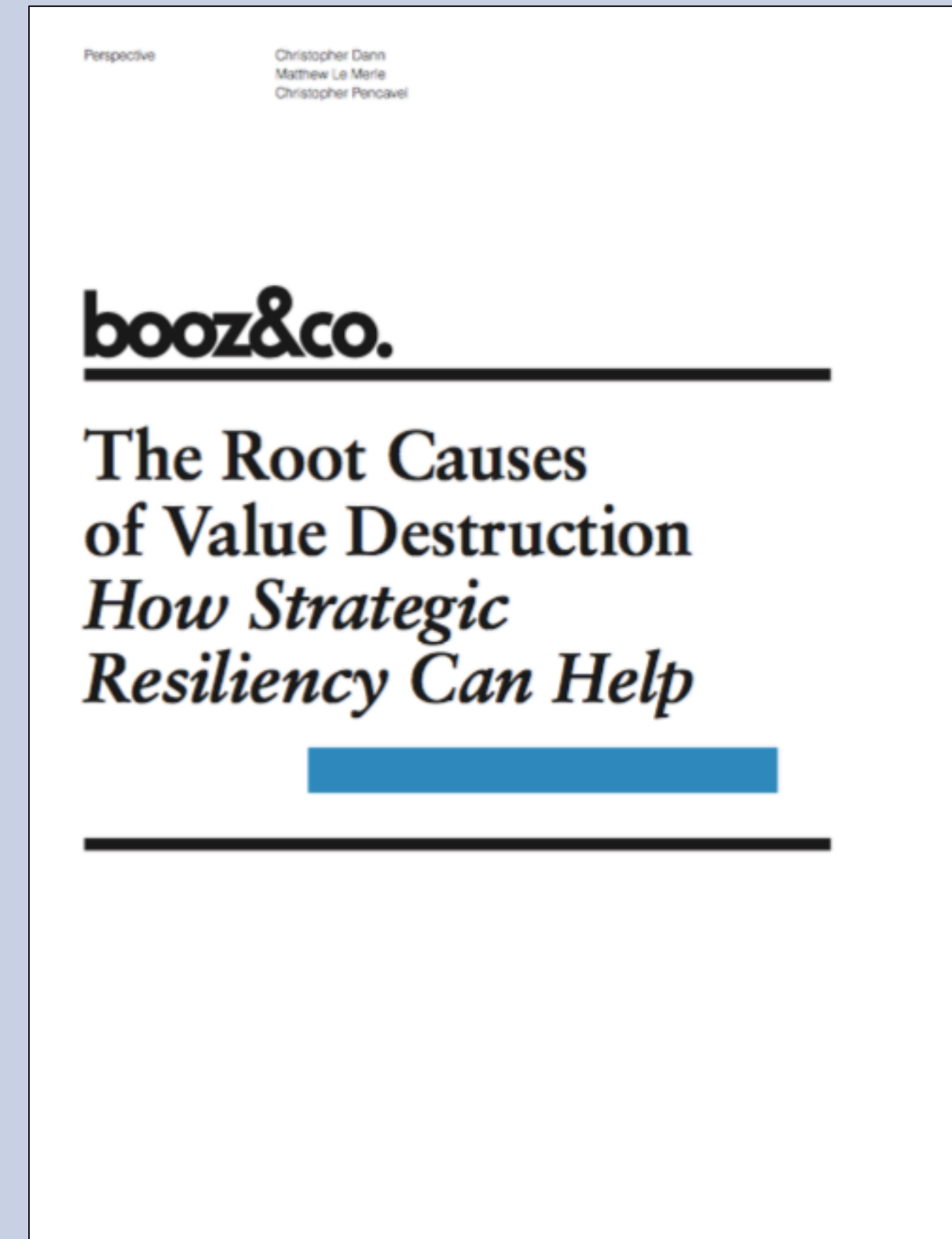
VALUE DESTRUCTION

“Our 2012 study, which looked at public companies with at least US\$1 billion in enterprise value, confirmed those earlier findings:

Strategic risks destroy the most shareholder value.

This has profound implications for executive teams, which tend to outsource risk to their enterprise risk management teams.”

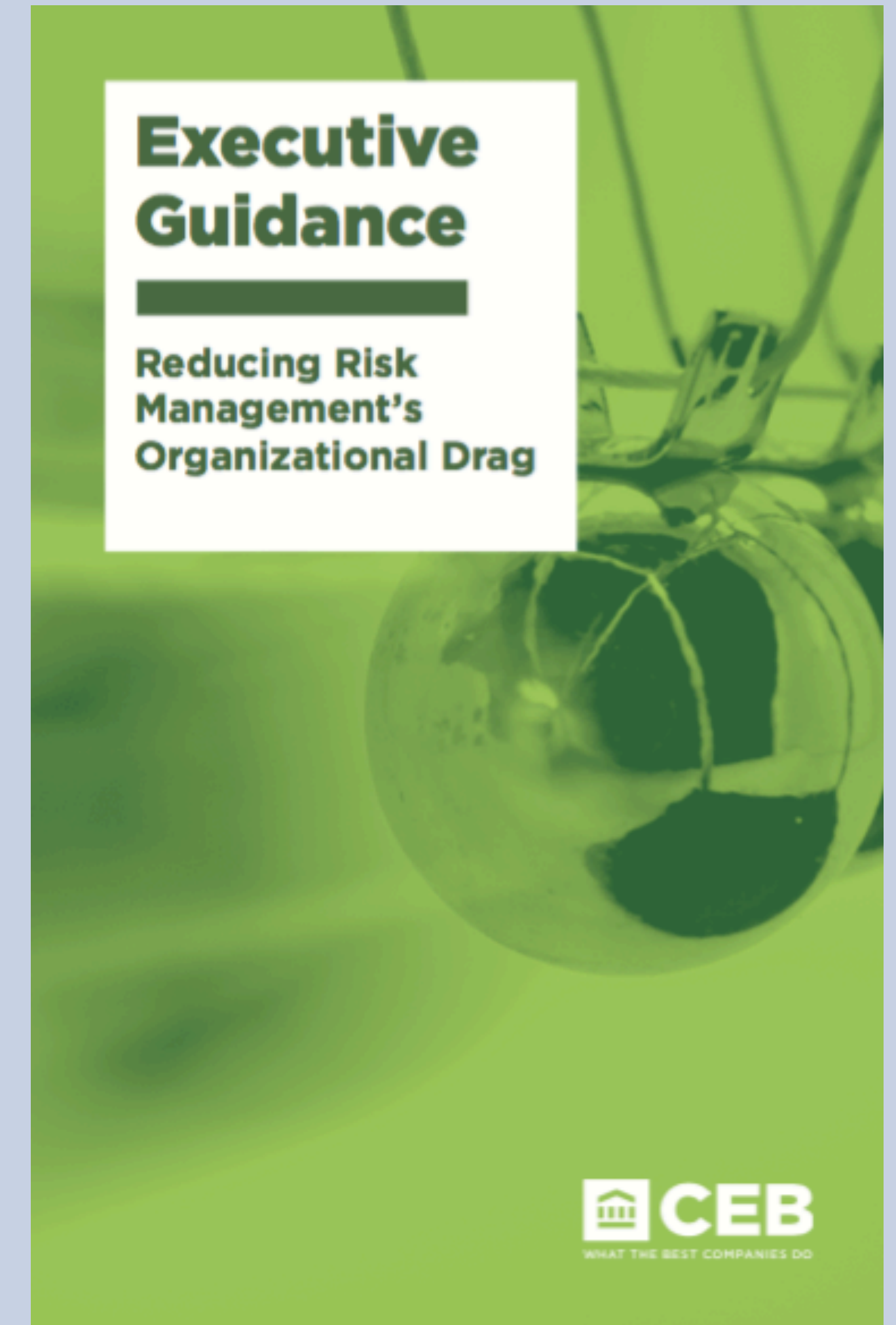
Source: booz&co, 2014



WHAT LEADERS NEED TO UNDERSTAND ABOUT RISK

“With shareholder value as the barometer, the most potentially damaging types of business risks are the strategic ones, such as competitive incursions or declining demand for a core product. CEB’s analysis of significant market capitalization declines in the past decade shows that 86% of them were caused by risks that were strategic in nature—with operational risks as a distant second place.”

Source: CEB Executive Guidance report, 2014



THE BOARD'S HURDLES TODAY

- Constant demands from investors for increased value creation
- Severe repercussions in the event of value destruction
- Pace of change and speed of events globally
- Limited visibility of issues facing frontline decision-makers
- Poor visibility of risks arising from outsourcing/ third party suppliers
- Demands for exemplary decision-making behaviours across all geographies
- Full transparency in social media driven world

THE BOARD'S BREXIT HURDLE TODAY

- Business Chiefs loosing patience with lack of progress in Brexit negotiations
- A “no deal...default to WTO” Brexit scenario is now a planning priority
- Default to WTO terms would affect business and operating models
- Brexit Impact Assessments need to be conducted across business units
- Strategic imperatives arising from Brexit Impact Assessments need to be established so that plans can be made to protect business
- Brexit execution plans need to be prepared and approved
- Brexit Program Offices to oversee plan execution need to be established

THIS RESULTS IN

Huge uncertainty for Directors and the C-Suite
with increasing propensity of loss of value
and/ or reputation when it's least expected.

THE SOLUTION



OUR PROMISE

We enable the Board and the C-Suite to make superior decisions through the provision and integration of insight, foresight and oversight.

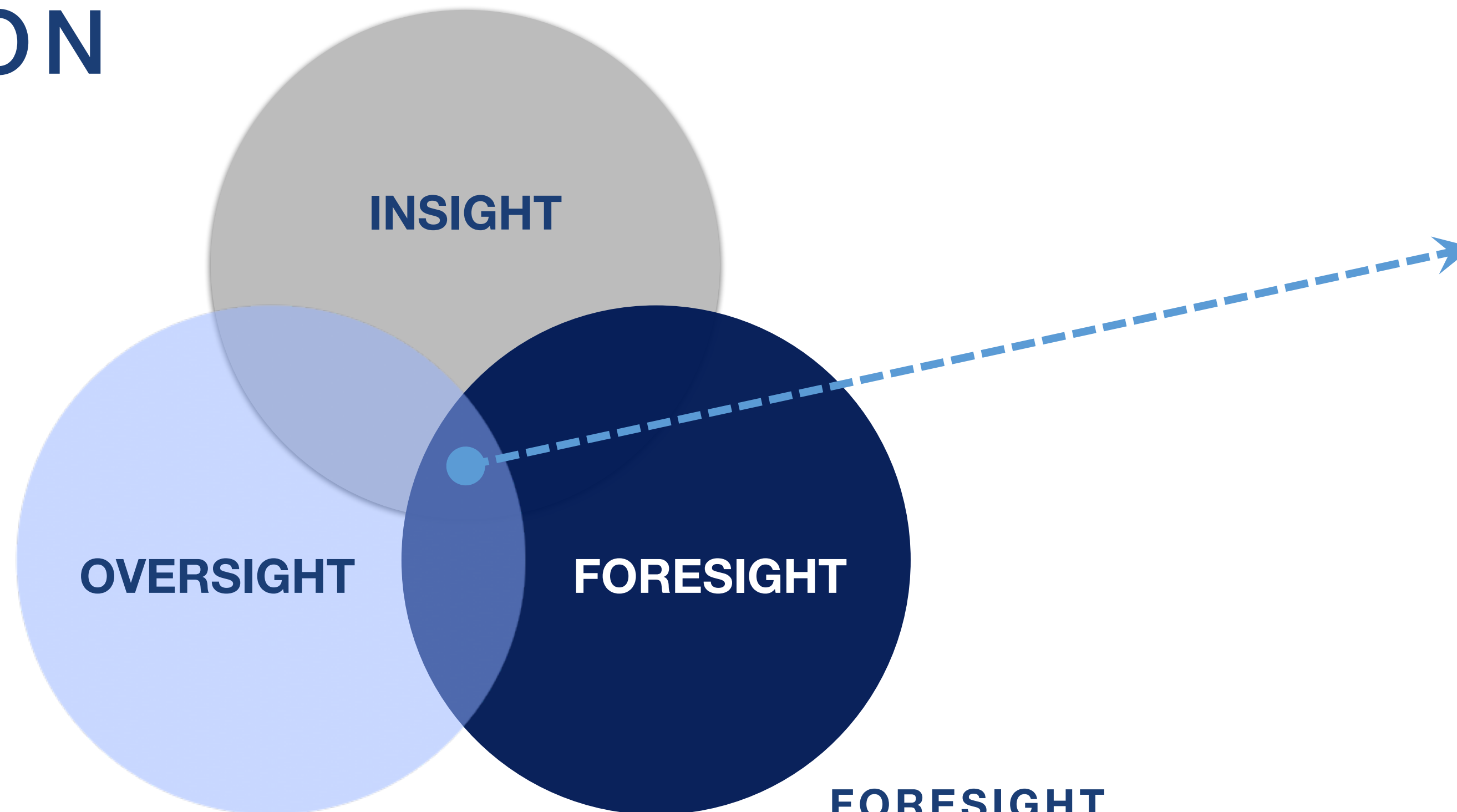
SOLUXR™ BREXIT STRATEGY EXECUTION

INSIGHT

Strategic Business Execution Intelligence
from Key Decision Makers across the
organisation

OVERSIGHT

SEO (Strategy Execution
Office): Operationalized
Oversight for the CXO and
the Board



FORESIGHT

Anticipate obstacles on road
ahead leading to:

- ✓ Value creation
- ✓ Reduced value destruction

VALUE/ROI:

- ✓ Real-time information
- ✓ Effective resource allocation
- ✓ Improved EBIT and ROA
- ✓ Lower earnings volatility
- ✓ Reduced cost of capital
- ✓ Improved stakeholder communication

SOLUXR DATA JOURNEY



BREXIT CUSTOMER JOURNEY

BREXIT STRATEGY EXECUTION DELIVERED

1. BREXIT IMPACT FACTS ASSESSMENTS ONLINE

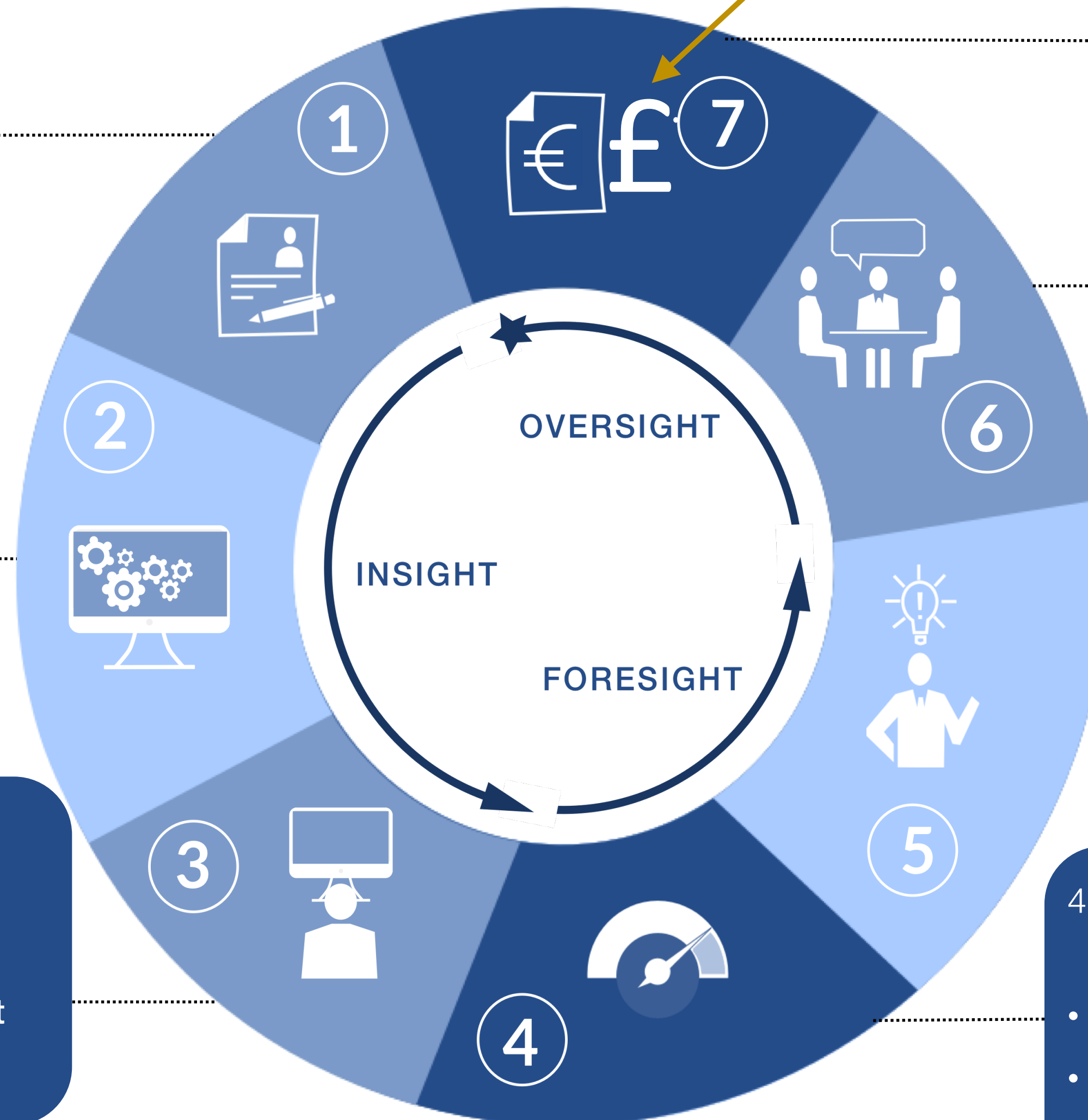
- Business Model
- 100 BREXIT Questions
- BREXIT Scenarios

2. BREXIT IMPACT FINDINGS ONLINE

- Challenge Assumptions
- Group Assumptions \
- Draw Conclusions

3. BREXIT IMPACT CONCLUSIONS

- Strategy Execution Office
- Strategic Imperatives Issued to Front Line Decision Makers online



7. 'ALWAYS ON BREXIT'

- Repeat Cycle to Reflect Changing BREXIT Scenarios

6. PERFORMANCE

- Self Assessments online
- 2nd Line Assurance

5. SWOT online

- Challenge
- Group
- Prioritize

4. BREXIT PLANNING online

- Align with Strategic Imperatives
- Strengths & Areas for Improvement
- What Matters Most

SOLUXR™: QUESTIONS WE ANSWER FOR THE BOARD & C-SUITE

Value Creation

- What really matters to/and what worries our frontline decision-makers as they pursue Business Objectives?
- How can we be sure that we have thought things through, that we are seeing the real issues, improving decision making, enhancing strategic choices, and avoiding losses?

Board Oversight

- What's going on across our organization?
- How do we know what activities we should stop today?
- Can we anticipate emerging issues and black swans before they occur?

Risk & Culture

- What effect are our corporate values & policies having on decision-making behaviours across the organisation?
- At what point do operational activities become unacceptable?

Agility

- Can we effect change at speed ahead of our less adaptive competitors?
- Can we receive/send information to/ from our frontline decision-makers as quickly as we should?

Risk Management

- How effective is our Risk Management Framework?
- Are we achieving our Risk Management objectives?
- Are we more focused on risk assessment than on practically treating risks?

Introducing our Brexit service offering



Brexit Partner's Propositions

- Tailored Board & Exec Briefings
- Brexit Impact Assessment
- Brexit Strategy
- Brexit Location Strategy
- Brexit Business & Operating Model Design
- Brexit Strategy Execution

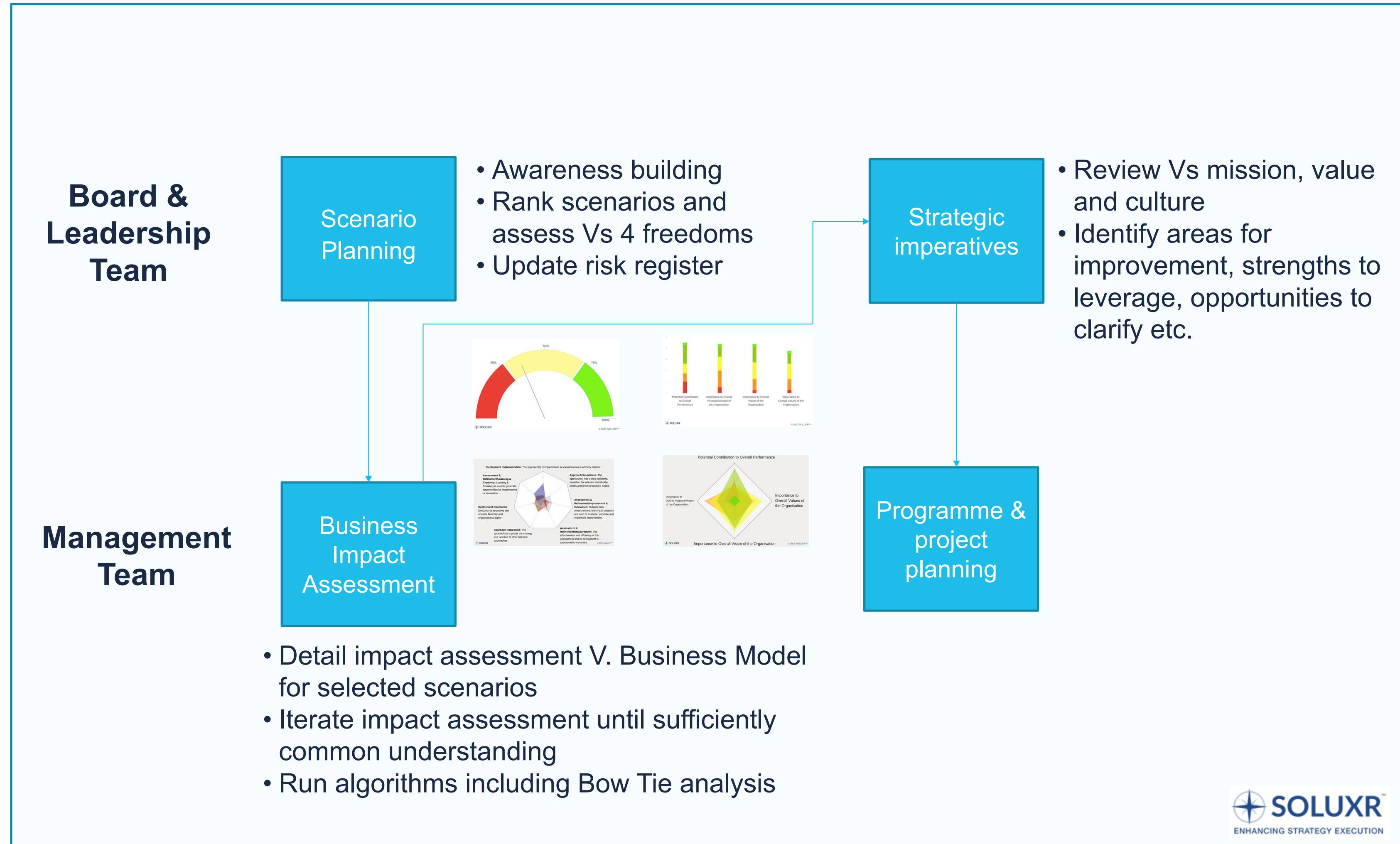
BREXIT CENTRE OF EXCELLENCE

BREXIT PROGRAMME INDEPENDENT REVIEW

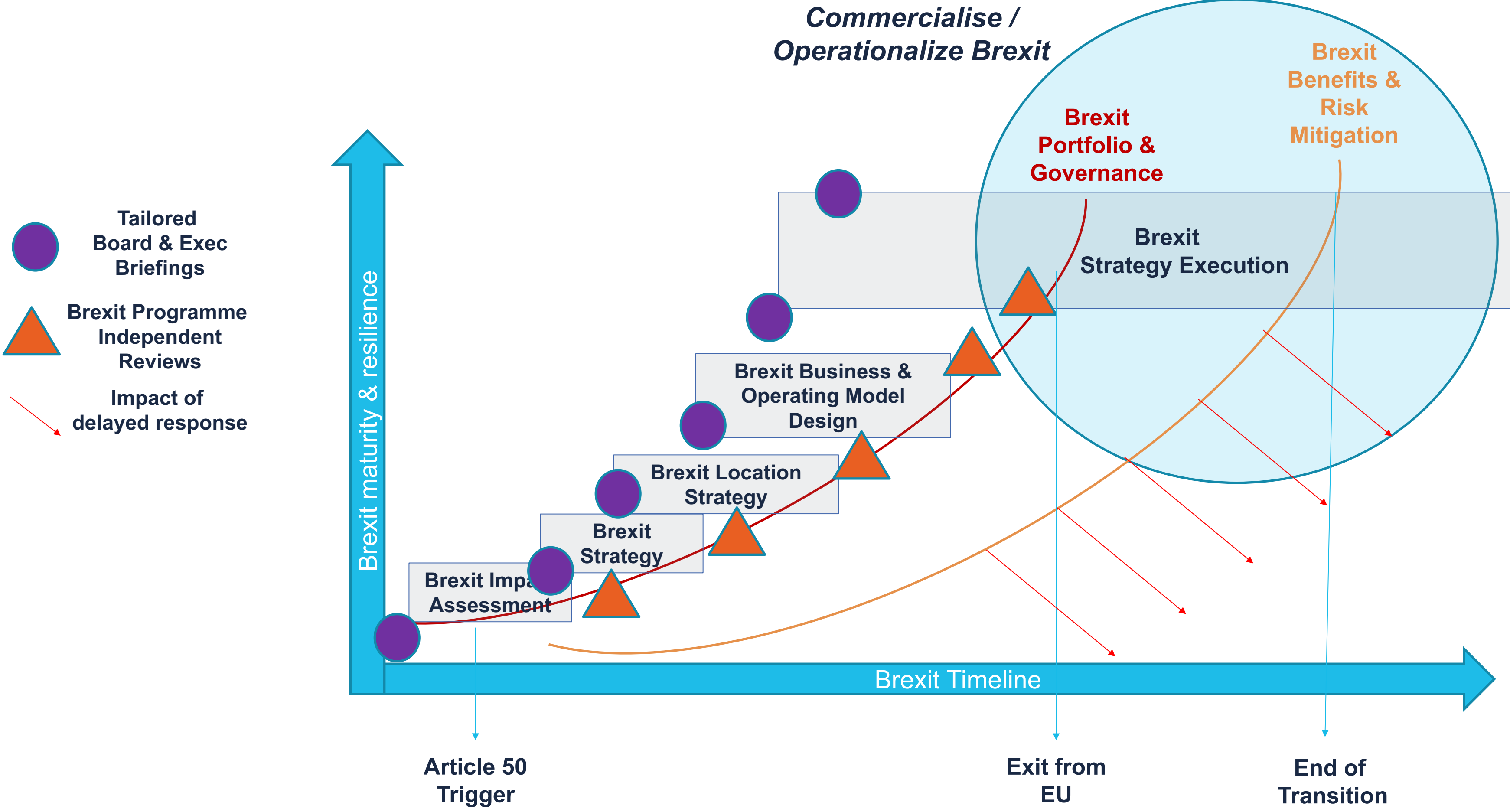
BREXIT MENTORING PROGRAMME



Introducing Soluxr Brexit proposition from Brexit Partner

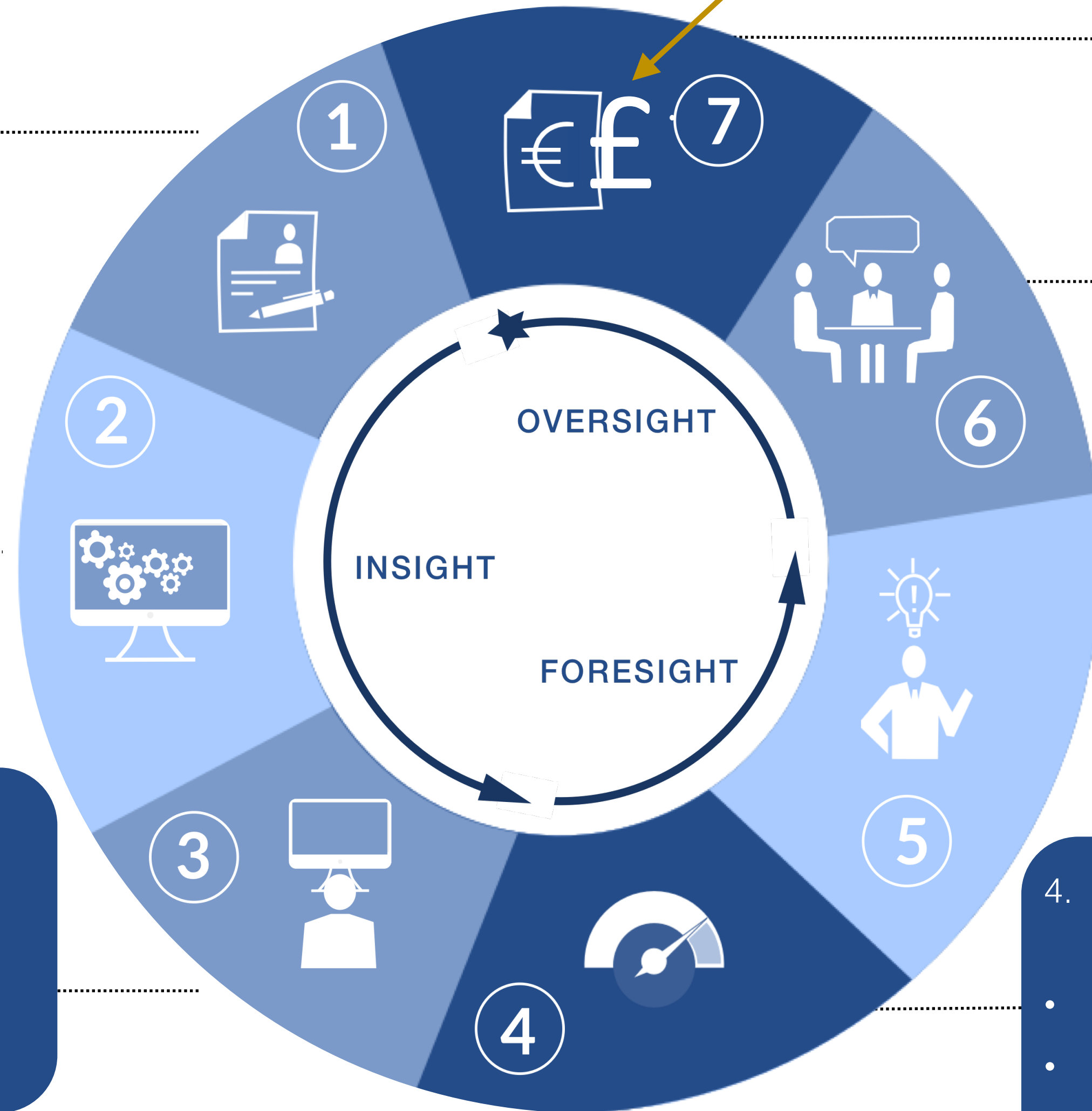


Our services in context of a challenging timeline



BREXIT CUSTOMER JOURNEY

BREXIT STRATEGY EXECUTION DELIVERED



1. BREXIT IMPACT FACTS ASSESSMENTS ONLINE

- Business Model
- 100 BREXIT Questions
- BREXIT Scenarios

2. BREXIT IMPACT FINDINGS ONLINE

- Challenge Assumptions
- Group Assumptions \
- Draw Conclusions

3. BREXIT IMPACT CONCLUSIONS

- Strategy Execution Office
- Strategic Imperatives Issued to Front Line Decision Makers online

4. BREXIT PLANNING online

- Align with Strategic Imperatives
- Strengths & Areas for Improvement
- What Matters Most

7. 'ALWAYS ON BREXIT'

- Repeat Cycle to Reflect Changing BREXIT Scenarios

6. PERFORMANCE

- Self Assessments online
- 2nd Line Assurance

5. SWOT online

- Challenge
- Group
- Prioritize

A BREXIT CASE STUDY: ABC BANK

- A UK Commercial Bank based in the north of England
- Ambitious growth plans
- Works closely with British Business Bank to on-lend to SMEs
- Simple lending products
- No overseas customers
- Regulated by the FCA

FRAMING THE SCENARIOS



Board & Leadership Team

Scenario Planning

- Awareness building
- Rank scenarios and assess Vs 4 freedoms
- Update risk register

| | | Soft Brexit | Hard Brexit | No Deal |
|---|---|---|--|---------|
| Workforce | | | | |
| Recruitment and retention of EU nationals | Likely to include some restrictions on migration. | Likely to include restrictions on migration and legal status of EU nationals. May lose key resources. | Absence of legal framework for mobility likely to have as severe impact on migration. Will lose key resources. | |
| Employment rights for non UK staff | Existing rights likely to remain. | Existing rights likely to be diminished | No protection of existing rights | |
| Financing | | | | |
| Capital and liquidity finance | Likely to continue through European Investment Bank | EU funds through the European Investment Bank likely to be stopped | Likely to undermine financing generally | |
| Customers | | | | |
| Impact on UK customers. | Some minor impacts. | Likely to affect the wider economy and ABC's ability to finance. | Likely to severely affect the wider economy and ABC's ability to finance | |
| | | Increase in credit risk across target customer segments. | Significant credit risk across target customers. | |
| | | Increase in demand for lending. | Increase in demand for lending. | |
| Key activities | | | | |
| Back office | Some minor changes | Credit management, finance, lending and technology likely to constrain performance. | Processes, capacity, capabilities and technology will be severely challenged. | |

1. BREXIT IMPACT “FACTS” ASSESSMENT ONLINE

  > [Prior Responses](#) >

APPLIES TO: OBJECTIVES
Hard BREXIT

1. Markets & Customer Segments

Impact on regulation*

1-Minor Impact

Impact on our customers' business*

2-Moderate Impact

Impact on public policy representations*

3-Major Impact

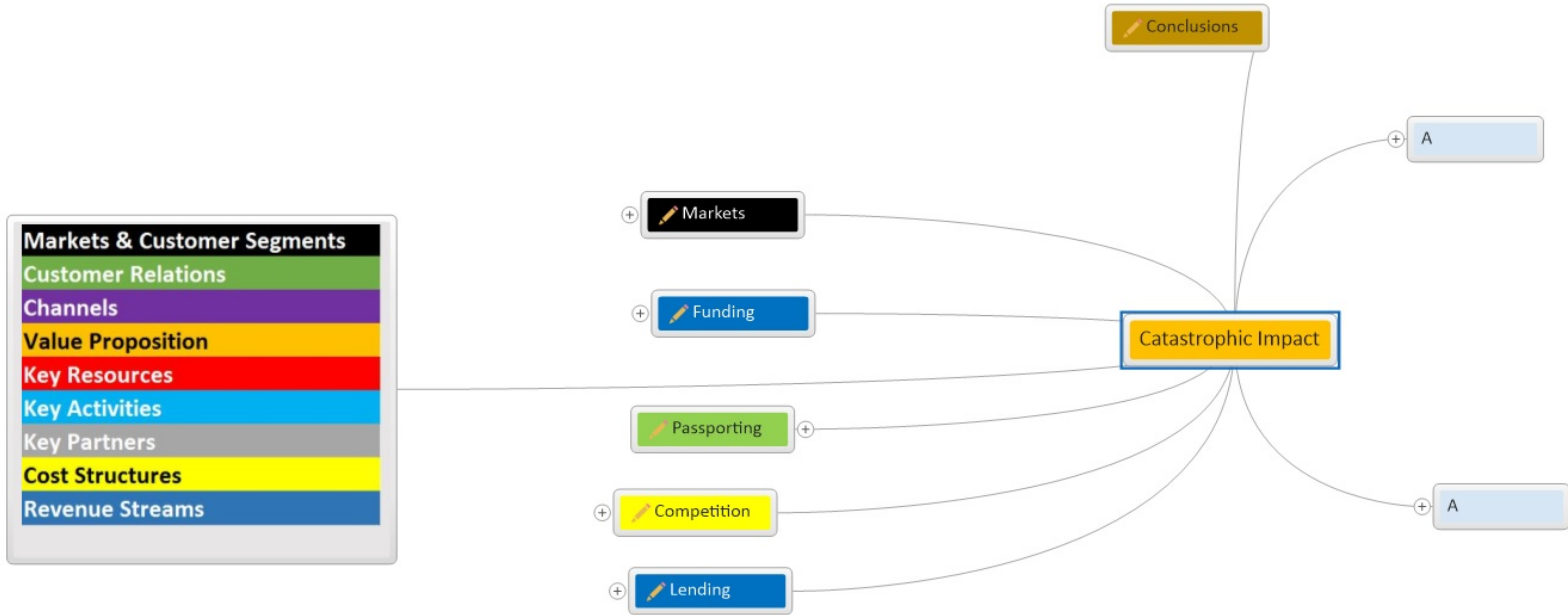
 [Instructions](#)

 [Reports](#) ▾

Sections:

1. [Markets & Customer Segments \(6/6\)](#) ✓
2. [Customer Relations \(4/4\)](#) ✓
3. [Channels \(5/5\)](#) ✓
4. [Value Proposition \(7/7\)](#) ✓
5. [Key Resources \(9/9\)](#) ✓
6. [Key Activities \(23/23\)](#) ✓
7. [Key Partners \(9/9\)](#) ✓
8. [Cost Structures \(9/9\)](#) ✓
9. [Revenue Streams \(8/8\)](#) ✓

2. BREXIT IMPACT “FINDINGS” ONLINE



3. BREXIT IMPACT CONCLUSIONS

Catastrophic Impacts

- Drastic loss of SME loan funds & loan guarantee mechanisms
- 53% of existing clients expecting significant loss of export business or difficulties in sourcing supplies

Major Impacts

- Reduced profitability
- Increase in arrears and bad debts
- Succession plans undermined due to likely loss of key executives who are EU nationals
- Loss of key skills (credit, technology, lending)
- Reduced credit rating of ABC Bank

Moderate Impacts

- Drop in performance against key metrics will impact customer relations / approval ratings. These include: loan approval times; number of loans approved; number of loans drawn down; recoveries etc.
- Ability of systems and processes to cope efficiently and effectively with a more challenged commercial environment

4. BREXIT “PLANNING” ONLINE

205.234.8.140/ui/form/mid=101415&pid=9036/flag%3D1%26emd%3D1%26x_edit_mode%3DYes%26wrapper%3D%20No%26mode%3Dview

SOLUXR Prior Responses

Due by 11/26/2017 100%

APPLIES TO: OBJECTIVES
Hard BREXIT

2. Strengths & Areas for Improvement

My list of our areas for improvement if we are to successfully deliver on the Strategic Imperatives*

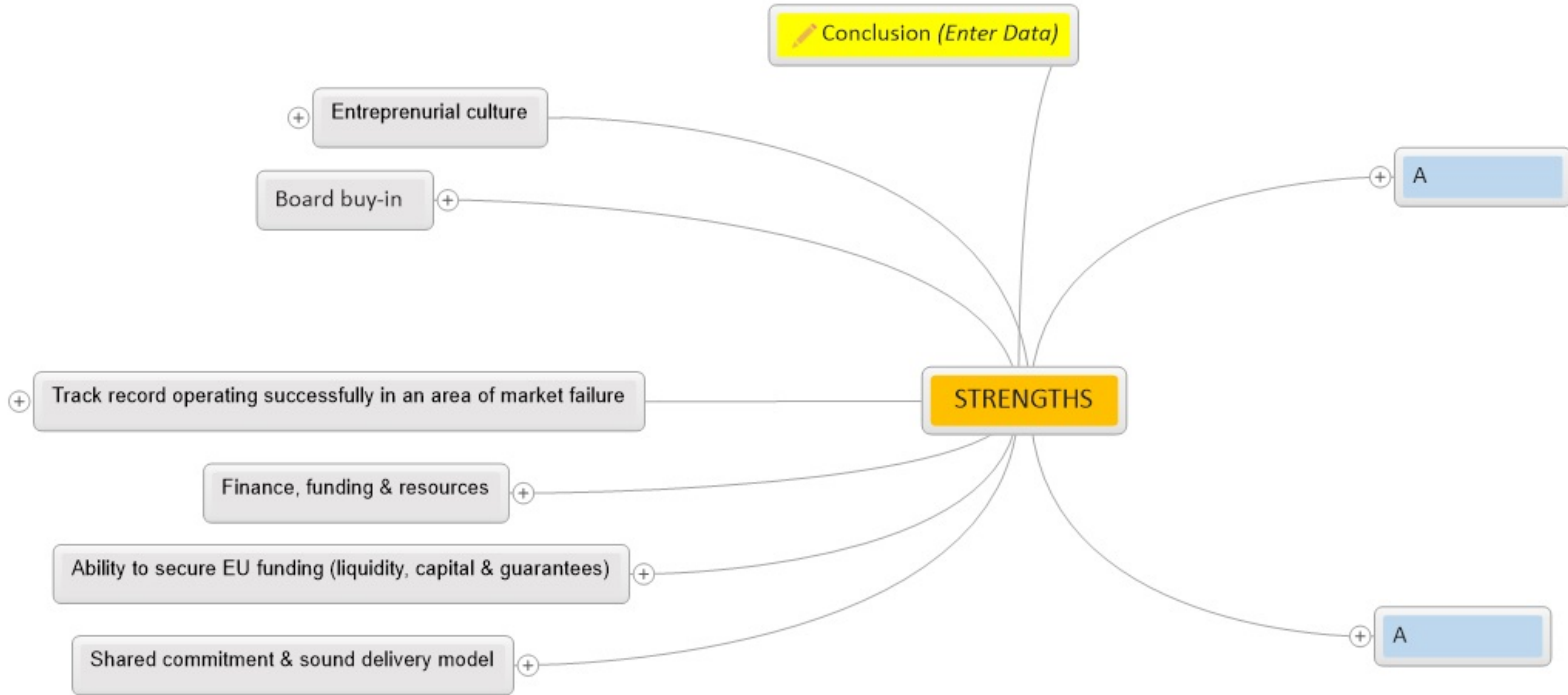
Mission: Supporting viable businesses with finance to sustain and grow their business
Vision: Best lender servicing the SME market
Values: Entrepreneurial, co-operative, adaptive, understanding, empowering, impactful

| List Areas | Potential Contribution to Overall Performance | Ability to demonstrate alignment with the stated Purpose/Mission of the organisation. | Ability to demonstrate alignment with our Vision for the organisation. | Ability to demonstrate alignment with our Corporate Values. |
|---|---|---|--|---|
| Knowledge of Irish market | Extremely Significant Contribution | Fully Able to Demonstrate | Fully Able to Demonstrate | Ability to Demonstrate |
| Ability to significantly scale business | Extremely Significant Contribution | Limited Ability to Demonstrate | Fully Able to Demonstrate | Fully Able to Demonstrate |
| Government relations | Mission Critical Contribution | Limited Ability to Demonstrate | Fully Able to Demonstrate | Fully Able to Demonstrate |
| Channel partner management | Mission Critical Contribution | Ability to Demonstrate | Fully Able to Demonstrate | Fully Able to Demonstrate |
| Sales management | Reasonable Contribution | Ability to Demonstrate | Fully Able to Demonstrate | Fully Able to Demonstrate |

My list of the strengths of our current organisational capabilities to deliver on the Strategic Imperatives*

BACK NEXT CLOSE

5. "SWOT" ONLINE



BREXIT STRATEGIC IMPERATIVES

| Strategic Imperative | Rationale |
|--|--|
| Establish an Irish subsidiary of ABC Bank | <ul style="list-style-type: none">• Large market opportunity• Access to cheap liquidity, loan guarantees and development capital• Ensures economies of scale continue to be achieved in UK middle and back office• Potential opportunity to retain key staff who are EU nationals |
| Select and implement a new technology platform | <ul style="list-style-type: none">• Addresses capacity constraints and positively impacts performance metrics• Improves quality of credit decisions, reduces arrears and improves recoveries• Reduces operating costs |
| Develop a Brexit lending proposition for clients | <ul style="list-style-type: none">• Helps retain customers during challenging times• Helps grow lending volumes• Improves non-lending income |

6. "PERFORMANCE"

To ensure a plan is in place to secure the future of the organis...

Due by 10/28/2017



APPLIES TO: OBJECTIVES
Hard BREXIT

1. Assessment of Performance Enablers

The approach(es) have a clear rationale, based on the relevant stakeholder needs, and is/are process based.*

ADD COMMENTS

ADD ATTACHMENTS

The approach(es) support strategy and are linked to other relevant approaches.*

ADD COMMENTS

ADD ATTACHMENTS

The approach(es) are implemented in relevant areas, in a timely manner.*

ADD COMMENTS

ADD ATTACHMENTS

Execution is structured and enables flexibility and organisational agility.*

Instructions

Reports

Sections:

1. **Assessment of Performance Enablers (0/7)**

Collaborate:

Add People

Please select users to collaborate with

SUBMIT

REAL TIME REPORTING

PERSPECTIVES

Receive insight from each perspective in the business model canvas.

DRILL DOWN

Further Explore Data Inputs.

REAL-TIME

Data is updated and accessible in real time.



| Question Name | Response | Assumptions | Documents Attac... |
|--|-----------------------|---|--------------------|
| Section Name: Key Partners | | | |
| Respondent: John Shuttleworth | | | |
| Ability to access natural resources (EU, WTO Area & Other) | 4-Catastrophic Impact | Assumption: Potential loss of source of funds (EU via BBB). | |
| Impact on eco system in which we operate | 4-Catastrophic Impact | Assumption: No alternative source of funds immediately available to take up on the vacuum created by loss of access to funds that we presently bring into a deprived region of UK. | |
| Ability to secure existing partners | 4-Catastrophic Impact | Assumption - dip in client lending activity will render us of less interest and priority to brokers, advisors and local government agencies in the North of England | |
| Respondent: Ray Nulty | | | |
| Ability to access supply chains (EU, WTO Area & Other) | 4-Catastrophic Impact | We consider EU liquidity and capital funding and loan guarantees as our major supply chain input. Our assumption is that these sources will not be available to us after Brexit and that the UK government does not have the short or medium term capacity or willingness to deliver replacement sources. | |
| Ability to secure existing supplier base | 4-Catastrophic Impact | We will not be able to secure existing EU funds and this will impact matching commercial funds. We need to be much smarter about the use of tax incentives and other tools. We do not have the financial skills presently to develop the necessary solutions. Ireland gives us the opportunity to continue to lend EU funds but not for the UK market. Profits gained in the Irish market can be used to secure international capital market funding for the UK market. Nonetheless this will be difficult and is not a short term fix. Assumption: without full flow of funds available today, local sources will be more reluctant to lend. They will be afraid of exposure driven by our inability to "share" risks among secondary lenders. | |
| Impact on eco system in which we operate | 4-Catastrophic Impact | Assumption: No alternative source of funds immediately available to take up on the vacuum created by loss of access to funds that we presently bring into a deprived region of UK. | |
| Ability to secure existing partners | 4-Catastrophic Impact | Assumption - dip in client lending activity will render us of less interest and priority to brokers, advisors and local government agencies in the North of England | |

MetricStream

GRC

SUMMIT 2017

November 6 - 7, 2017

L O N D O N

Questions?

MetricStream

GRC SUMMIT 2017

November 6 - 7, 2017

L O N D O N

Continue the conversation online

#GRCSummit



THANK YOU!

G R C F O R H I G H
P E R F O R M E R S

© G R C S U M M I T 2 0 1 7 |
A L L R I G H T S R E S E R V E D