

Understanding the impact of COVID-19

A Checklist for your organisation

12 March 2020

Due to the fast changing situation please refer to kpmg.co.uk for most up to date information

Crisis management & business continuity planning

As the business world learns to adapt with constant changes, the next chapter is being written. The impact of COVID-19 (Coronavirus) is affecting global supply chains, disrupting financial markets and the workings of day to day businesses.





Actions

0-4 weeks

- Understand key risks across operations and supply chain
- Mobilise teams to firstly navigate crisis response and secondly focus on supply chain assessment and risk management
- Ensure your governance is in place to rapidly make key decisions
- Conduct business and financial scenario planning for a quick recovery, a global slowdown and a global pandemic and recession

1-3 months

- Plan mitigating actions across operations and supply chain, assessing impacts on sea, air and land transport
- Ensure communications are made with principal customers and stakeholders
- Review and assess what impact this will have on workforce planning and management
- Review phasing impacts depending on your sector



- Create an agile and visible global supply chain
- Understand and deploy digital and process automation to mitigate the impact of disruption.
- Develop and implement enhanced risk management practices



Observations

- Manufacturing closures in China
- Increasing public health requirements
- Suppliers invoking force majeure
- Additional border checks resulting in delays
- Congestion at seaports and airports, with busy sea routes from Asia to Europe being cancelled
- Reduced outbound capacity from China with increase in prices
- Labour shortages impacting productivity and land transport



Actions we are seeing clients undertake include: contingency planning and scenario modelling, operational and supply chain risk management, financial risk assessments, business resilience, and digital and supply chain transformation.



Supply chain & operations

Checklist

Suppliers

Do you know where your key suppliers are located? Do they have contingency plans in place to ensure the continuation of supply?

Physical logistics

- Do you know your supply routes? Have you spoken with your logistics providers to understand any potential impacts and how they propose to mitigate against them?
- What are your contingency plans if routes are cancelled?

Contracts

- Have you reviewed your contracts with key customers and suppliers to understand liability in the event of supply shortages?
- How will you respond if suppliers invoke force majeure clauses?

Inventory

- Have you assessed your inventory cover? Do you need to ring-fence inventory for particular customers in the case of shortages?
- Do you have the ability to track shipments in real time and therefore manage customer expectations?

Customer loyalty and demand

- How will you set expectations with customers? How can you recover the experience in the future?
- How well do you know your customers? Are you likely to loose customers to competitors/alternatives?
- How will a drop in consumer demand impact your long-term growth plans?

Business impact

Checklist

Awareness & communications

- Do you have a communications plan?
- Have you communicated with the relevant customers, employees and suppliers?

Workforce availability

- How will you deal with the impact on your workforce? How can you ensure the safety of your employees whilst trying to maintain business as usual activities?
- Have you assessed the cyber security and health and safety risks associated with employees working from home?

Technology & system resilience

- Have your 3rd party IT suppliers been impacted? Will this impact your SLAs and system support?
- Does your workplace/communications technology allow you to reduce travel and enable remote working?

Commercial plans

- How will your change plans and programmes be impacted? Will project deadlines and investments need to be delayed? What impact does this have on your strategy?

Board governance

- If travel bans are enforced, how will this impact your board governance and they way you run your business? Do you have the technology in place to support remote working?
- For legal coverage, have you identified how to document the additional requirements to meet commitments?

Financial & external factors

Checklist

Cash Flow & Financing

- Have you reviewed and revised cash flow, working capital management and inventory forecasts alongside supply and demand predictions?
- Do you have access to adequate funding under banking facilities to manage through potential challenges and/or need to engage with lenders to refinance facilities or amend financial covenants that may be impacted?

Financial stability

- How will your financial stability be impacted from further stock market declines and restricted funding?
- Will the completion of your financial statements be delayed? Is this likely to cause a delay to your audit opinions and therefore market communications?

Global trade & protectionism

- Are you aware of government mitigation plans which could impact your supply chain?
- Do you have any domestic alternatives for suppliers?

Gov't & Public health requirements

- Do you have dedicated resource(s) reviewing public health requirements and other related Government announcements and ensuring that you stay compliant?
- Have you assessed your responsibilities as an employer in relation to public health requirements for employees?

Sector disruption

- How will you maintain trust with your customers and assure them that your product/ service is still safe?
- How will a drop in demand impact your cost base and profitability?
- Are you aware of the phasing of impacts within your sector?

People

Checklist

If your employee is staying in a country longer than planned, do they have the right to stay and work in that location? **Immigration** If you need to relocate employees, will they have the right to stay and work in the new location? If your employee is staying in a country longer than planned and working in that country, have you considered employee and employer tax and social security Global obligations? mobility If you need to relocate employees, have you considered employer's registration and withholding obligations? If you need employees to work from home, would the support you provide (eg **Employment** expenses reimbursements) be considered taxable? tax If you need employees to work from home, what are your obligations to **Employment** provide support? law



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