

**CORONAVIRUS (COVID-19)**  
BUSINESS IMPACT AND  
RISK RESPONSE GUIDE

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## ABOUT THIS GUIDE

This document provides general risk response guidance for companies deploying business continuity planning (BCP) measures and suggestions on how to maintain business agility to mitigate the impact of the COVID-19 outbreak.

We understand that a single set of procedures or responses might not fit all organisations or each company's individual situation. We recommend that you contact your business advisers for specific advice.

For more useful documents please visit:

<https://www.bdoni.com/en-gb/services/managing-the-impact-of-covid-19/covid-19-hub>

# INTRODUCTION

On 30 January 2020, World Health Organisation (WHO) declared the outbreak of COVID-19 a “Public Health Emergency of International Concern” (PHEIC). Since then, the disease has spread to more than 137 countries with the number rising every day.

COVID-19 is a new virus. The lack of immunity in the population and the absence of an effective vaccine mean that COVID-19 has the potential to affect huge numbers of people. The current modelling data seems to show that the UK population will be significantly affected.

The rapid outbreak of the virus also presents a significant business challenge. Many businesses are having to test their preparedness in real time as they evaluate the potential impact it may have on their operations, supply chain and employee well-being. Some businesses are finding it difficult to meet their contractual obligations despite their best intentions. Industries that may be particularly affected include events, tourism, manufacturing, logistics, retail and Food & Beverage.

Your business may be facing similarly difficult questions in terms of how to respond to the consequences of government restrictions and guidance. This includes preparing for and managing staffing issues, complying with contracts and managing business partners who are unable to deliver.

By developing, implementing and maintaining a viable business continuity management (BCM) programme, organisations can effectively maintain or restore business critical functions and processes. More importantly, they can protect their most important assets: people, information, cash flow and reputation.

Organisations with a BCM programme should review it urgently and ensure plans are up to date and reflect the specific risks associated with a pandemic. Actions and plans will need to be continuously monitored and updated as the situation develops.

It is not clear how long the outbreak will last. We recommend that companies carry out a thorough assessment of the risks and potential impact associated with COVID-19 and implement both long and short term responses to mitigate any business disruption.





# IMPACT AND RISK RESPONSE



There are a number of areas of a business that may be impacted by the COVID-19 outbreak. For each area, you will find guidance on appropriate actions to mitigate the impact and manage associated risks.



**IMPACT ON VIABILITY**



**IMPACT ON CONTRACT COMPLIANCE**



**IMPACT ON SUPPLY CHAIN**



**IMPACT ON HEALTH AND SAFETY**



**IMPACT ON TECHNOLOGY**



**IMPACT ON FINANCE & ACCOUNTING**

## IMPACT ON VIABILITY

COVID-19 is already having a substantial impact on businesses. For instance, companies in the hospitality and retail industries are seeing a sharp decline in the number of customers as people minimise their movement and avoid international travel. Other organisations are being forced to temporarily cease operations or operate below capacity due to the impact on their workforce and suppliers.

Factors such as falling revenue, reduced financial liquidity and the operations of key business partners will all affect the sustainability of a business. This is a good time for businesses to review the KPIs they use for sustainability and whether these are the right ones both today and in the long term.



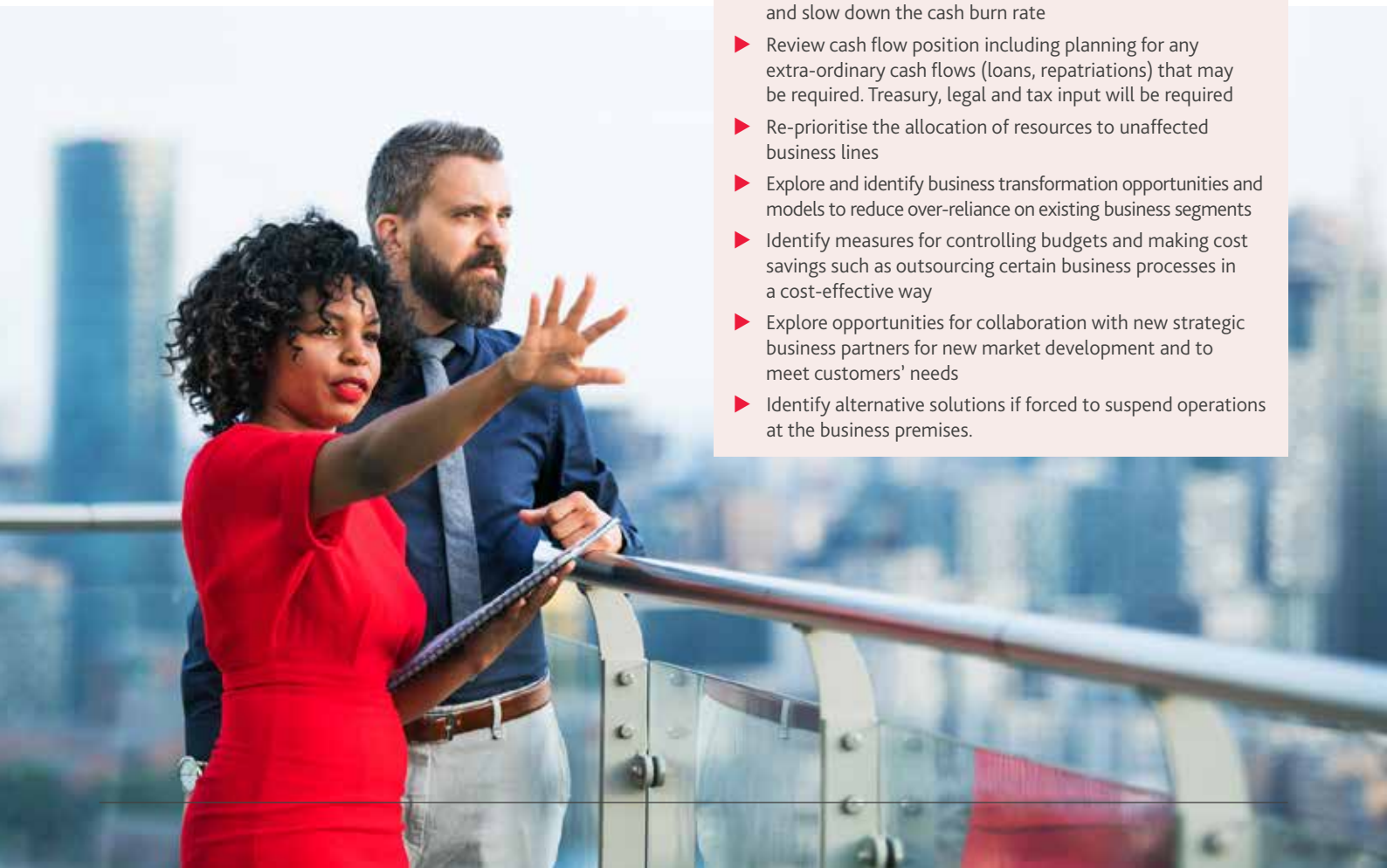
## RISK RESPONSE

Because it is impossible to assess how long the pandemic will last, cash is king. The critical question is whether a company's liquidity position can be maintained in order to buy time for the company to recover.

We recommend that management teams establish a taskforce to monitor the impact on the business and report to the board on the KPIs for critical business units. Reporting should be regular and timely to enable the board to make the right strategic decisions.

Companies may also want to consider the following actions:

- ▶ Conduct a thorough risk assessment of business operations, taking a holistic approach across the globe, to assess the level of possible interruption and formulate measures to mitigate potential impacts
- ▶ Review the pace of expenditure in relation to the company's expansion plans and existing development projects (if any) and slow down the cash burn rate
- ▶ Review cash flow position including planning for any extra-ordinary cash flows (loans, repatriations) that may be required. Treasury, legal and tax input will be required
- ▶ Re-prioritise the allocation of resources to unaffected business lines
- ▶ Explore and identify business transformation opportunities and models to reduce over-reliance on existing business segments
- ▶ Identify measures for controlling budgets and making cost savings such as outsourcing certain business processes in a cost-effective way
- ▶ Explore opportunities for collaboration with new strategic business partners for new market development and to meet customers' needs
- ▶ Identify alternative solutions if forced to suspend operations at the business premises.



# IMPACT AND RISK RESPONSE

## IMPACT ON CONTRACT COMPLIANCE

Companies may not be able to manage all coronavirus-related business interruptions. These may be internal issues or caused by third-party default such as supply chain interruptions. As a result, companies may be unable to meet their contractual obligations.



## RISK RESPONSE

We recommend that companies consult their legal advisors and review their contracts to determine what, if any, rights and remedies they have as a result of the delayed performance of contracts.

Companies should also take, and document, reasonable steps to mitigate the impact of the coronavirus as evidence for defence.

If companies cannot fulfil their contractual obligations, they may need to quantify the amount of financial damage and the impact on their long-term business relationships. Companies should review their existing insurance policies to find out whether any losses they incur relating to the coronavirus can be covered under existing terms or whether they need to adjust their cover for maximum protection.





## IMPACT ON SUPPLY CHAIN

Governments around the world have implemented a range of measures to combat the pandemic including closure of borders, locking down the population and encouraging the workers to work from home where possible. This is disrupting supply chains and affecting the ability to move raw materials, components and finished goods to where they need to be.

The strain placed on the communications infrastructure and the limit on the movement of people is creating challenges to effectively monitor and manage supply chain activity.

Demand for goods is increasing whilst the ability to satisfy that demand is reducing.

The current situation will not last forever. However, it is important to understand the impacts on your business in order to adapt your supply chain to increase your resilience.

It is worth noting that there is a constant tension between supply chain resilience and efficiency. Resilience has an upfront financial cost but offers longer term brand security. Efficiency reduces costs but, if it is at the expense of resilience, can represent a potential risk to brand and can lead to larger follow on costs in the event of major disruptions.



## RISK RESPONSE

Resolving a disruption costs time and money and a quick resolution is key so you need a clear understanding of your situation. Monitoring and early warnings are key to minimising the costs of any disruption.

We would advise taking the following steps:

- ▶ Understand in detail the outputs of the business and the key drivers for success such as revenue, brand and customer base
- ▶ Identify which elements of your business are critical to your output. This could be a critical component from a single supplier, a shared component across numerous lines or a key individual
- ▶ Have detailed knowledge of your Tier 1 suppliers; know what they are contractually obliged to provide; the delivery channels to you; the risks they are exposed to; the geographic exposure of their own supply chains
- ▶ Understand the geography of your supply chains; monitor relevant areas/countries; develop response plans and trigger points to disruption in those areas proportionate to the assessed impact to the business
- ▶ Identify your reliance on single suppliers and any suppliers that are wholly reliant on your business; develop alternative suppliers and understand how quickly they could be activated
- ▶ Assess if suppliers have documented plans for business unit continuity and information technology disaster recovery. Work with them to ensure they are effective and compatible with your own
- ▶ Assess your reliance on key staff; this may include single points of failure (staff or systems) and the absence of a large number of critical staff over an extended period
- ▶ Understand the incoterms, duty, financial and tax implications of any alternative supply chains including customs, VAT and transfer pricing
- ▶ When activating alternative suppliers in different jurisdiction understand the trading context, import/export requirements and rule of origin
- ▶ Estimate how long you could operate without key suppliers, key systems or key people.



# IMPACT AND RISK RESPONSE

## IMPACT ON HEALTH AND SAFETY

COVID-19 is an infectious disease. Bringing employees together in the workplace may put them at increased risk of exposure to the virus. Companies are trying to strike a balance between maintaining productivity and efficiency and providing a safe working environment for their employees.

The early adoption of adequate preventative measures and maintaining an effective communicable illness policy can help ensure a safe environment for employees, customers and suppliers.



## RISK RESPONSE

To protect employee and customer safety while minimising adverse impacts on the business, you may want to consider the following actions:

- ▶ Disseminate information on precautions to stop the spread of the virus
- ▶ Remind employees of the importance of following personal hygiene directives in the workplace
- ▶ Provide sufficient and accessible infection control supplies such as hand sanitiser
- ▶ Identify who will oversee a crisis management plan and local employees at operational locations, both domestic and international
- ▶ Keep up to date records of travel and potential exposure to the source of the coronavirus
- ▶ Review and update home office working policies and capabilities
- ▶ Adjust seating arrangements to maintain a safe distance between employees
- ▶ Comply with all compulsory reporting and quarantine requirements announced by the government
- ▶ Report on and monitor sick leave and symptoms
- ▶ Plan clear and timely communication to minimise fear and anxiety as well as rumours and misinformation
- ▶ If need be, implement a platform or communication channel (e.g. hotline) to communicate information about the pandemic inside and outside the organisation.



## IMPACT ON TECHNOLOGY

Many companies have activated contingency and business continuity measures that encourage or force employees to work from home and connect to the company's networks remotely. At the same time, smartphones and instant messaging applications allow employees to communicate directly with colleagues, customers and vendors.



## RISK RESPONSE

In general, it is important to ensure that network connections are secure and mitigate the data protection risk associated with communicating through mobile applications. Companies may consider the following responses, among others:

- ▶ Adopt multi-factor authentication for access to the company network
- ▶ Review communications and information technology infrastructures to ensure they are able to support remote working and remote customer access
- ▶ Enhance alerts and user awareness of cyber-attacks
- ▶ Monitor the use of unauthorised computers and their access to the network especially for companies with a Bring Your Own Device policy
- ▶ Review the data backup policy and the frequency and adequacy of backup practices
- ▶ Review the appropriateness of using social media and instant messaging applications for business purposes
- ▶ Minimise or prohibit the transfer of confidential and business-related files over social media applications
- ▶ Ensure at least two relevant key employees are involved in over instant messaging communications at in order to avoid loss of correspondence for future reference.



# IMPACT AND RISK RESPONSE

## IMPACT ON FINANCE & ACCOUNTING

If your finance function is reliant on a key individual or team to run your back office, then you should take care to scenario plan should this resource become unavailable through illness or quarantine. It is even more important than to have access to key management information in order to inform business critical decisions.

There are a range of options available to businesses to mitigate against the risk of their finance function becoming non-operational including some form of outsourcing.



## RISK RESPONSE

We recommend that companies conduct a thorough analysis of systems and processes with a view to identifying pain points that might affect the performance of the finance function.

- ▶ Businesses should look to optimise the use of cloud-based technology – enabling teams to work seamlessly and if needed, remotely
- ▶ If there is a risk around key staff being unable to work due to illness or self-isolation, then the company should explore partial or full outsourcing of their back office finance and accounting actions such as management accounts, production of financial statements, bookkeeping and/or payroll.



## SOURCES

- ▶ <https://www.cbi.org.uk/articles/supporting-businesses-impacted-by-the-coronavirus/>
- ▶ <https://www.gov.uk/guidance/coronavirus-covid-19-information-for-the-public>
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