

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

# CONTENTS

- ABOUT THIS GUIDE ..... 3
- INTRODUCTION..... 4
- PEOPLE AND LEADERSHIP ..... 5
- SUSTAINABILITY ..... 7
- OPERATIONS ..... 8
  - OPERATIONS: TECHNOLOGY ..... 9
  - OPERATIONS: FINANCE & ACCOUNTING..... 10
- SUPPLY CHAIN..... 11
- HEALTH AND SAFETY ..... 12
- STEP PLAN FOR BUSINESSES IMPACTED BY COVID-19 ..... 14
- RESOURCES..... 15



## 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 [www.bdo.com.au/covid19](http://www.bdo.com.au/covid19)

# 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 Australian 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 of 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.





# PEOPLE AND LEADERSHIP

## PEOPLE

Business leaders around Australia are doing their best to support their employees through this challenging time, whilst at the same time having to focus on ensuring the viability of their businesses. This crisis is putting an enormous strain on everyone, from the psychological impact of having to self-isolate, to the stress of income loss, parents managing work and home schooling, and the pressure that business owners/leaders are under to maintain their businesses and treat employees fairly. A government response to mental health is critical given the far reaching impact this is having on everyone.

While the situation is changing rapidly, there are a number of things business owners can consider.

## LEADERSHIP

In these situations visible leadership is key to ensuring the business is able to continue operating through times of ambiguity. Given leaders can no longer be visible in the ways you would normally do so, pivoting to ensure you are thinking about how to get messages out to your teams will be critical.

## WHAT YOU SHOULD DO

- ▶ It is important for organisations to recognise the significant mental health strain a pandemic like this can have on your employees. Ensure that you are connecting with employees through many different avenues, check to ensure they have access to support if they need it (a buddy system, an Employee Assistance Program, regular contact with their team).
- ▶ Consider working 'A' and 'B' team scenarios where work must be done on site. If implementing such scenarios (e.g A team works one shift, B team works another; or week on week off) ensure there is no contact between the two teams and that any shared equipment, rooms, etc are thoroughly cleaned between shifts.
- ▶ Consider business critical teams and whether working in separate locations is possible so that if one team is quarantined the other can continue to work (e.g payroll, IT teams)
- ▶ Consider the options you have to manage personnel costs. Understand the implications of each option (use of leave, stand downs, requesting employees drop to part-time) and take legal advice to know which are appropriate for your business. Utilise this knowledge in your scenario planning so you are prepared to enact them should it be required.

## WHAT YOU SHOULD DO

- ▶ Think about how you are responding to this situation as an organisation and how this aligns to your values. How you show up to your employees through this period will have a significant impact on how authentic your organisation values are perceived by your employees in the future.
- ▶ Consider key people / capabilities that are critical for the long term success of your organisation and ensure you are making decisions that will not undermine your future ability to retain this talent.
- ▶ Ensure you are communicating to employees regularly through different mediums. This may include web meetings, emails, videos or any other dynamic communication path your business has access to.
- ▶ Provide opportunities for employees to give feedback back to you. A regular poll or survey or an email address they can contact.
- ▶ Where possible, connect with people personally, take time to make a phone call, or ask that your managers are doing this to check in with employees. This will give you the pulse of what is happening in the organisation, ensure people feel connected and heard and help you to plan your communications effectively.
- ▶ Provide regular updates to your management team so that they are equipped to answer the questions of their employees and feel that they can also 'step up'
- ▶ Recognise that employees will be particularly stressed about their jobs or impacts on personal risk if they are still required to work at the work site. Ensure you are honest and direct with your communication and try to remove as many 'unknowns' as you can.
- ▶ Provide FAQ (Frequently Asked Question) documents that employees and managers can refer to as situations arise. These should be legally reviewed and cover a range of issues that will impact individuals personally such as 'can I access leave payments if I need to self-isolate?'; 'what will happen if someone in our building tests positive?'

# 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.



**SUSTAINABILITY**



**OPERATIONS**



**SUPPLY CHAIN**



**HEALTH AND SAFETY**

## SUSTAINABILITY

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
- ▶ Consider availability of cash and other assistance available under the Federal and State Government's stimulus packages and ATO administration concessions.
- ▶ If the business requires foreign investment or is a business with foreign owners considering further foreign investments in Australia consider the new foreign Investment Review Board (FIRB) requirements for all new foreign investments in Australia.

[www.bdo.com.au/en-au/covid19](http://www.bdo.com.au/en-au/covid19)



# IMPACT AND RISK RESPONSE

## OPERATIONS

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

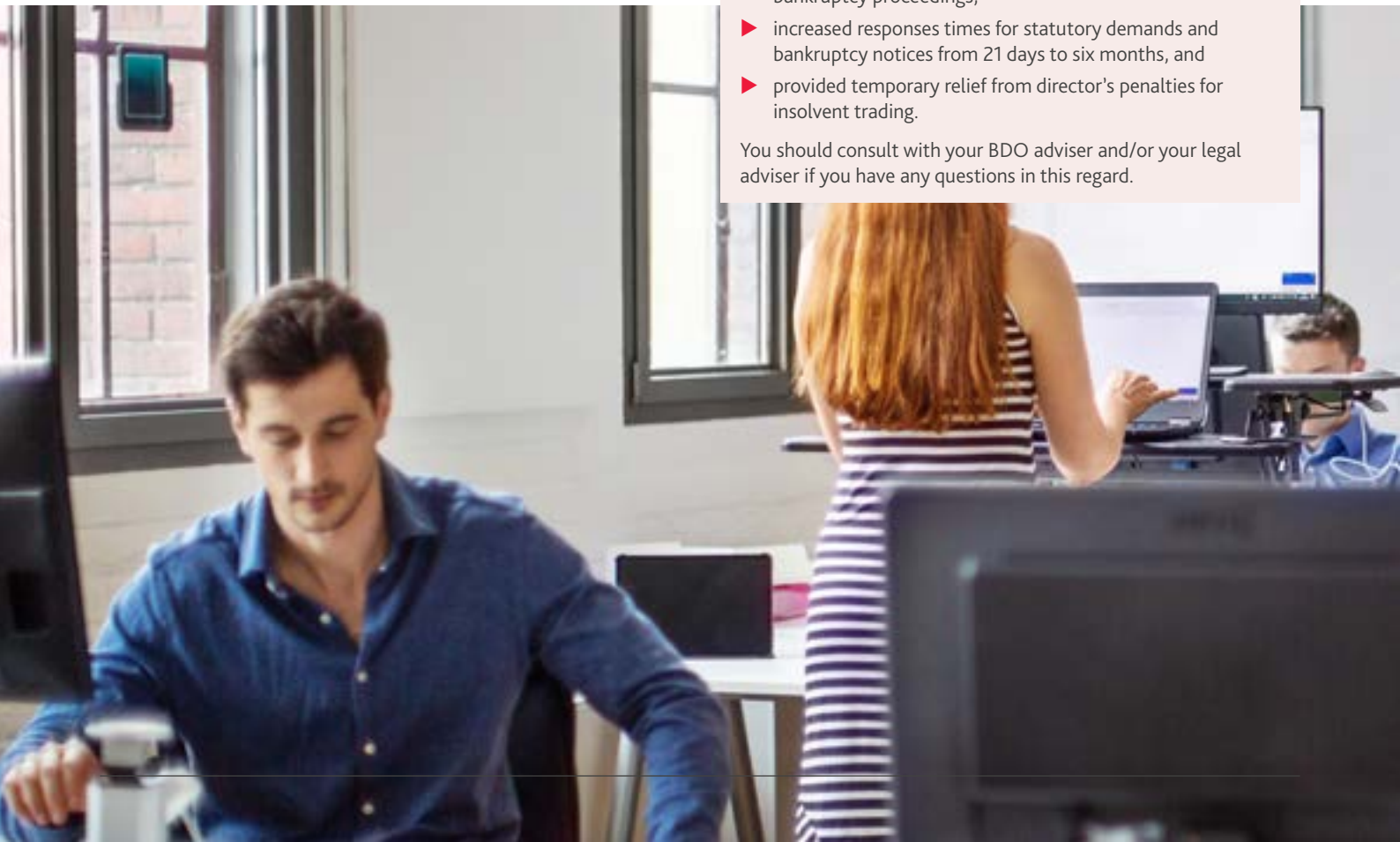
We recommend that companies consult their legal advisors and review their contracts to determine what, if any, rights and remedies they have as a result of the delayed performance of contracts.

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.

When considering the ability of the business to collect or pay debts be aware the Federal Government has:

- ▶ temporarily increased to \$20,000 the debt thresholds at which creditors can issue a statutory demand or initiate bankruptcy proceedings,
- ▶ increased responses times for statutory demands and bankruptcy notices from 21 days to six months, and
- ▶ provided temporary relief from director's penalties for insolvent trading.

You should consult with your BDO adviser and/or your legal adviser if you have any questions in this regard.





## OPERATIONS: 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

## OPERATIONS: 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.



## 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.

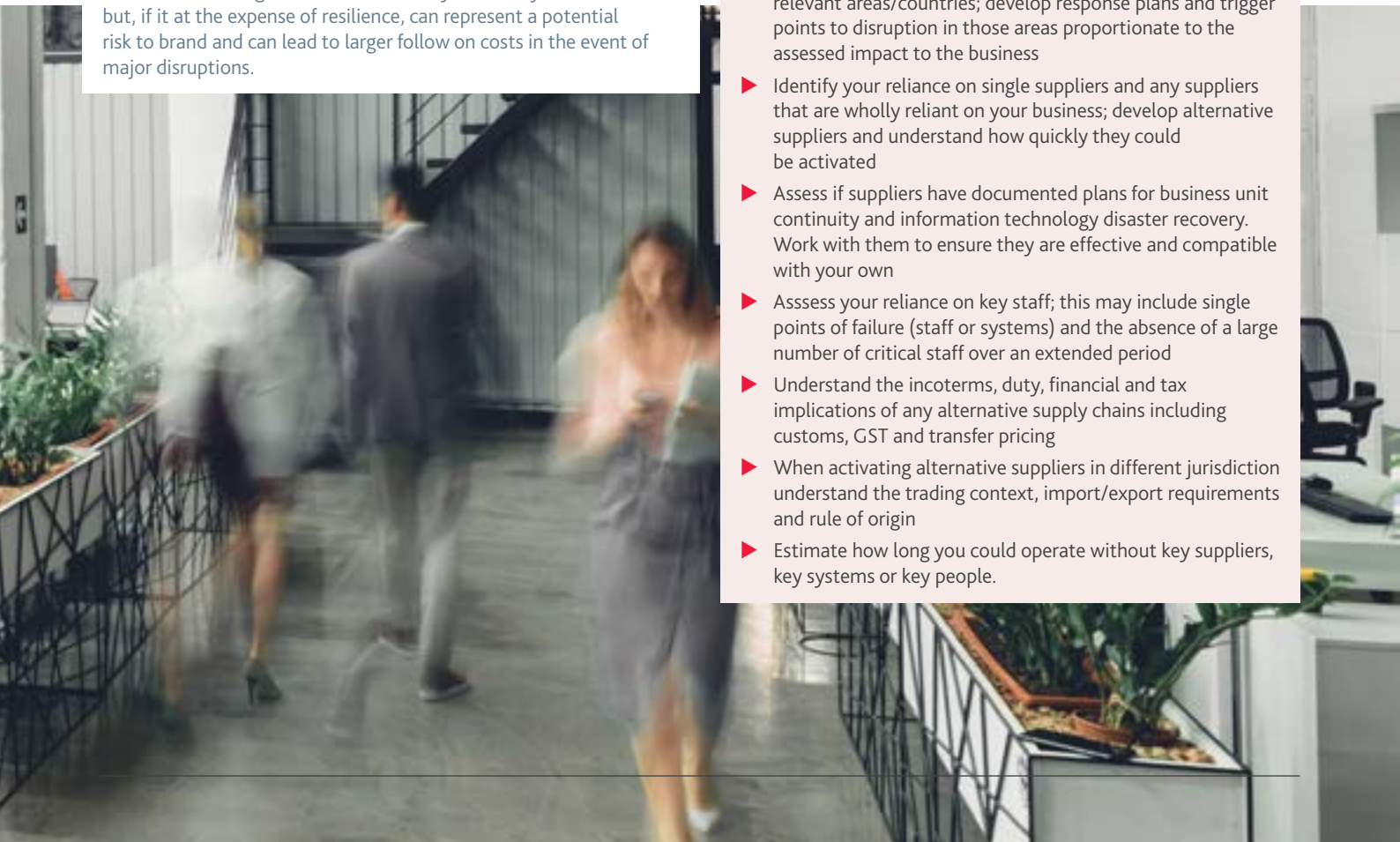


## RISK RESPONSE

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, GST 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

## 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.





# STEP PLAN FOR BUSINESSES IMPACTED BY COVID-19

The unprecedented Covid-19 crisis impacting the globe has directly and materially impacted economic activity in Australia. This has caused otherwise healthy businesses to experience material reductions to revenue while overhead expenses have remained fixed. Inevitably leading to a cash flow crisis and even solvency concerns.

If your business is in this situation an immediate and robust business rescue plan is necessary to give you the best chance to ride out the crisis and ensure long term viability. However, hard decisions need to be made and made quickly. Being proactive is critical.

This crisis will pass and we expect economic activity to return quickly once it does, but businesses need to ensure they come out the other side... we recommend clients facing this scenario follow the following steps to ensure best prospects for managing through this business crisis.



## STEP 1 - Build your "new world" cash flow forecast

Build a 12 month cash flow forecast - 3 months (weekly) and then 9 months (monthly) taking into account your "new world" – build in revenue impacts but retain committed expenses as is for now – understand if you are cash flow positive. If not – understand your cash burn and your runway before existing reserves are exhausted.



## STEP 2 – If you have a cash deficiency now or coming up – identify measures to reduce costs or increase revenue

Identify discretionary or non business critical expenditure to eliminate immediately. Identify overheads to defer, adjust or remove (e.g. rent, equipment leases, employee costs). Identify capital outflows to defer or adjust (e.g. dividends, bank loan repayments, capex).



## STEP 3 - Engage with key stakeholders regarding potential standstill arrangements

This will be critical – you need to engage with key creditors such as landlords, ATO and suppliers, explain your situation and attempt to negotiate stand still arrangements where possible. An independent report from your accountant or financial advisor on your financial position will bring credibility and assist negotiations.



## STEP 4 – Conduct due diligence on other capital sources

Consider collateral and equity available to support finance. Engage with your existing financiers - bring them into the "tent". Consider equity sources – do existing shareholders have capacity? Are there logical buyers of your equity you can approach? Do you have assets that are non-core to realise in short time to generate cash?



## STEP 5 - Consider government support available

Identify the measures in the federal government's stimulus packages and state government support programs that are available. Identify how they impact cash flow and apply where relevant.



## STEP 6 – Develop a 90 day "business rescue" plan

Develop a 90 day action plan incorporating steps above. Include:

- ▶ Implementation of the cash flow measures identified (i.e. apply to financier for funds, negotiate with creditors for standstills.
- ▶ Engagement with key stakeholders such as employees, financiers, landlords, customers and suppliers and remaining creditors to ensure they understand your position to continue business.



## STEP 7 – Update your cash flow forecast

Recast your cash flow forecast in-line with your 90 day plan. Forecast for 90 days initially on weekly basis – be sure you can remain cash flow positive. When you are confident you can manage through the next 90 days – extend your forecast for a further 9 months (taking into account timeframes of stand stills agreed) to determine how long your "runway" is now... understand the point where you exhaust cash reserves and which you cannot go past (if within the next 12 months).




## STEP 8 – Implement the plan and monitor regularly

Start engaging with relevant stakeholders to put your plan into action. Monitor progress regularly (weekly to begin with) and keep updating the cash flow forecast weekly to monitor the length of your runway. Be conscious of when your cash reserves are exhausted so you do not continue to incur expenditure past that point.

# RESOURCES

- ▶ **BDO:** ..... <https://www.bdo.com.au/en-au/covid19>
- ▶ **ATO:** ..... <https://www.ato.gov.au/Individuals/Dealing-with-disasters/In-detail/Specific-disasters/COVID-19/>
- ▶ **ATO:** ..... <https://www.ato.gov.au/Media-centre/Media-releases/Support-measures-to-assist-those-affected-by-COVID-19/>
- ▶ **Treasury:** ..... <https://treasury.gov.au/coronavirus/resources>
- ▶ **FIRB:** ..... <https://firb.gov.au/>
- ▶ **ASIC:** ..... <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-068mr-guidelines-for-meeting-upcoming-agm-and-financial-reporting-requirements/>
- ▶ **Covid-19 Commission:** <https://www.pm.gov.au/media/national-covid-19-coordination-commission>
- ▶ **ACT:** ..... [https://www.cmtedd.act.gov.au/open\\_government/inform/act\\_government\\_media\\_releases/barr/2020/initial-economic-survival-package-to-support-territory-economy](https://www.cmtedd.act.gov.au/open_government/inform/act_government_media_releases/barr/2020/initial-economic-survival-package-to-support-territory-economy)
- ▶ **NSW:** ..... <https://preview.nsw.gov.au/covid-19>
- ▶ **NT:** ..... <https://nt.gov.au/news/2020/economic-stimulus>
- ▶ **QLD:** ..... [https://www.qld.gov.au/about/industry-recovery/about-this-package?utm\\_source=Hero%20feature&utm\\_medium=Online&utm\\_campaign=Leave%20your%20phone%20alone](https://www.qld.gov.au/about/industry-recovery/about-this-package?utm_source=Hero%20feature&utm_medium=Online&utm_campaign=Leave%20your%20phone%20alone)
- ▶ **SA:** ..... <https://business.sa.gov.au/COVID-19-business-information-and-support/Economic-response-package>
- ▶ **TAS:** ..... [http://www.premier.tas.gov.au/releases/ministerial\\_statement\\_covid-19\\_response\\_measures](http://www.premier.tas.gov.au/releases/ministerial_statement_covid-19_response_measures)
- ▶ **VIC:** ..... [https://www.premier.vic.gov.au/economic-survival-package-to-support-businesses-and-jobs/?fbclid=IwAR37uydWycm7kKkngNKBfx89D917pZBhswpRQO1PWM\\_DueVaJHinMvilkN0](https://www.premier.vic.gov.au/economic-survival-package-to-support-businesses-and-jobs/?fbclid=IwAR37uydWycm7kKkngNKBfx89D917pZBhswpRQO1PWM_DueVaJHinMvilkN0)
- ▶ **WA:** ..... <https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/03/COVID-19-economic-response-Relief-for-businesses-and-households.aspx>



This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact the BDO member firms in Australia to discuss these matters in the context of your particular circumstances. BDO Australia Ltd and each BDO member firm in Australia, their partners and/or directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO refers to one or more of the independent member firms of BDO International Ltd, a UK company limited by guarantee. Each BDO member firm in Australia is a separate legal entity and has no liability for another entity's acts and omissions. Liability limited by a scheme approved under Professional Standards Legislation.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2020 BDO Australia Ltd. All rights reserved.

[www.bdo.com.au](http://www.bdo.com.au)

