



Preparing and planning for an uncertain world

COVID-19 Business Readiness Assessment

>

Contents

Please print the document to complete your assessment.



Introduction

The uncertainty surrounding COVID-19 and the wider geopolitical environment requires businesses to implement stress testing and scenario planning for a range of scenarios and outcomes.

These include financial planning, risk scenarios, contingency planning, workforce planning, tax, supply chain.

It is a critical time and challenging period for business and this questionnaire is designed to support the planning required for businesses, and their key suppliers and partners.

This assessment is a series of questions focusing on the key business issues from COVID-19.

KPMG is committed to supporting businesses to manage through this period of extended uncertainty, helping you making the decisions and plans to deliver business resilience.



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How to navigate through the questionnaire

This questionnaire addresses the key issues likely to impact your business. Each category contains a series of questions to help you evaluate current thinking and business processes and to identify areas of focus and the practical steps as to inform your business continuity plan.

Each question asks you to capture your current approach and many questions use a rating system (set out below) to provide a quantitative measure of your preparedness.

Not every question will be applicable and there is no need to complete every category in order to understand what changes might be required.

The questionnaire can be used as a self assessment tool, but we invite you to send it back to us so that we can work with you on the next steps to build or refresh your response plan to COVID-19.



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Business information



Name: 1

Head office location: 8

Company: 2

Location of other offices: 9

Job Title: 3

Location of data centres: 10

Company Sector: 4

Total number of employees: 11

Email Address: 5

Company telephone number: 6

Is there any further information that you think might be relevant for us to know?

Turnover: 7

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Business Strategy

There is little doubt that COVID-19 will cause significant disruption to the local and global business environments. As the most significant near term risk, this questionnaire has been designed to help you respond to COVID-19, but will also provide valuable insight to your preparedness to wider business disruption.

Experience suggests there are three phases to both managing and taking advantage of disruption to the business environment:

Stability – protecting your existing business and ensuring it is able to continue.

Cost and Profitability management – ensuring you assess areas to protect and manage your cost and profitability for future resilience.

Re-emergence – identifying opportunities and getting back to Growth



What assessment of your current business model has been made across these three areas against the impact of potential disruption?

What do you see as the key challenges for the business in the medium term?

To what extent are you dependent on the economy and society stabilising within the next 2 months?

What is your biggest single risk issue (Funding, People, Customers, Suppliers or Other)?

What steps have you taken to reposition your business to respond to the disruption of COVID-19?

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Liquidity & Financing

The uncertainty or disruption caused by COVID-19 and the likely fall in business and consumer confidence could place a strain on the cash position of any business.

For example:

- New orders could fall if travel restrictions prevent people from buying through traditional channels
- Customer remittances could slow or stop if your ability to fulfil their orders/contracts is impeded or under their own financial pressures, they may delay payments for goods/services received.
- Current pricing may no longer be sustainable if input costs increase, but the pressure to protect profitability will remain.
- Disrupted supply chains and reduced supplier production might result in the need to hold more inventory and future costs might increase from fluctuations in FX markets and if suppliers increase their prices.



To what extent have you factored disruption and uncertainty into your financial forecasts and have you modelled this across Cash Flow, P&L and Balance Sheet?

Rating here
Enter a value from 1-4

What are the new sales orders (demand-side) scenarios you have looked at and what range of assumptions are you making?



How have you assessed existing sales orders or contracts and your ability to fulfil them operationally and get paid in the same time (or at all)? What assumptions are you making?



To what degree have you reviewed your contracts or SLAs for potential issues such as penalties for delays in supply?



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Liquidity & Financing (cont.)

The effect of these factors may impact:

- Impact working capital or liquidity headroom under debt facilities
- Weaken or breach banking financial covenants
- Necessitate engagement with key funding stakeholders and financial creditors
- This section will help you to identify key areas of potential risk.

How far have you modelled the impact of any potential disruption across your supply chain? That might include supplier price increases, increased lead times, supplier stock-outs or key supplier failures. These risk factors could also apply indirectly, e.g. at Tier 2 or 3.

Given the range of risk factors, is it likely you will see your working capital cycle increase? Do you have a firm grasp of any levers available to mitigate / offset this?

Given the range of scenarios, are you comfortable you have access to adequate funding under banking facilities to support your liquidity needs and manage through potential challenges?

Do you need to engage with lenders or other financial stakeholders to access additional funding, amend financial covenants that may be impacted or refinance existing facilities?

Rating here
Enter a value from 1-4

Workforce

The COVID-19 crisis will likely cause significant disruption to your workforce as illness or the need to self-isolate results in large proportions of your workforce being absent from work.

It also impacts the ability of people to move across borders as countries restrict who is allowed to enter and leave a country in order to contain the spread of the virus. This may extend to the movement of staff within a country too and the increased need to work from home will limit travel.

Changing restrictions and health concerns are likely to increase employee anxiety particularly among those with dependants if e.g. schools close, or for those acting as a carer. It is likely there will be reduced productivity as staff take time to become accustomed to unprecedented changes.

Communicating proactively with staff to drive confidence in your plans and advice on new HR processes and policies e.g. on statutory sick pay will become increasingly important.

Many countries are going through change in immigration rules which may necessitate further changes to your approach to attracting overseas staff and the mobility of your staff.



To what extent do you have contingency plans in place to manage staff absence due to COVID-19?

Have you assessed the business impact should employees be unable to travel (both to their normal office or internationally?)

Have you developed a communication strategy to inform and update colleagues around your COVID-19 response?

Have you developed a revised working from home policy and considered a containment strategy for your offices?

Rating here
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from 1-4

Workforce (cont).



Have you reviewed your HR policies and sickness arrangements in light of the likely implications of COVID-19?

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How far have you reviewed whether your HR teams are equipped to deal with the impact of interpreting rights to statutory sick pay and other entitlements? As well as their own wellbeing?

To what degree have you assessed the impact for your contractors and your suppliers including assessing their policies and preparation in relation to their workforce?

Tax

The disruptions arising from COVID-19 could potentially affect a companies' tax risk profiles and compliance in a range of ways:

Travel restrictions are already having a significant effect on Multinational Corporations that rely for tax purposes on people being based in specific locations at specific times, including in particular border commuters and people working across more than one country. The same restrictions may also complicate individuals' own tax residence and filing status.

In addition, Spring is a peak time for tax filings in certain countries and whilst much tax compliance has migrated online, there is still likely to be disruption where people are needed physically to sign paper documents.

There are personal and Corporate Tax implications of working in different jurisdictions. These implications often depend on duration of stay, where the costs are borne and activities undertaken.

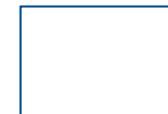
Tax authorities place significant weight on the location and activity of key decision makers and the appropriateness of Transfer Pricing policies.



Will any employees incur an "extended" stay in a location due to COVID-19?

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from 1-4**

Was the location driven by business need or personal preference? Could an individual be creating a sufficient presence for corporate tax purposes?



Do any of your key decision making employees have their movements restricted / enforced change to their working patterns?



Which corporate entity is bearing the risk associated with COVID-19? Does this align with your Transfer Pricing policy?



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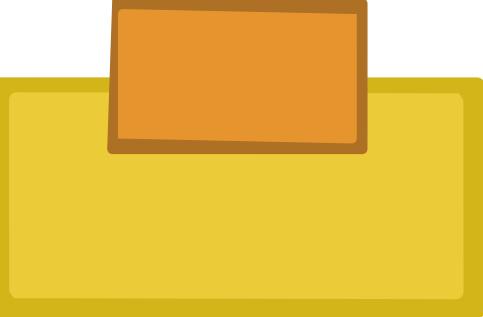
Legal

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Tax (cont).

We are in a period of unprecedented change within the field of Trade and Customs.

COVID-19 has the potential to add to the likely pinch points, supply chain delays and increased cost that we may well face, without access to various tax reliefs and the implementation of mitigation strategies.



Have you assessed your ability to submit Customs Declarations for both imports and exports should a reduction in key personnel occur?

To what degree have you assessed whether a data driven “hands-free” import/export self-filing process is appropriate for your business?

Have you assessed the feasibility of a customs warehouse to hold more stock, while minimising your cash flow impact?

Have you considered and assessed the duty impact of alternative sourcing?

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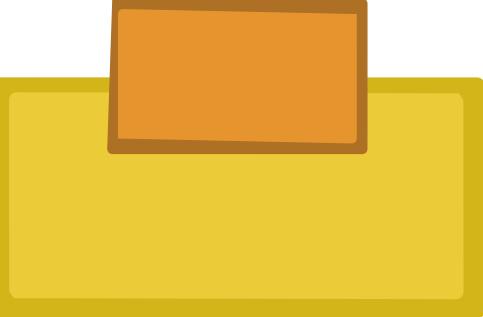
The right side of the slide features a vertical column of colored boxes, each corresponding to one of the four questions above. To the left of each question is a large white rectangular input field. To the right of the questions is a vertical column of four smaller white rectangular input fields, each preceded by the text "Rating here Enter a value from 1-4".

Tax (cont).

COVID-19 has the potential to add disruption to your working capital, it is therefore important to understand what mitigation options could be available to you from a tax perspective. No communication has yet been issued by NBR in Bahrain on possible measures around VAT and its reporting. But the current pressures in the market almost inevitably cause issues that often have a forgotten tax impact.

Businesses must take these into account :

- Impacts on your AR. VAT invoiced is due and must be paid regardless if you have received payment from customers.
- Cancellations or reduction of orders. Do address the related tax invoicing and credit notes, recovery of VAT paid, reimbursement of VAT to customers, tax accounting reconciliations etc.
- Cancellation of reservations. If you are in the hospitality sector, do consider the correct VAT treatment.
- Change of time of services (with no change fees etc.). Do consider the time of supply rules for VAT so avoid incorrect reporting.
- Supply chain optimization. Do review the options and related (positive) tax impacts to switch to call off stock arrangements.
- Discarding of stocks will require a proper assessment of the VAT impact



Do you have the ability to accurately file your Tax including VAT returns on time if employees are absent?

**Rating here
Enter a value from 1-4**

Do you know whether your working capital position can be improved with VAT? (e.g. do you have to pay VAT to suppliers before you reclaim it? Do you have to pay VAT on your sales before your customers pay you?)

Have you maximised any available VAT and broader Tax reliefs (e.g. on promotions, goodwill, Payments on Accounts, zero/reduced-rating)?

Do you have cancellation clauses built into your contracts and/or will you provide refunds against deposits?

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Supply Chain

COVID-19 is causing large scale disruption to global supply chains with further impacts yet to be fully felt. Understanding the supply chain both upstream and downstream is critical to the continued effective management of a business' supply chain operations.

Key areas of impact:

- Closures of factories in China have caused a shortage in supply currently being felt by a number of sectors. For some businesses the impact of this could be delayed as inventory levels run low and require replenishment.
- Transport cost and lead times have seen increases due to: a reduction in outbound sea freight capacity from China, a reduction in air freight capacity due to the cancellation of commercial flights and land transport facing additional border checks and delays.
- Labour shortages from increasing public health requirements may lead to capacity restrictions for your business, your suppliers and your transport providers.
- Changing customer demand from stockpiling or demand shortfall may impact inventory management and subsequently working capital.

Do you know where your suppliers are located and have you identified your key points of failure?

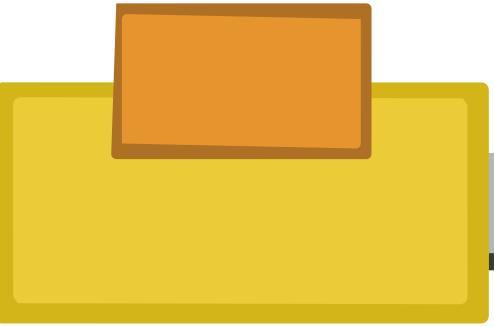
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Have you spoken with your logistics providers to understand their mitigation plans?

Have you analysed your current inventory cover and modelled out of stock scenarios based on supplier delays?

Do you have any early warning indicators in place to quickly identify potential issues or business failures amongst your suppliers and logistics providers?

Supply Chain (cont).



Have you assessed the impact on customer fulfilment and do you need to prioritise servicing your key customers in the event of inventory shortages?

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Have you assessed the impact on your workforce and the potential subsequent capacity constraints?

Have you reviewed your contracts with key customers and suppliers to understand liability in the event of supply shortages?

Do you have dedicated resource(s) focused on identifying how the latest government mitigation plans will impact your supply chain?

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Legal - Contracts

COVID-19 may mean you, your supplier or your customers are not able to perform the contract you have agreed. This is likely to be due to delays in supply chain affecting availability of goods, staff shortages or travel restrictions.

Whilst these may result in immediate issues, the full extent of claims for breach are not likely to surface for sometime after. Managing expectations now is an essential part of mitigating potential legal actions as strong relationships usually mean no litigation.

Suppliers may look to rely on force majeure clauses to relieve them from immediate delays. However, their success will depend on the precise drafting of those clauses and so need careful review.

Contracts for services that rely on people to deliver them are most at risk (e.g. cleaning, security, healthcare) and those with strict time penalties should also be assessed (e.g. construction, just in time manufacturing).

We have already seen the financial impact cause significant business distress. Reviewing your contracts against this scenario is important to protect your relationships, ensure business continuity and manage risk.

You probably have many contracts (whether written or not) and will need to prioritise where to start. Where you have an in-house legal team, they may not have the capacity to do this effectively.

Have you developed an approach to identify and priorities contracts at risk due to COVID-19

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What key areas have you assessed in your current contracts and what do you need to do to understand your risks?

Will you need to make changes to contracts to adjust SLAs or volumes? Will you need to put in place alternative or contingency arrangements?

How will you know if your supplier/customer may be unable to fulfil their contractual obligations and what plans do you have to respond if that happens?

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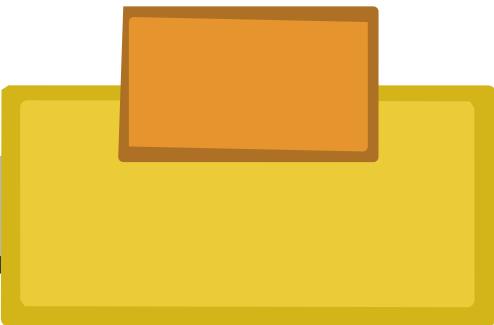
Business Continuity Planning

When developing a plan to manage COVID-19 disruption organisations should understand the foundational requirements to maintain important business services, as well as the care and welfare of their employees and contractors.

Certain organisations could well face a situation where, due to internal or external factors, it becomes very difficult, or near to impossible, to maintain the functioning of all important business processes. In these situations, organisations should have determined what their minimal viable business is and their dependencies to establish this minimal viable business.

Dependencies could include all elements which support important business services including the people, premises, technology and third party aspects.

Crisis management planning enables executives and board members of the organisation to take strategic decisions, as a group, to maintain business viability during a crisis. In a virus outbreak situation, this consists mainly of protecting people, protecting premises from contamination, protecting supply chains and other strategic factors, depending upon the business and industry sector.



Have you conducted a business impact assessment (BIA) process within the last 2 months?

Rating here
Enter a value from 1-4

As part of your BIA process have you identified the important business services that must be kept running?

Have you identified the key dependencies that support your important business services. This would include people, premises, documentation and information, technology and tools, and, third parties and supply chain?

Have you identified the minimum number of people you need to support your important business services? How many are critical to ensure your business continues to function?

Business Continuity Planning (cont.).

Do your business continuity plans consider the impact on your systems and technology. Have you assessed the capacity of your remote working application, if relevant colleagues are equipped with laptops and can key applications be accessed remotely?

**Rating here
Enter a value from 1-4**

Does your crisis management plan capture actions for mass illness, caring responsibilities, bereavement, transport disruption, and other disruptions?

**Rating here
Enter a value from 1-4**

Do your critical suppliers' business continuity plans support them through a pandemic outbreak, such as COVID-19? Do you have alternative arrangements in place should your critical suppliers not be able to deliver?

**Rating here
Enter a value from 1-4**

Do you have a communications strategy that gives staff general day to day hygiene advice? Have you tested your crisis communications process and ensured contact data is up to date and staff know how to respond?

**Rating here
Enter a value from 1-4**

Contact Information

1

Once you have completed this questionnaire please save your changes as you are working through it and email a copy of this document to your KPMG contact or contact listed here.

2

If you need assistance or have any questions with regards to how to complete this questionnaire, please contact Gareth Williams or David Slater in the first instance.

3

For our most up to date guidance on COVID-19 and how KPMG can help, please visit kpmg.com/bh

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