



COVID-19: how to ensure business continuity and sustainability for industrial companies

Approach, actions, priorities



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The COVID-19 health emergency represents a global unexperienced discontinuity in economic, social and geopolitical terms. At this stage, the main priority is the protection of human health. But it looms also a very severe economic impact following the "lockdown" imposed by the authorities. KPMG is not immune to the dramatic circumstances of the moment. We have converted all our operations and thanks to "smart working" we are able to ensure the continuity of our professional services. We are determined to help the many industrial companies part of the "Made in Italy" and we want to do it to the best of our ability and with an authentic spirit of service. Our goal is to stand with entrepreneurs and managers, keeping an open dialogue with them and offering availability, skills and solutions, to react together to the crisis.

At the moment, it is still too early to outline future scenarios. However, the crisis is defining a real paradigm shift. Some compare the situation to a war, others evoke pandemics from the past. Certainly, it is an unexperienced challenge for entrepreneurs and managers. The priority is to intervene immediately and with determination to ensure business continuity.

It is necessary to work on two levels: on the one hand, activate a series of immediate actions for cash management, working capital, cost containment to preserve revenues. Interventions are also urgently needed to secure a series of critical areas of operations. Now more than ever, it is essential to implement useful approaches to catalyze the contribution of all the

functions that can contribute to the safety of the business.

On the other hand, it is important to start a broader reflection about the duration and depth of the crisis and the expected timing of recovery, in order to be ready for recovery. This implies a reflection on the possible scenarios and on a dynamic revision of the main strategic assumptions.

In this perspective, this document represents a 360 degrees "ready to use" operational guide that outlines a set of targeted actions, to be immediately implemented to mitigate the impacts of the crisis in the coming weeks and to prepare for the restart of the business.

Macroeconomic scenario

In a globalized context, the explosion of the COVID-19 epidemic in China and its subsequent spread in Italy and in the rest of the world is having significant impact on the economic-financial context.

The spread of COVID-19 and the consequent lockout of economic activities worldwide caused the stress of financial markets and downward estimates with respect to the expected world growth rates.

Due to the fast, worldwide spread of the virus, analysts corrected world GDP growth estimates for 2020, marking a negative reversal in economic growth.

Financial markets were significantly affected by the shock caused by COVID-19 pandemic, as evidenced by the Volatility Index (VIX), which remained flat for months and then, after COVID-19 spread, rose to levels that had not been recorded for years.

Markets have entered a phase of radical risk aversion. Since the virus spread worldwide, the world's leading equity indices experienced a worrying downturn. On the equity markets front, the response was violent.

Thanks to targeted political and economic interventions in the most exposed countries, economic growth is expected to resume in 2021. In the Italian context, the prospects of recession implicit in the quarantine measures adopted ('lockdown' obligation), have significantly changed the estimates of domestic GDP growth. Compared to a 'flat' Italian GDP trend expected before COVID-19, a cut in growth is now estimated for 2020 (up to -6%).

A worldwide shock

The main impacts of COVID-19 on international trade flows might concern two main areas: supply shocks with contractions in the supply flows of components, intermediate goods and finished products; demand shock following the substantial reduction in consumption, falling investments and worsening of future expectations.

Estimates of Italian 2020 GDP Growth - Consensus*

S&P March 26th	-2,6%
Fitch March 19th	-2,0%
Morgan Stanley March 18th	-5,8%
Goldman Sachs March 17th	-3,4%
Oxford Economics March 14th	-3,0%
Moody's March 9th	-0,5%

* Data updated at March 26th

According to recent estimates, private consumption in Italy will drop sharply in the short term. The announced economic stall will have even more serious repercussions on the industrial production.

The combined effect of the described dynamics caused a significant rise in the BTP-Bund spread. At the same time, Italian banks bonds' yields experienced an unprecedented surge.

The structured finance market was hit by expectations of strong repercussions from the aforementioned developments.

According to forecasts, Tourism, Transport, Retail and Manufacturing will be the most affected sectors.

A significant aspect will be the impact of the crisis on the two driving economies worldwide: China and the USA. The first indicators outline a very complex picture in the two countries.

If in 2003, at the time of SARS pandemic, China's GDP weighed 4% of global GDP, before the COVID-19 pandemic China's GDP was worth 16% of world GDP. Economic activities are currently recovering with difficulties, but economists estimate a 10% drop in GDP in the first quarter of 2020.

In Transport sector, the level of Chinese passengers has fallen by 90% while car sales in February have plummeted by 80%. In the US, unemployment claims rose 33% on a weekly basis in March, and restaurants registered 90% losses in revenues over the same period last year. In the USA, the weaker sections of society are under pressure, those with precarious jobs and low wages, who in many cases cannot face unexpected expenses.

According to a KPMG analysis, the greatest impacts of

the crisis will occur in countries with elderly populations and with high levels of private indebtedness held by families and businesses. In fact, private debt has a series of negative effects on the economic cycle: among the others, reduction in the private consumptions, fall in asset prices, drop in investments and increase in unemployment. Italy is among the countries with the highest level of elderly people over 70 worldwide, but it has a rather low level of private indebtedness, equal to nearly 110% of the GDP (of which 39% of families and 69% dependent on companies). In France, the level of private indebtedness is 216% of GDP, while in the United Kingdom it is 165%.

About future scenarios, the hypotheses of a "U", "V" or, worst, "L-shaped" recovery will largely depend on the magnitude and impact of government interventions in the various economic areas.

The risk society: impacts on business models

CEOs need to be aware that this crisis represents a radical change of scenario. A "social distancing" era is looming, which will have strong impacts on people's lifestyles and on the social and economic structure. People and companies on the one hand will increasingly ask for security, on the other they will live in a dimension of permanent and invisible risk, in some aspects out of control.

It is likely to foresee a first "post-emergency" phase which will experience a slowdown in globalization. Global supply chains, capable of serving customers all over the world, risk to expose multinational companies to new types of systemic risk. Scenarios of production re-shoring and reconfiguration of supply chains are opening up, with significant impacts for many Italian companies producing

intermediate goods.

New skills and new strategic intelligence capabilities are required to be ahead these phenomena and to preserve competitiveness. In particular, risk management will take on a new meaning, which can no longer be seen only in terms of regulatory compliance. In the "risk society" this function will take on an increasingly strategic dimension with significant impacts on the business models of companies of all sizes. This will imply the adoption of innovative foresight tools, scenario planning, D&A technologies capable of providing predictive elements. The risk must be considered as a structural factor of the business models and no longer as an episodic variable, with the use of innovative skills and new managerial practices in the decision making processes.

The main measures in the EU

The effects of the crisis on the financial markets and the prospects of a strong recession led the monetary and banking supervision authorities to take decisive actions.

Among the others:

1. The launch of a new asset purchase program (PEPP - Pandemic Emergency Purchase Program) by the ECB for at least € 750 billion. The PEPP, compared to the current APP plan in progress, also allows the purchase of Greek government bonds and guarantees greater flexibility, allowing fluctuations in the temporal distribution of purchases between the various asset classes and jurisdictions.
2. The extension of the CSPP (Corporate Sector Purchase Program) program to commercial paper of adequate quality issued by non-financial institutions.
3. The expansion of the scope of additional credit schemes (ACC - Additional Credit Claims) including credits related to corporate sector financing.

The main measures of the Italian government

The Italian government, with the recently issued 'Cura Italia' decree, undertook a series of measures to support corporate liquidity backed by the banking system. Here are the main measures:

Art. 49: exceptions to the ordinary regulations of «Fondo Centrale di Garanzia» pursuant to law 662/96 for SMEs

- The guarantee will be granted free of charge.
- Raising of the maximum guaranteed amount to € 5 million per individual debtor.
- For direct guarantee interventions, the maximum coverage percentage is set at 80% of the amount of each financing transaction up to a maximum amount per individual company of € 1,5 millions.
- For reinsurance interventions, the maximum coverage percentage is set at 90% of the amount guaranteed by Confidi or by another guarantee fund.
- Eligibility for the guarantee of debt renegotiation operations, hitherto limited to the scope of portfolio guarantees only, provided that the lender grants new finance for at least 10% of the residual debt.
- The possibility to combine the guarantee of the Fund with other forms of guarantee, including mortgages, acquired by the lender for real estate investment operations in the hotel tourism sector and real estate activities for an amount greater than 500,000 Euros and with a minimum duration of ten years.

Art. 55: measures in favor of the disposal of NPLs

- The company that disposes pecuniary claims towards defaulting debtors by December 31st, 2020, can transform the Deferred Tax into tax credits.
- Notional return amount exceeding the total net income, not yet deducted or used through tax credit on the date of the transfer (so-called ACE Surplus).
- The two aforementioned components can be considered for a maximum amount not exceeding 20% of the nominal value of the assigned credits, with a maximum limit of € 2 billions gross value of the assigned credits for each company (determined taking into account all the sales carried out by December 31st, 2020 by companies linked to each other by control relationships). These provisions are not applicable to companies for which the state of failure or the risk of failure has been ascertained, or the state of insolvency.

Art. 56: financial support to companies

The article 56 introduces an extraordinary moratorium to help companies overcome the most critical phase of the production shortfall due to COVID-19. Micro and small and medium-sized enterprises, can take advantage of the following financial support measures:

- For the revocable credit facilities and for the loans granted against advances on loans existing on February 29th, 2020 or, if later, than the publication of the 'Cura Italia' Decree, the amounts granted, both for the part used and for those not yet used, they cannot be revoked in whole or in part until 30th September 2020. Regarding the greater uses between the date of the Decree and September 30th, 2020 it will be possible to obtain the guarantee from the “Fondo Centrale di Garanzia” (Law 662/96).
- For non-installment loans with expiry date prior to September 30th, 2020, the contracts are extended, together with their respective ancillary elements without any formalities, until September 30th, 2020 at the same conditions. On these contracts it will be possible to have the guarantee from “Fondo Centrale di Garanzia” (Law 662/96).
- About mortgages and other installment repayments, also completed through the issue of agricultural promissory notes, the payment of installments or leasing installments due before September 30th, 2020, is suspended until September 30th, 2020, and the repayment plan for installments and the fees subject to suspension are deferred, together with the ancillary elements and any formalities, to ensure the absence of new or greater charges for both parties; companies are entitled to request the suspension of capital repayments only. The possibility of obtaining the guarantee of “Fondo Centrale di Garanzia” pursuant to Law 662/96 is envisaged for an amount equal to 33% of the individual installments of the mortgages and of the other installment repayment loans or of leasing installments due within September 30th, 2020, and that have been suspended.

Art. 57: Support to corporate liquidity through guarantee mechanisms

- It aims to support the liquidity of companies in the context of the COVID-19 emergency, allowing banks, with the support of Cassa Depositi e Prestiti S.p.A. (CDP) through credit lines and / or portfolio guarantees, including first-rank loss guarantees, to provide any kind of loans to companies that have suffered a reduction in turnover due to the aforementioned emergency. The state guarantee is issued in favor of CDP upon first request up to a maximum of 80% of the exposure assumed and is onerous, explicit, unconditional and irrevocable.

Art. 106: financial statements approval

- It provides the chance of approving the financial statements for the year ended December 31, 2019 in the longer term of the 180 days, providing, also by way of derogation from the current statutes, the possibility of expressing the vote electronically or by mail, of attending the meeting through telecommunication systems and, finally, the possibility of designating for the ordinary or extraordinary meetings the representative envisaged by article 135-undecies of the legislative decree 24 February 1998, n. 58.

KPMG, historically alongside and at the service of companies, is decisively reacting to the crisis, mobilizing and putting at service of companies all its best skills and competences. Therefore, the team “Consumer e Industrial Market COVID-19”, together with KPMG global well known excellence centers, is elaborating ideas, approaches, operational solutions to provide prompt answers to decision makers. We tried to synthesize our interdisciplinary experiences, insights and best practices to provide an operational guide to manage the main functional areas impacted by the emergency.

Priorities of intervention

Economic actors are facing several critical operational issues and challenges. The priority areas of intervention to ensure business continuity and sustainability are:

- 1 Cash Crisis Management
- 2 Net Working Capital Improvement
- 3 Tax, Legal & Labour Plan
- 4 Strategy Stress Test
- 5 New Supply Chain Model
- 6 Top Line Recovery
- 7 COVID-19 Risk Management
- 8 Cyber Security Crisis Plan
- 9 COVID-19 Technology Strategy
- 10 Financial Reporting & Assurance

Cash Crisis Management - 7 Tips

1

Ensure **maximum visibility** and **control on cash flows**, immediately activating an internal communication activity impacting all functions – **Cash First!**

2

Set up an accurate and robust **cash flow forecast over a 13 week rolling horizon**, with the constant research of velocity, quality, robustness and structure of data

3

Establish a **permanent focus** of analysis, comment and action - **Cash Committee** - to identify short term cash **initiatives** that may **immediately impact** the business

4

Evaluate the **short term financing adequacy** through the **availability of expected cash flows** and an immediate analysis of the already available **back up facilities options**

5

Set up **stress test scenarios** to simulate the progressive **deterioration of financial stability**, in order to determine **thresholds** and **financial safeguard points**

6

Quickly activate the **different options, governmental and private**, to manage the end-of-month financial and commercial commitments and deadlines

7

Prepare an **ad hoc documents** set to access and order transactions of emergency finance or bridge finance through **traditional banking channels** or **alternative debt funds**

Takeaways

« Due to the rapid spread of COVID-19 and its significant and sudden impact on company businesses, it is necessary to assume that the traditional available-until-now financing options will no longer be available. The management is therefore required to take new, immediate, flexible but strong interventions to ensure that their short term financing adequacy remains viable – Ensure the Cash Viability! »

NWC Improvement - 7 Tips

1

Review **Working Capital management**, inventory forecasts, expected demand and supply needs, in order to identify efficiency areas with immediate impact on liquidity

2

Focus on **cash collections** and on **deferring or reducing significant cash outlays**

3

Cooperate with suppliers, customers and financiers to mitigate liquidity constraints and revise the trade-off liquidity vs. profitability (i.e. proportional discounts applied for prompt payments...)

4

Ensure that the organization is ready to manage the requests from customers to **extend credit terms** considering actual and future cash position

5

Evaluate the possibility of **limiting non-essential supply orders** by renegotiating the payment plan with commercial creditors

6

Introduce **preventive mechanisms of stock management** through the definition of purchase budgets directly linked to the rotation of products and raw materials in an "Open To Buy" logic

7

Companies with a solid and up-to-date database are able to run **simulations of alternative scenarios** to identify the optimum liquidity vs. profitability trade-off

Takeaways

« Safeguarding Working Capital is the main lever to ensure business continuity. Tight monitoring of flows, simulations and interventions to manage financial revenue and expenditures, as well as the creation of crisis management committees are the key actions within each organization. Amongst the priorities: reflecting on inventory management, delaying payments, leveraging on data bases for forecast update »

Tax, Legal & Labour Plan - 7 Tips

1

Incentive Focus: procedures to access to business support measures: financial incentives; tax exemptions and reliefs; subsidies for the upgrade of health care facilities; tax measures on extraordinary spending and donations as virus containment measures

2

Legal and Contract management: counterparts relationship management and renegotiation of contracts: "special clauses" (i.e. force majeure), "special providers" (i.e. external/military personnel for temporary departments, external structures), and "special agreements" (insurance, temporary goods requisition)

3

Labour Law: Ordinary management: smart working, shifts & alternance, work permits, unpaid/paid leave entitlement; HR and Privacy policies review to implement virus containment measures. Extraordinary management: extension of social safety nets (CIG, CIGD), trade union agreements (i.e. non-suspended production activities), definition of a redundancy package

4

Global Mobility/HR: fiscal, contributive and immigration compliance check and update (allowance and bonus for workers, personnel relocation and flexible working outside Italy, H&S specific insurance coverage, training/learning)

5

Legal/Corporate Governance: National measures: extensions in the balance sheet approval and social organizations appointment; new modalities of assemblies' holding and exercise of the right to vote; dividend policy; lowering of thresholds for the protection of minorities (listed)

6

Tax Compliance Management. Coordination of support measures issued in the countries where the production activities are located (e.g. suspension of the payment of taxes / contributions; suspension of tax obligations; suspension of checks / tax checks). Mitigation of the effects on working capital of the VAT, IRES and IRAP. Adoption of smart-working facilitation tools

7

Legislative instruments for crisis management: alert index measurement, analysis and management of business crisis signals and possible access to recovery and resolution tools

Takeaways

« In the epidemiological emergency from COVID-19, the Italian Government launched several measures aimed at economical, financial and organizational support for companies and workers, in order to safeguard work, income and preserve the productive activity »

Strategy Stress Test - 7 Tips

1

Crisis Response Team and organizational model

Instant Review: identify the key stakeholders of the areas, to be supervised urgently, that will experience a discontinuity phase with respect to pre COVID-19 phase, assigning them adequate powers and responsibilities

2

What if Scenarios analysis and Contingency Plan:

implement a dynamic tool to check in real time which, if any, key assumption underlying the 2020 Plan is still valid and consistent with the changed context; define the new financial ambitions reporting the main impacts and gaps

3

Product/brand/client Optimization Plan:

test the compliance of the current Business Model to the new financial ambitions, in terms of product, customer, channel and brand. Reconfigure the product mix with focus on high margin products and best clients

4

Breaking down Cost saving matrix: break up the value chain into its components identifying the efficiency recovery actions, classified according to the timing and complexity of execution

5

Pricing and commercial crisis strategy:

keep discipline in discounting policies to avoid a downward spiral trend; implement a dynamic-response model for pricing strategies; review in real time sales methods, marketing tools and communication strategies to customers; build a market task force

6

Inorganic M&A post crisis Plan:

to quickly recover market shares and revenues, develop a tailor-made M&A strategy (both horizontal and vertical) by seizing opportunities related to the drop in EV and distressed M&A

7

Capital allocation review: with respect to a new uncertainty and volatility scenario, review the assumptions underlying the capital allocation projects (capex, share repurchase, etc.) to uphold or adapt them to the context

Takeaways

« The capability to work on two different time horizons will become the difference between being and not being on the market at the end of the crisis. A part of the company must focus on immediate actions to strengthen the company in the short term, but other departments must forward look, reviewing all the pre COVID-19 strategies, managing strategically and not only tactically all the opportunities related to inorganic growth, taking advantage of this moment to completely review the logics of allocating resources and capital, figuring out new markets and new ways of managing supply chains »

New Supply Chain Model - 7 Tips

1

Supply chain Crisis Team: identify the Key Stakeholders in charge of strengthen requirements and assess constraints, set priorities related to the supply chain (procurement, production and distribution)

2

Supply Chain End-to-End Constraints: map the constraints on suppliers / factories / logistics and classify them according to their critical level

3

Supply-Demand Scenarios: analyze different scenarios of sales per product, market and channel, to verify a set of "feasible" products that imposes rationalization assumptions, according to the availability of stock and raw materials

4

Disposal of the stock: map the supply chain network stocks (headquarter/branches/distributors), identifying, according to analyzed scenarios, all commercial actions for their disposal in markets/channels

5

Micro-supply chain: concentrate, according to the produced portfolio, the productive capacity, encouraging ecosystems of "micro-supply chain" that guarantee productive continuity and favor flexibility on the others

6

Alternative Sourcing: start an alternative sourcing to ensure the continuity of the productivity in the short term and to mitigate the risk in the medium/long term (Dual sourcing)

7

Logistic task force: establish with 3PL / 4PL providers a contingency plan to ensure the direct withdrawal of raw materials from suppliers (Inbound) and to set up alternative transport modalities to deliver goods to clients (Outbound)

Takeaways

« During crisis' times, reshape the structure of the Supply Chain is necessary to safeguard business continuity (revenues, expenditures, margins, working capital). It is necessary to act in a task force logic, proposing a plan of extraordinary interventions along all the key nodes of the value chain (suppliers, industrial structures, distribution) and interacting in constant dialogue with the management to guide business choices on the basis of the constraints and feasibility of the Supply Chain »

Top Line Recovery - 7 Tips

1

Prepare a **Top Line impact estimate** of measures related to COVID-19 management, differentiating them by geographic markets, product categories and customer segments

2

Define **specific commercial transition policies** to manage existing supply relationships that could lead to a synthesis of business economic equilibrium and to an equation of value for customers

3

Immediately update the information set and Customer Service processes, focusing the **Customer Service** as a key asset to promote **continuity of relationship** and trust with customers

4

Thoroughly analyze the effects of restrictive measures on the customers' contexts of consumption to plan and execute **promotional activities** (top line quick booster) to support the **flow of revenues in the next months**

5

Activate a **specific task-force** to timely adapt the **e-commerce channel** regarding assortments and navigation processes in order to support the experience of new customers' segments

6

Analyze the chance to activate **additional sales channels**, as a response to the change of daily contexts of life and to the development of new demand aggregation centers

7

Gather a **team** focused on the planning of a **shut-in business model**, identifying new market positioning, new way for customers to access the supply and alternative use of non used assets along the value chain

Takeaways

« The spread of COVID-19 has significant impacts on companies Top Line, especially in some business sectors. It is essential that after a careful estimate of these impacts, despite the ongoing instability, all the levers available to support the annual performance are immediately activated and balanced. Having a clear map to guide the reaction is the first step in defending your business »

COVID-19 Risk Management - 7 Tips

1

COVID-19 crisis management assessment: monitor the effective implementation of emergency management processes in a business continuity perspective, verifying their proper adoption and the strengthen of the measures to contain the impact and speed up the response times

2

Risk scenario analysis: carry out risk impact assessments on various scenarios (e.g. long-term business disruption status, temporary return to base scenario and subsequent worsening of the crisis, etc.) to identify the most appropriate response actions

3

Dynamic Risk Assessment: introduce dynamic risk assessment models to analyze propagation and interconnection speed as well as probability and impact, to have a systemic view of the business risk profile and to identify the responses to be adopted, from an integrated perspective

4

Mitigate health risk: ensure employees, customers and suppliers health, evaluating all possible infection factors as biological risks and defining clear rules and communications about the management of accesses, travels, Smart working, social distancing and use of PSD

5

COVID-19 Compliance check: ensure the implementation of all regulatory provisions issued by the authorities, updating the impacted operating tools (e.g. Risk Assessment Documents, IRAD, Model 231, Information flows to the Supervisory Board, etc.)

6

Upgrade strategic risk management capabilities: raise the status of risk management within the organization, systematically involving risk leaders in decision-making and strategic planning processes

7

Actions sustainability and Reputation protection: Verify the coherence of short term choices and communications related to long term positioning and sustainability policies

Takeaways

« Companies are immediately called to activate crisis management processes to react promptly to the urgent health, operational, financial and reputational threats caused by COVID-19. At the same time, however, it is necessary to rethink the Risk Management programs, integrating traditional tools and processes with scenario analysis and dynamic evaluation models that allow the analysis of different scenarios, adopting integrated responses and protecting the sustainability of the business in the long term »

Cyber Security Crisis Plan - 7 Tips

1

Increase Threat Intelligence levels activating proper information channels to monitor rising threats (i.e. Phishing campaigns) both inward (smart working) and towards customers (i.e. websites)

2

Provide effective **awareness Campaigns** for the staff with the purpose to mitigate security risks caused by **smart working**. In case of requests for lowering security measures in favor of operative simplification (i.e. simplified access modes, non-standard services introduction) assess possible impacts and track configurations' changes

3

Focus the attention of **security** on those **operative elements** (connectivity, applications, asset) able to support fundamental processes and services, in compliance with government directives

4

Monitor all **third parties security concerns** which result highly critical from data protection, asset and services point of view, as well as from the importance of keeping resilience levels

5

Focus on the **security of digital channels** both towards customers (e-commerce) and for additional business areas through periodical monitoring and control of any vulnerabilities caused by ongoing Emergency management

6

Identify any **new element** that could potentially increase the **attack surface** (i.e. new collaboration platforms, new third parties...) and promptly steer the appropriate security and compliance aspects (ie. Privacy)

7

Keep **communication and reporting channels** to top management **active** in order to ensure both escalation situations and possible sourcing needs

Takeaways

« In the current operational context, mainly focused on ensuring business continuity, it is essential to raise defenses against cyber threats to avoid further burden of emergency and / or financial loss situations »

COVID-19 Technology Strategy - 7 Tips

1

Launch ICT-enabled initiatives to enhance new interaction channels with customers and suppliers such as e-commerce, e-payment, e-SCM, identifying flexible and scalable areas and services and aligning technological capacity with available logistics solutions

2

Strengthen data **analysis** and decision support **tools**, identifying fast deployment solutions in order to support the business identifying the best market penetration strategy

3

Evaluate and evolve the **resilience of IT infrastructures and architectures** with a view to Business Continuity, with solutions capable of ensuring greater flexibility of workloads, service effectiveness and quality, while maintaining full control over short term solutions in order to ensure security

4

Assess IT impacts on **projects pipeline**, both central and local, in order to review priorities, timelines, redirection of allocated IT resources, repercussions on business initiatives and possible savings

5

Hasten the adoption of **Digital Workplace solutions**, by coordinating with Risk Management and Cybersecurity, to make work more agile/flexible, turning it into a lever of change

6

Define and/or review the **strategy of adopting** native and/or **multi Cloud solutions** to leverage on workloads with greater flexibility, guaranteeing effectiveness, service quality, and infrastructure resilience

7

Review the Sourcing model of ICT services, involve suppliers to agree on Service Delivery and Desk operating methods such as ensuring more effective support for users

Takeaways

« Adopt safe, scalable and resilient solutions and infrastructures with a Business Continuity view. Make the Digital Workplace a lever of change and not only an emergency solution. Evaluate the service portfolio on criticalities, TCO and business value by reviewing the overall architecture to ensure integration and support for critical processes with high reliability, from a tactical and then strategic perspective »

Financial Reporting & Assurance - 7 Tips

1

Cash Management Assurance: carry out a careful contract review of the banking and commercial conditions, both for customers and suppliers (trigger-based type), in order to ensure effective implementation of the liquidity management processes and formulate reliable cash flow forecasts

2

Accounting Impact Support: update the assessment models of fixed assets and NWC recoverability, to support the preparation and presentation of financial data in emergency conditions, also to access facilitated forms of financing made available by credit institutions

3

Assets Recoverability Assessment: update the estimates for impairment testing and accounting related valuation, required to prepare financial statements compliant with accounting principles (GAAP), in the light of studies and benchmarks for a proper presentation of the financial situation

4

Current Trading Presentation: preparing and assuring pro-forma financial data, financial covenants and special financial statements to represent the current trading situation in the reasonable future

5

Government Grants Assurance: activate reporting and assurance processes for eligible expenses, in the light of the provisions of the government authorities, both to the benefits of the private sector and to Public Administration and Healthcare operators

6

Internal Control System Assessment: design and document new risk & control matrix and complementary measures to verify the effectiveness of internal control (e.g. L262, SOX), impacted by the new smart working operating methods

7

Sustainability & Communication Assurance: define structured communication tools and methods in the ESG area, to properly manage the emergency situation, accompanied by specific KPIs, benchmarking and Assurance

Takeaways

« Through this period of uncertainty, entrepreneurs will need to be prepared to do whatever it takes to preserve the functioning of their businesses, whether they are small, medium or large. KPMG is alongside entrepreneurs "ready to do whatever it takes" »

How can we support you

Now

COVID-19 KPMG Advisory desk: Virtual Room and Diagnostic crisis report

Immediate support

KPMG will provide companies with discussion sessions to solve the most urgent areas of crisis. Companies will be able to access KPMG experts and obtain a diagnosis report that highlights the main priorities to be addressed.

Short Term

KPMG Crisis Management Plan Immediate actions

1-2 months horizon support

Immediate actions through simulation tools and tailor-made approaches to protect:

- People
- Customer
- Cash & Working Capital
- Supplier Risk
- Tax, Legal & Labour Issues
- Cyber Threats

Ongoing

KPMG Crisis Management Plan Medium term actions

6-12 months horizon support

Together with immediate actions, it is necessary to work in a targeted and structured way in the following areas:

- Scenario analysis and strategic planning
- End-to-end supply chain management
- Inorganic growth
- Revenue strategy
- Technology upgrades
- New Risk Management Plan
- Financial reporting issues

Further readings:

COVID-19 Economic Impacts (ENG)



Pandemic planning as part of an overall Resilience Strategy (ENG)



COVID-19 e impatti sul business (ITA)



Embedding resilience: A guide to the business implications of COVID-19 (ENG)



COVID-19 and Shut-in Economy: KPMG approach to company business remodeling (ENG)



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