



Guide for New Zealand business executives and directors

The potential impacts of COVID-19
on key sectors of the NZ economy.

March 2020

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Overview

The information we are providing is a guide for New Zealand business executives and directors on the potential impacts of COVID-19 on key sectors of the New Zealand economy. The situation is fluid and changing on a daily basis, and we will update this content as and when new updates are available.

Companies around the world need to act promptly. The following information is to help businesses understand the COVID-19 situation and how it may unfold in New Zealand; and take steps to protect their employees, customers, supply chains and financial sustainability. It is clear that there will be short, medium and long-term implications on both our domestic economy and the global economy as a result of the pandemic.

Companies around the world need to act promptly.

This document is to help businesses understand the COVID-19 situation and how it may unfold in New Zealand, and take steps to protect their employees, customers, supply chains and financial sustainability. It is now clear that there will be short, medium and long-term implications on both our domestic economy and the global economy as a result of the pandemic.

At the time of writing we were at alert stage three, with notification that this would be elevated to stage four as of 25 March. As we face into lockdown, New Zealand businesses need to look forward and consider what the future holds, how they will adapt to a home working environment and what scenarios are likely to emerge as a consequence of the COVID-19 outbreak both domestically and around the world. It is clear at this stage that there will be businesses who will not survive the crisis and those which remain may look very different on the other side.

COVID-19 is unique in that it is a simultaneous supply shock, demand shock and market shock event. The original hope for a "V" shaped or "U" shaped recovery (as opposed to an "L" or "W" shape) will depend on the timing and magnitude of international Government assistance as well as how companies and markets respond to changing demands.

We will see further Government intervention and stimulus in the coming days, in addition to the first stimulus, that is likely to reflect the package already announced by Australia. It is likely to have much further reaching implications than the original stimulus and address emergency relief for SMEs and mortgage borrowers, along with the removal of the \$150,000 wage subsidy cap. Quantitative easing has been exercised for the first time in New Zealand in order to keep interest rates low with a programme [which will inject \\$30b into the economy over the next twelve months](#).

To date COVID-19 has impacted a number of sectors in both at home and around the world, firstly in the service sectors such as tourism, hospitality and leisure, including bars, restaurants, gyms, airlines and hotels, but these have now been followed by other sectors. The most immediate casualties of the crisis have seen a number of redundancies and cost cutting measures being implemented. The implementation of such cost saving measures and the implementation of social distancing is likely to cause a significant further drop in discretionary spending over the coming months.

It is clear that businesses need to have a clear stakeholder engagement strategy to begin dialogue with landlords, suppliers and banks to navigate future impacts. It is now also clear that every sector in the New Zealand economy will be impacted in some way shape or form.

There is, and will likely be, significant macroeconomic volatility in the coming weeks and months and we are likely to continue to see impacts on currency and inflation in unpredictable ways – the volatility in the New Zealand/USD cross rate in the last four days is unprecedented.

Despite the impacts that we are seeing domestically there is some positive news.

At the time of writing, the spread of the virus in China and South Korea is generally believed to be in decline, and Taiwan and Singapore have arguably demonstrated their abilities to contain the peak of the virus. Chinese production has ramped up again, meaning supply chains in and out of China are once again starting to move. In Hubei province, quarantine has been lifted, public transport has resumed, and factory production has resumed to pre-pandemic levels.

Both China and South Korea moved swiftly to lock down infected areas in an attempt to contain the virus. Whilst at the time the response was described by some commentators as "draconian" the impacts of such actions are noted. Both business and citizens are

generally accepting of the fact that a lock down is the best chance of minimising the impact of the pandemic, and, in particular, the impending pressure on the health system that we have seen elsewhere globally.

Domestically we have seen a huge shift in consumer demand and behaviour and we anticipate this to continue in the short-term, applying further stress across the economy.

Mainfreight have recently announced that with the exception of air freight the transportation of goods domestically and internationally is being roughly maintained to normal levels of service. This is welcome news to Kiwi exporters, however is largely driven by strong demand in grocery and agri-food. That said, as a consequence of the outbreak we are likely to see a shift in both Chinese consumer behavior and confidence in the coming months, with consumer spending having been considerably down YOY, especially across food and drink.

Elsewhere in the region, across New Zealand's largest trading partners, the situation remains fluid:

- **China** - Trade returning to normalised levels, ports have re-opened, manufacturing re-started, and supply chains are moving.
- **Japan** - Infected numbers are still rising, measures are in place to try to contain the spread. Schools are closed and travel has been restricted from infected countries. GDP is in decline for the first time in 5 quarters. Imports and exports are down.
- **South Korea** - On 13 March 2020 South Korea announced that for the first time the number of COVID-19 recoveries had surpassed the number of new cases and that they expected the trend to continue.
- **USA** - All major trade shows and events have been cancelled in the US. All travellers from Europe have been banned for a period of 30 days. Domestic supply of dairy and meat has been ramped up to meet demand, the economy is likely to contract in Q2 at least as businesses ride out the spread of the virus. Freight and cargo is still moving in and out of the US, however this could change at short notice. The introduction of the Families First Coronavirus Act is likely to impact any Kiwi employers who have staff in the US.
- **Australia** - The Australian Government announced a \$189 billion economic plan to support business investment and provide cash flow to SMEs. Australia is facing similar challenges to New Zealand and currently remains open for imports and exports although countrywide shut down will impact this.

Recovery Scenarios

Given the rapidly evolving situation, we are advising clients to prepare for the future based on two scenarios given current information.

1. Recovery by the end of 2020

The outbreak will be brought under control through extensive Government intervention such as social distancing and lock down, by the beginning of Q3. New Zealand will be officially in recession and consumer behaviour will lag behind the decline in the epidemic. It is likely that revenue will be in decline and investment will dry up, placing significant pressure on the banking sector. There are likely to be chances of business failures across multiple sectors. However, under this scenario, by Q4 we would likely start seeing a rebound of confidence and return to normality, but not enough to counteract the contraction of Q1 and Q2.

In this scenario we also have to consider the possibility that whilst New Zealand may achieve suppression, or potential eradication of the virus, other economies may not, in which case we have to consider a situation where the New Zealand economy is operating in isolation from the rest of the world. Our economy's balance of payments would stand New Zealand in good stead in this scenario in terms of exporters, but we would still be at the mercy of international challenges such as restriction of supply chains, shifts in consumer demands etc causing a knock-on impact to trade and the economy.

2. Longer term economic impact

A consequence of not being able to contain the virus spread quickly enough both at home and abroad. Under this scenario business tightens faster by the end of Q2 as there are no signs of the epidemic receding. Job losses and corporate failures are more widespread, placing significant pressure on the banking sector. Consumer confidence and spending plummets as a consequence and a downward spiral ensues. There is the chance of a double peak pandemic in China and therefore recession. The impact will be long lasting and far reaching and unlikely to enter recovery until at least half way through 2021.

Businesses must plan for the worst-case scenario and adapt to a world in which they need to be more agile and responsive to a multitude of changes and challenges on a daily, if not hourly, basis.

Cash flows need to be forecast through to the end of 2021 where possible, with accompanying scenario analysis, and working capital facilities agreed early to enable businesses to manage both current and future volatility.

Debt Markets

In recent days we've heard fears expressed that credit markets have ground to a halt as result of COVID-19: so far this is not the case. While banks and non-bank deposit takers are certainly cautious, markets are still very much open and functioning.

So far, we haven't seen the rapid withdrawing of credit that was at the heart of the GFC. This means that there is a real chance for businesses to remember those lessons and not be caught sitting on their hands when liquidity is available to set-up for a post-crisis environment. But what are the factors that need to be considered first?

Cost of credit is rising but will be mitigated

The profile of borrowers that lenders will provide funding to – and the price at which they will advance that funding – has changed swiftly as a result of the pandemic and the length of the crisis will dictate what further movements there will be in the coming months.

The coronavirus-triggered increases in the cost of credit could be anywhere between 50 and 150 basis points or higher, depending on where you fit in terms of exposure to date and therefore on the credit spectrum

Offsetting this, however, is the fact that interest rates have reduced as the Reserve Bank has reacted swiftly to cut rates. This means that any increase in margins in the short term is likely to be partially offset by the reduction in the base rate. It has also deferred planned capital rules by 12 months delaying what would otherwise have resulted in an increase in pricing.

Banks have liquidity ready

The strong message we are getting currently from the banks is that they are open for business with liquidity to deploy to help shore up businesses. Banks are certainly signalling that they are keen to step up and support their customers.

New Zealand's major banks are relatively well capitalised and have buffers in place to ride the wave of events like the current pandemic. With these factors considered, along with the scope of the RBNZ to provide additional support, we believe the banking system is well placed to continue supporting long-term growth, however under scenario 2 - a longer term recovery - it remains unclear what appetite banks will have to lend.

If you want funding, you need a solid plan

Let's be clear: It won't be straightforward for most businesses to secure credit in this environment. That's especially the case if you operate in a vulnerable sector severely impacted by COVID-19. The hurdles to get approvals will be higher than they have been historically.

In Australia we're hearing some new-to-bank sign offs will now automatically go to the national head of credit, (and maybe even offshore for foreign banks), for approval and we'd expect the same to apply here.

Several businesses are saying they need short-term financing and working capital support to deal with the cash flow implications of coronavirus. Developing a solid plan and identifying the levers available to the business to manage short-term funding requirements will be an important element in discussions with lenders. The long-term outlook and impact of COVID-19 is still uncertain. Planning for a period of volatility will be a critical feature of any plan.

Accessing the debt market or equity markets for liquidity will require a clearly articulated plan and strategy.

There are alternate funding options that weren't available during the GFC

New Zealand has only just started to see the influx of new players into the private credit market that has been a feature of the Australian debt markets over the past decade. What has been a feature is the emergence of new international players in the New Zealand banking market, particularly from Asia and Europe. There is available liquidity outside of the traditional sources in the New Zealand market if you know where to look, particularly for higher quality credits.

The culmination of these factors makes the current situation significantly better for borrowers than it was in 2009/2010. Back then, given the position of the banks and the significant cost of accessing the equity markets for listed companies, a number of companies had limited options which meant that many just rode the crisis out. Today that may not be necessary.

Sector Information

In the articles that accompany this overview, we share the views of our Industry Sector Leaders across our key sectors, and consider first the impact to date, then look to the future under two scenarios - one assuming recovery by the end of 2020, and the second assuming a longer-term recovery.

You can find all of the key sector information gathered [here](#) or you can view specific sectors individually:

[Agri-Food](#)

[Banking](#)

[Construction](#)

[Forestry](#)

[Infrastructure](#)

[Insurance](#)

[Leisure and Hospitality](#)

[Mid-Market](#)

[Property](#)

[Retail](#)

[Tourism](#)

[Transport](#)

Government Support and Stimulus Package

On 17 March the Government released its fiscal and economic response to the COVID-19 pandemic. It was originally costed at \$12.1b which is equivalent to around 4% of New Zealand's annual GDP. Changes have been made to the package over the last few days as New Zealand moved to alert level 4 at 11:59pm on 25 March 2020.

The package is now expected to cost approximately \$17-18b. The bulk of the package comprises spending of:

- \$8-10b to support businesses, the self-employed and jobs;
- \$2.8b in assistance to those receiving benefits, via a \$25 per week increase in core benefits from 1 April and a doubling of the winter energy payment;
- \$500 million in additional health funding, to improve the COVID-19 response;
- \$600 million to support the aviation sector

The more recent extension to the package includes the following:

- The Government, retail banks and the Reserve Bank have announced a six-monthly principal and interest payment holiday for mortgage holders and SME customers whose incomes have been affected by COVID-19.
- The Government and the banks will implement a \$6.25b Business Finance Guarantee Scheme for small and medium-sized businesses. This is to provide short-term credit to cushion the financial distress of SMEs. The scheme will include a limit of \$500,000 per loan and will apply to firms with a turnover of between \$250,000 and \$80 million per annum. The loans will be for a maximum of three years and expected to be provided by the banks at competitive rates. The Government will carry 80% of the credit risk, with the other 20% to be carried by the banks.
- The Government has agreed to freeze all rent increases and to look to extend no-cause terminations.

Wage subsidy scheme

For businesses and the self-employed, there is a wage subsidy scheme (the accompanying leave payment scheme was discontinued with effect from 3:00pm 27 March 2020, although applications submitted before then will still be processed by Work and Income New Zealand).

More detail of these payments can be found at the links below. We have summarised the key parts of each policy. However, as the policy has been developed and evolved quickly, there remain unanswered questions.

Please check our [Q&A page](#) which we will keep updating as more information becomes available on the wage subsidy and other relief available to businesses

Wage subsidy eligibility

The wage subsidy is available to employers, contractors, sole traders, the self-employed, registered charities, incorporated societies, non-governmental organisations and post-settlement governance entities. The businesses must be registered and operating in New Zealand.

The wage subsidy is aimed at allowing employers to continue to employ staff. The subsidy is \$585 or \$350 per employee for 12 weeks depending on whether the employee works for more or less than 20 hours per week.

There is no cap on the subsidy (originally there was a cap of \$150,000 per organisation.)

There are some key matters to accessing the scheme:

- A 30% decline in actual or predicted revenue in any month when compared to the same month last year and the revenue loss is attributable to the COVID-19 pandemic.
- The business needs to have tried active means (for example, the bank, making an insurance claim) to manage the effects of the decline;
- Committing, on a "best endeavours" basis, to paying the subsidised employees 80% of their normal income for the period of the subsidy as specified in their employment agreement.
- Committing to pay the full amount of the subsidy to employees and retaining the employees for the period the subsidy is received.

New businesses (e.g. that are less than a year old) and high growth firms (e.g. firms that have had significant increase in revenue) are also eligible. They need to demonstrate the 30% revenue loss over a relevant period, for example, March 2020 compared to January 2020, rather than to last year's equivalent month.

The application is made online.

Links to applications

The application for each is available at the following links:

- [Employer application](#)
- [Self-employed application](#)
- [Large employer application \(over 100 employees\)](#)

Tax changes and tax payments

The Government also announced tax changes. Included in the Government's response are a number of tax measures:

- The reintroduction, from the 2020-21 income year, of a 2% DV depreciation deduction for commercial and industrial buildings. This includes hotels and motels.
- Bringing forward R&D refundability rules to the 2019-20 income year.
- A temporary increase in the threshold for expensing low-value assets from \$500 to \$5,000 during the 2020-21 income year. The threshold will be \$1,000 from the 2021-22 income year.
- The threshold for paying provisional tax will increase from \$2,500 to \$5,000 of residual income tax, from the 2020-21 income year.
- Inland Revenue will be given the power to write off interest on late payments for those adversely, financially, impacted by COVID-19 for tax payments due after 14 February 2020.
- Changes to the calculation of the in-work tax credit to remove the hours worked test.
- Inland Revenue will have greater information sharing powers to facilitate a whole of government response to COVID-19.

These are covered in our Taxmails on the [Government's COVID-19 fiscal and economic response package](#) and on [COVID-19 Tax Act and late payment](#) and were included in the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act which was enacted on 25 March 2020.

The Act also allows refunds of research and development tax credits one year earlier than planned (for the 2019-20 income year rather than for the 2020-21 income year. This had not been previously announced.

If you have difficulties with tax payments, Inland Revenue can accept instalment arrangements through MyIR or through agreement with their debt recovery team. Inland Revenue announced its intention to waive penalties and interest for late payments in a media release on 25 March 2020. There are no apparent requirements, but further detail and explanation may follow.

The extension of the package is welcome as assisting to improve business liquidity in the short to medium term.

The Government response is evolving as public health measures are taken and the effects of the packages are assessed. The removal of the \$150,000 limit for the wage subsidy is an example.

There will also be further specific initiatives for specific sectors and across the broader economy. For example:

- Detail of the aviation sector support were announced 24 March 2020; and
- A \$56M package of support for Māori communities and businesses to respond COVID-19. This includes targeted health funding and community support but also funding to enable a needs assessment for Māori businesses leading to a Māori business response plan.

Business Continuity and Crisis Management

As a Business Executive, or a Director you need a clear focus on where to from here. We highlight below key areas of focus and questions you should be addressing and discussing around the Boardroom table, looking to the future under two scenarios: one assuming recovery by the end of 2020; and the second assuming a longer-term recovery.

Business Impact

Awareness and Communications

- Do you have a communications plan for staff and for customers?
- Have you communicated with priority customers, employees and suppliers?
- How will you deal with the impact on your workforce? How can you ensure the safety of your employees whilst trying to maintain business as usual activities?
- Have you assessed the cyber security and health and safety risks associated with employees working from home?

Technology and System Resilience-

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

Commercial Plans

- How will your change plans and programs be impacted?
- Will project deadlines and investment need to be delayed or halted? What impact does this have on your strategy?

Board Governance

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

Financial and External factors

Cash Flow and Financing

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

Financial Stability

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

Global Trade and Protectionism

- Are you aware of Government mitigation plans and the consequential impacts on our supply chain?
- Do you have domestic alternative suppliers?

Government & Public Health requirements

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

Sector Disruption

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

Supply Chain and Operations

Suppliers

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

Physical Logistics

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

Contracts

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

Inventory

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

People

Immigration

- Do your employees have the right to stay and work in locations if they are staying in countries for longer than planned?
- If you need to relocate employees, will they have the right to work in their new locations?

Global Mobility

- If your employee is staying in a country longer than planned and working in that country, have you considered employee or employer tax and social security obligations?
- If you need to relocate employees, have you considered employers registration and withholding obligations?

Employment Tax

- If you need employees to work from home, would the support you provide (e.g. expenses reimbursements) be considered taxable?

Employment Law

- If you need employees to work from home, what are your obligations to provide support?

Impacts on Financial Reporting

Companies should monitor the current and potential effects that the COVID-19 outbreak may have on financial statements and mandatory disclosures, and should strongly consider the following key points to help ensure that their financial reporting and audit processes are as robust as possible:

Periodic disclosures including continuous disclosure

Companies should consider their disclosure obligations regarding business risks related to the impacts of COVID-19 within the context of the New Zealand regulatory requirements. Disclosures should be specific to individual circumstances, avoiding broad or generic language.

Accounting and financial reporting, including subsequent events

Companies should consider whether economic uncertainties and market volatility have or will affect accounting conclusions, particularly focusing on asset valuations and funding covenant compliance. Additionally, companies should evaluate whether events occurring after the reporting period, but before the financial statements for that period have been issued, require disclosure or possibly recognition.

Ability to obtain information

A company's ability to obtain and provide financial statements or information could be impacted. Notwithstanding those companies with significant operations in other countries, local entities with enforced work from home may struggle to access financial data to prepare financial statements.

Financial reporting and Internal controls

Companies should consider whether there is any effect on internal control over financial reporting due to the local impacts of COVID-19. For example, new controls may be implemented and/or revised as companies start to modify IT access to enable remote workforces. Disclosure of material changes would need to be disclosed in ICFR.

Read more in our latest edition of [Reporting News](#) – COVID-19 edition

IT Resilience

Concern over the scale and impact of the COVID-19 pandemic is growing, leading organisations to consider their response, and the actions they need to take now to maintain their business. The CIO and CISO have vital roles in making sure the organisation can function as pandemic containment measures are implemented.

Can your business function effectively through remote working?

- Under New Zealand's new four level alert system in response to the COVID-19 pandemic we have now moved to Level 4. It is critical now that your business can work remotely and flexibly. This may require you to revisit decisions on access rights, entitlements and risk posture. Some key questions to consider are:
- Have you scaled your VPN concentrators, portals and gateways to handle a large number of colleagues who will need to work remotely?
- Have you considered the potential key suppliers, contractors and vendors, who will require access and the additional scale that will bring?
- Have you tested the infrastructure to find out whether it can handle the expected loading?
- Are there single points of failure in the infrastructure, and can you provide additional resilience?
- Do you need to relax some access controls or provide additional remote login accounts or credentials without also creating a security risk?
- Is there sufficient help desk capacity to handle any queries from users who are unable to login, or are unfamiliar with remote working?
- Where employees require access to laptops for remote working, do you have devices available or can more be procured and installed to meet demand, and how should allocation be prioritised?
- Where the equipment pool is limited, have you considered essential services and/or splitting access to them across alternative access solutions e.g. O365/One Drive vs. in-house applications?
- Do you have the ability to whitelist specific applications and block all non-essential services whilst still providing operational and security monitoring?
- Do you have limitations on video and audio teleconferencing bridges, and can you do anything to scale that infrastructure?

- Do you need to consider alternate cloud-based conferencing and teleworking solutions?
- Do all members of staff have the necessary access to allow them to access the video conference bridges, is training material readily available, and should you establish a helpline?
- Can your help desk operate if the help desk staff have to work from home?
- Have you prepared simple guides to be distributed to staff on key help desk related queries:
 - How do I login?
 - How do I change my password?
 - How do I access key services?
 - How can I get help from the help desk?
 - Who are my key contacts if I have pandemic related issues?

Are you able to scale digital channels to deal with demand?

Restrictions on travel and the spread of the virus may lead to new patterns of demand, and higher traffic on digital channels.

More customers and clients may expect to transact with you through digital channels, can you scale those systems and services to deal with changing demand?

- How would you monitor loading and performance, and who can make the decisions to scale or cut capacity, or create dynamic choices on prioritisation if capacity is an issue?
- Are you clear which services you may need to shed, or how customer journeys may need to alter if systems are overloaded?
- Are you dependent on key call centers, and if those call centers are closed or inaccessible, can customers and clients interact with you through other channels?
- Is there the option to allow call center staff to work remotely, or to transfer their loads to another call center location?

- Have you considered the interactions between call centers and service/help desks and the impact of any outsourcing arrangements?
- Have you discussed the arrangements with key suppliers of those services, and how will they prioritise your needs against those of other clients?

Are you dependent on key IT personnel?

Unfortunately, employees may be infected, may be unable to travel or have to meet family care commitments; you should plan for a significant level of absenteeism.

- What would happen if key IT personnel (including contractors, CISO or CIO) are unable to travel, or are ill with the virus. Are you dependent on a small number of key individuals that require specific plans?
- How could you reduce that dependency, for example, ensuring that there are “break glass” procedures in place to allow other administrators access to critical systems?
- What about the Security team? Who are the key individuals, and if the CISO is not available, then who will make the decision on the security posture and the acceptable risks to your organisation?

What would happen if disruption to a data center occurs?

- Data centres may also be impacted by the virus. A positive test may result in an evacuation and deep clean of the building; transport infrastructure disruption may prevent access, and data center staff may be unable to work.
- In the event that one of your data centers is evacuated, do you have disaster recovery plans in place to deal with the disruption, and have you tested those plans?
- How quickly can you fail-over to an alternate site, and who manages that process?
- Are you dependent on key individuals (including contractor support) for the operation of the data center, and how can you manage that dependency?

Are you able to scale your cloud capabilities?

There may be additional demands on cloud-based services, requiring you to quickly scale the available computing power, which may incur additional costs. Other services may also show reduced demand.

- Are you able to monitor the demand for cloud computing services, and manage the allocation of resources effectively?
- Have you made arrangements to meet any additional costs which may be incurred from scaling or provisioning other cloud services?
- Are you willing to allow non-approved cloud based services to allow people to continue to work?

Are you dependent on specific suppliers?

Your suppliers and partners will also be under pressure, and their operations disrupted too.

- Do you know your critical suppliers, and the implications if they are unable to operate?
- Are there steps you could take now to reduce that dependency, including using your team resources?
- Are you discussing the implications with your key suppliers, and do you have the right points of contact with those suppliers?
- Have you identified which IT suppliers may come under financial pressure, and what would be your alternate sourcing strategy if they did fail?
- If you have an ESCROW agreement do you know how to activate it?

What would happen if there's a cyber incident?

Organised crime groups are using the fear of COVID-19 to carry out highly targeted spear-phishing campaigns and set up fake websites, leading to an increased risk of a cyber security incident.

- Have you made it clear to employees where to get access to definitive information on the COVID-19 pandemic and your organisations response to COVID-19?
- Have you warned staff of the increased risk of phishing attacks using COVID-19 as a cover story?
- If you're dependent on alternative systems or solutions, including cloud services, who would you handle a security incident involving those systems?
- Do you need to change your approach to security operations during the pandemic, including the level of monitoring of security events?
- Have you planned for how you would manage a security incident remotely?

What would happen if there's an IT incident?

While COVID-19 dominates the news, you should still be aware of the possibility of an IT failure given the changing demands on your infrastructure, or an opportunistic cyberattack.

- Would you be able to co-ordinate the incident remotely, and do you have the necessary conferencing facilities and access to incident management sites/processes and guides?
- Do you have a virtual war room setup, in case physical access is limited or restricted?
- Are you dependent on key individuals for the incident response, and if so, what can you do to reduce that dependency?
- How does the emergency/incident response crisis management structure change if key incident managers/recovery leads are unavailable?
- Are you confident that your backups are current, and that in the worst case you can restore vital corporate data and systems?
- How would you deal with a widespread ransomware incident, when large parts of your workforce are home working?

Are you making the best use of your resources?

You will need to be able to function with limited employee numbers and be clear on the priorities your team needs to be able to complete.

- Have you prioritised your team's activities, are there tasks which you can defer and release staff for contingency planning and priority preparation tasks?
- Do you have the ability to access emergency funds if you need to source equipment, or additional contractor/specialist support rapidly?
- If you are placed under pressure to reduce discretionary spend to preserve cash, are you clear on which spend must be protected and where to make those savings?

Are you setting an example?

Amongst all of these organisational considerations, you are still a senior manager, and your team will look to you for leadership and support.

- Have you made sure your team is implementing sensible hygiene practices, including offering flexible and remote working to meet changing needs?
- Do you have up to date points of contact details for all of your team? Is your team aware of who to contact in an emergency?
- Do you model the behaviors you expect of your team, and what would happen if you were incapacitated? Who would step in for you?

Cyber Safety

The COVID-19 pandemic is changing our lives. People are concerned, and with that concern comes a desire for information, safety and support. Organised crime groups are exploiting the fear, uncertainty and doubt which COVID-19 brings to target individuals and businesses in a variety of ways.

The threat

Since mid-February there has been a rapid build-out of infrastructure by cyber criminals used to launch COVID-19 themed spear-phishing attacks and to lure targets to fake websites seeking to collect Office 365 credentials.

Examples of campaigns to date include:

- COVID-19 themed phishing emails attaching malicious Microsoft documents which exploit a known Microsoft vulnerability to run malicious code
- COVID-19 themed phishing emails attaching macro-enabled Microsoft word documents containing health information which trigger the download of Emotet or Trickbot malware
- Multiple phishing emails luring target users to fake copies of Government websites which solicit user credentials and passwords
- A selection of phony customer advisories purporting to provide customers with updates on service disruption due to COVID-19 and which download malware
- Phishing emails purporting to come from various government Ministries of Health or the World Health Organization directing precautionary measures, again embedding malware
- COVID-19 tax rebate phishing lures encouraging recipients to browse to a fake website that collects financial and tax information from unsuspecting users.

Many existing organised crime groups have changed their tactics to use COVID-19 related materials on health updates, fake cures, fiscal packages, emergency benefits and supply shortages. Typical giveaways that an email may be suspect include:

- Poor grammar, punctuation and spelling
- Design and quality of the email isn't what you would expect
- Not addressed to you by name but uses terms such as "Dear colleague," "Dear friend" or "Dear customer"
- Includes a veiled threat or a false sense of urgency
- Directly solicits personal or financial information.

Of course, if it sounds too good to be true, it probably is.

The response

There are some key steps you should take to reduce the risk to your organisation and your employees, particularly as you move to remote working:

- Raise team awareness warning them of the heightened risk of COVID-19 themed phishing attacks
- Share a list of legitimate sources of advice on how to stay safe and provide regular communications on the approach your organisation is taking
- Make sure you enforce strong/long passwords, and preferably two-factor authentication, for all remote access accounts; particularly for Office 365 access
- Provide remote workers with guidance on how to use approved remote working solutions securely and tips on the identification of phishing
- Ensure that all laptops have up to date anti-virus, Endpoint Detection and Response (EDR) and firewall software
- Consider running a specific helpline or online chat line which staff can easily access for advice, or report any security concerns including potential phishing
- Encrypt data at rest on laptops used for remote working given the increase risk of theft
- Disable USB drives to avoid the risk of malware, offering employees an alternate way of transferring data such as a collaboration tool
- Reviewing your remote access including:
 - security settings/configurations
 - ensuring approved access methods are used by staff
 - remote user lists are up to date and access privileges are appropriate
 - the level of security and operational monitoring and defined exception events are appropriate (e.g. baselines for peak usage times may differ).

Also make sure that your finance processes require finance teams to put in additional measures to confirm any requests for large payments during the COVID-19 pandemic. This confirmation can help to guard against the increased risk of business email compromise and CEO frauds. Ideally, use a different channel such as phoning or texting to confirm an email request.

Ensure that you apply critical security patches and update firewalls and anti-virus software across your IT environment, including any laptops in use for remote working. You should expect organised crime groups to exploit any failures in the maintenance of IT systems during this pandemic.

Make certain that you back up all critical systems and validate the integrity of backups, ideally arranging for offline storage of backups regularly. Expect an increased risk of ransomware during the COVID-19 pandemic as organised crime groups exploit COVID-19 themed phishing.

Lastly, work with your incident and crisis management team to strive to ensure your organisation has an alternate audio and video conferencing environment available. This alternate platform will be needed if you do have a ransomware incident that disrupts your IT systems. And will also provide additional redundancy if your primary conferencing provider has capacity or availability issues.

COVID-19 will drive significant changes in how you and your organization work, stay safe and stay secure.

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