

Preparing and planning for an uncertain world

COVID-19 Business Readiness Assessment



kpmg.com/nz

Contents

This is an interactive PDF. You can complete the questionnaire and save or print your assessment.

Click on the segments to navigate through the COVID-19 Business Readiness Assessment.





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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.









How to navigate through the questionnaire

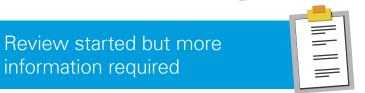
This questionnaire addresses the key issues likely to impact your business. Each category contains a series of questions to help you evaluate current thinking and business processes and to identify areas of focus and the practical steps as to inform your business continuity plan.

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.

1 Not reviewed yet



Strategy developed but not yet actioned



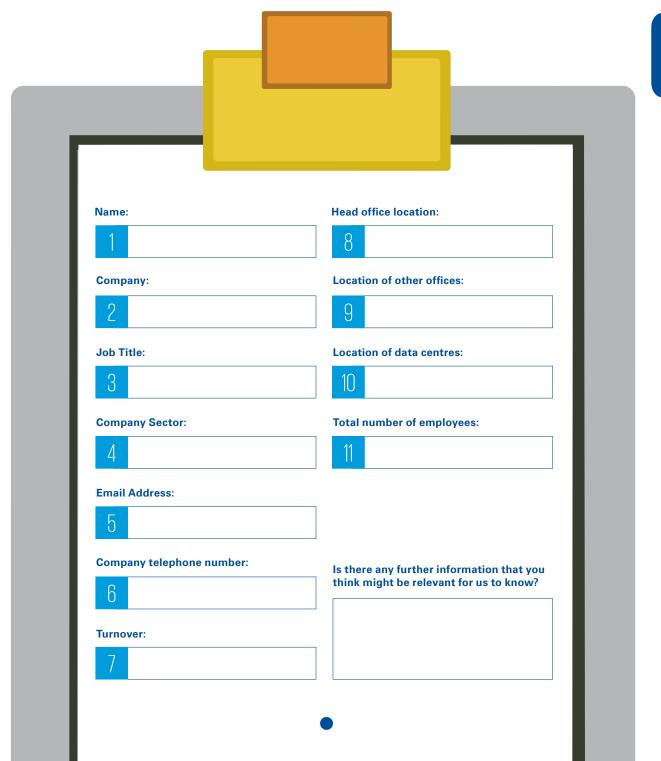
Strategy agreed and activity in progress



examination of the particular situation



Business information





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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:

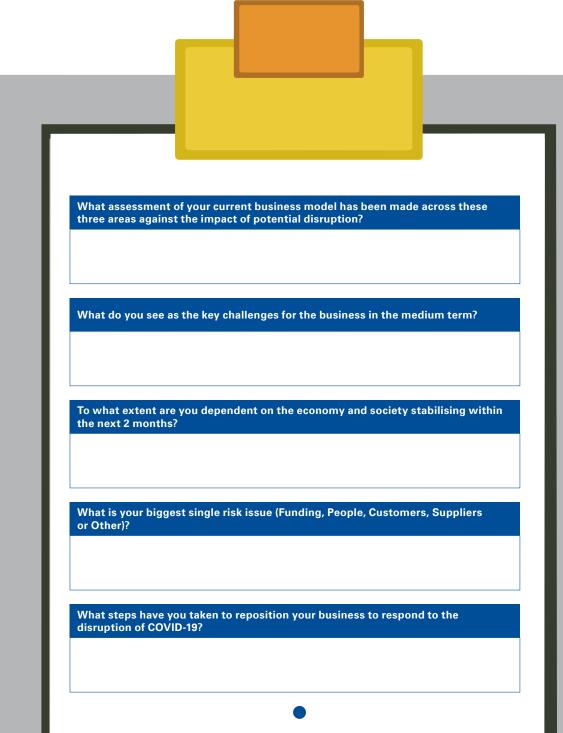
Stability – protecting your existing business and ensuring it is able to continue.

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



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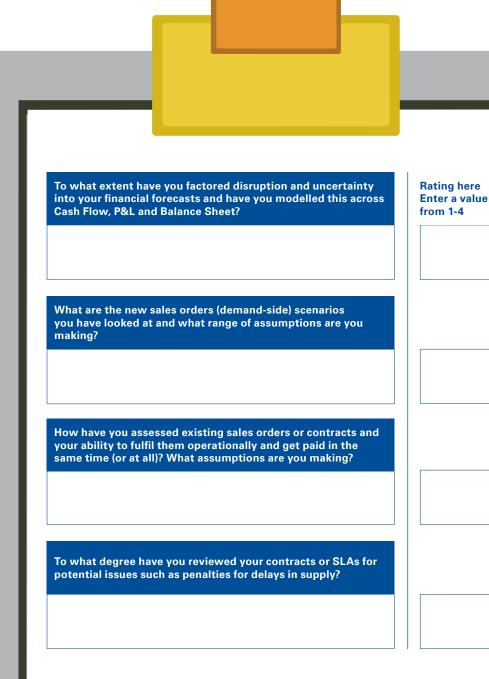


Liquidity & Financing

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.





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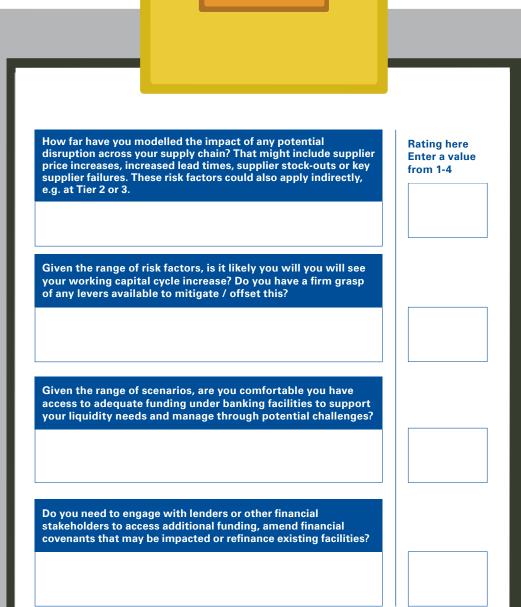


Liquidity &

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.

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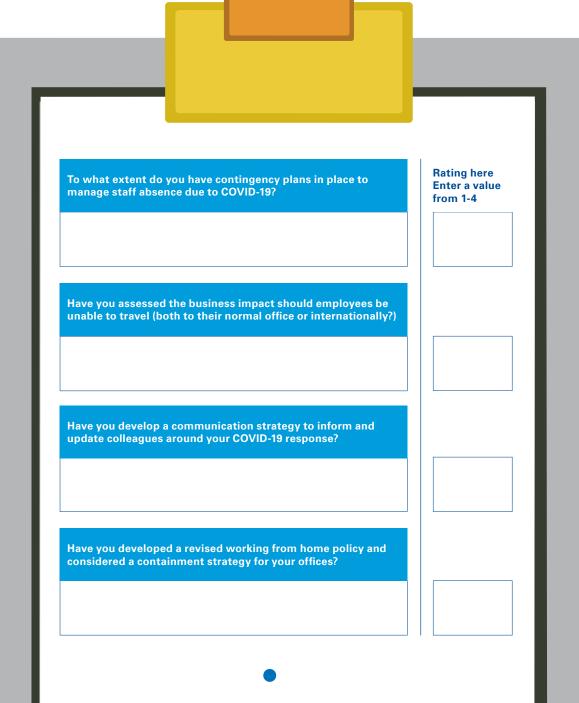
Workforce

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.

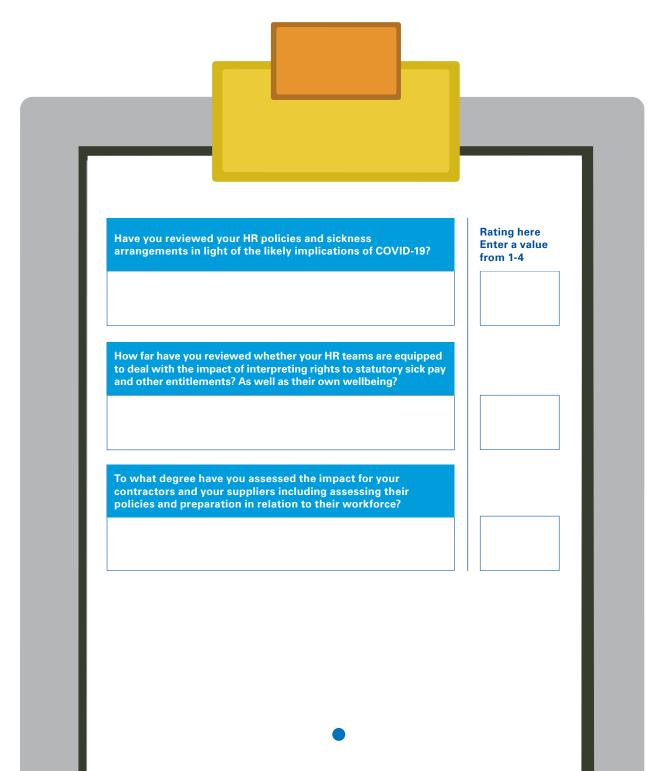
Communicating proactively with staff to drive confidence in your plans and advice on new HR processes and policies e.g. on statutory sick pay will become increasingly important.





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Workforce (cont).





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Tax

Managing tax payments can help minimise disruption to your working capital.

March is the peak time for tax filings and whilst much tax compliance has migrated online, there is still likely to be disruption. An extension for filing returns may be available in some circumstances or a request made for remission of late filing penalties.

There is likely to be a short/medium-term impact on your sales. GST is typically returned on an invoice basis and there may be a material timing difference between when GST is returned and when invoices are paid. Alternatively, many businesses may find themselves in a GST refund position and may want to consider switching their GST returns from a two-monthly or sixmonthly basis to a monthly basis.

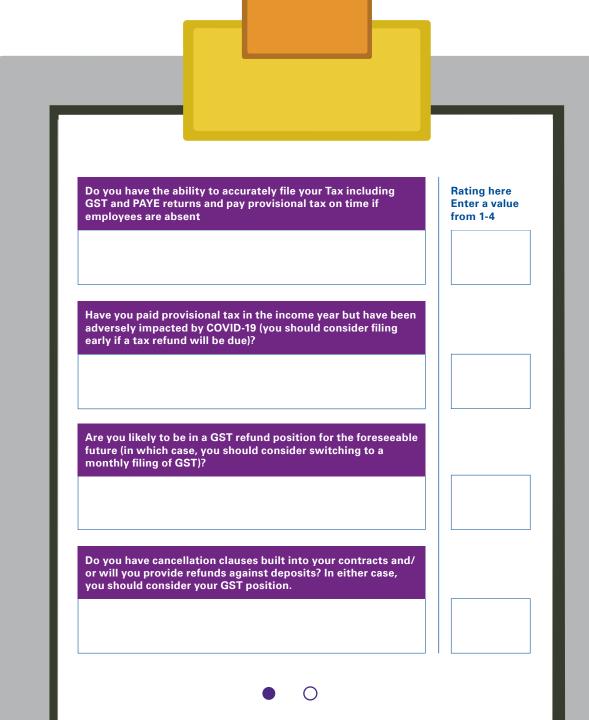
Businesses that have been affected by covid-19 should also consider whether they should estimate (or reestimate) their provisional tax. Legislation has been enacted to

- Give Inland Revenue 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.
- Increase the threshold for paying provisional tax from \$2,500 to \$5,000 of residual income tax, from the 2020-21 income year.

Our <u>Taxmail</u> provides information on the Government's other proposals.



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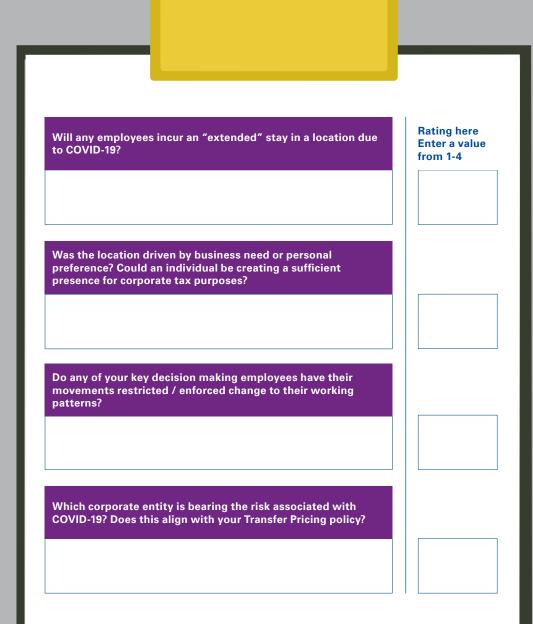
Tax (cont).

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

Travel restrictions are already having a significant effect on New Zealand businesses and 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.

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.





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Government Support.

A number of measures have been announced to assist businesses in what are unprecedented times. These include the Wage Subsidy and Leave Payment schemes.

Wage subsidy - This is available to employers, contractors, sole traders and the self-employed, as well as registered charities, incorporated societies, non-governmental organisations and post-settlement governance entities. The wage subsidy is aimed at allowing employers to continue to employ staff.

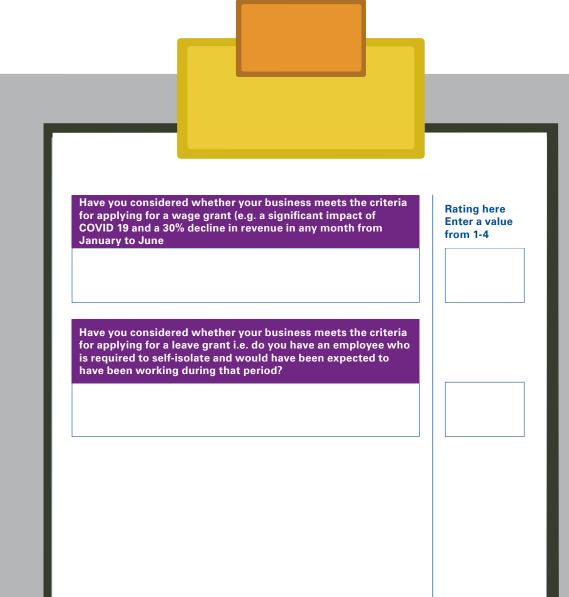
The subsidy is per employee for 12 weeks at \$585 or \$350 depending on whether the employee works for more or less than 20 hours per week.

Leave payments - The leave grant is available for employers, sole traders and the self-employed where there is a requirement for them or their staff or a dependent to self-isolate and they cannot work from home. The leave payment will be \$585.80 or \$350.00 depending on whether the person works more or less than 20 hours per week.

A six-month principal and interest holiday has been announced for impacted mortgage holders and SMEs.



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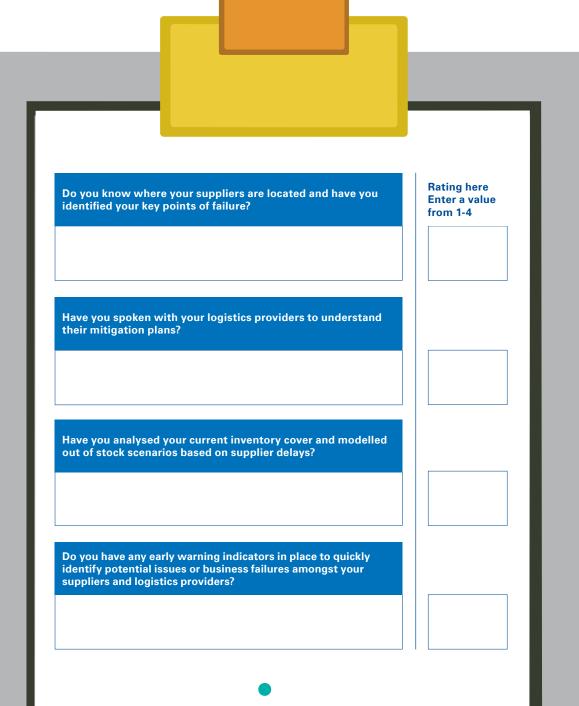


Supply Chain

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:

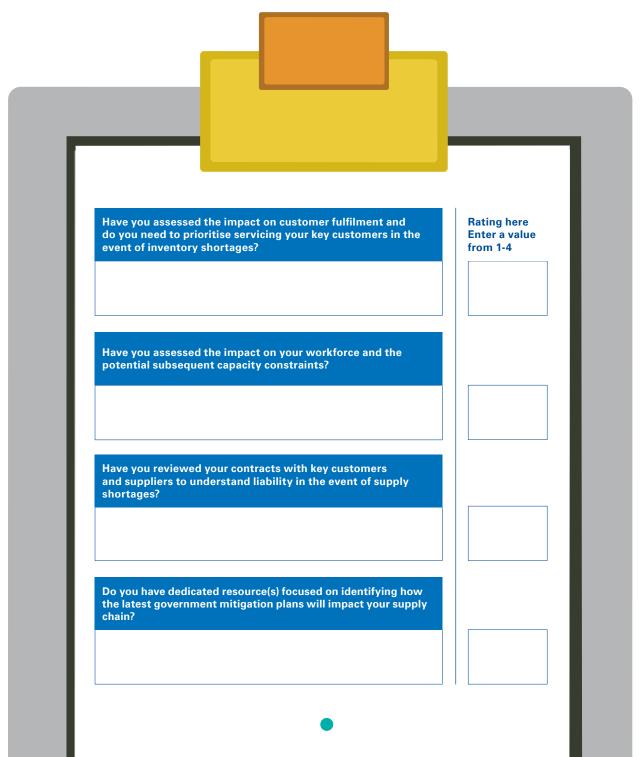
- Closures of factories in China have caused a shortage in supply currently being felt by a number of sectors. For some businesses the impact of this could be delayed as inventory levels run low and require replenishment.
- Transport cost and lead times have seen increases due to: a reduction in outbound 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.





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Supply Chain (cont).





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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

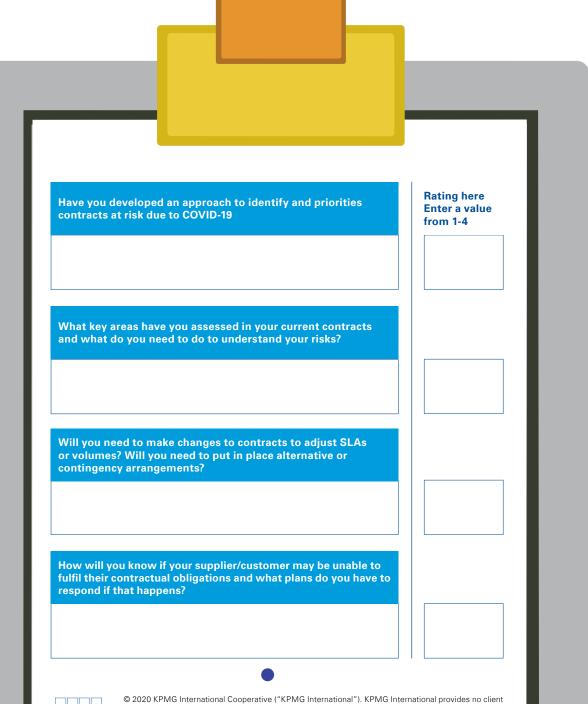
Whilst these may result in immediate issues, the full extent of claims for breach are not likely to surface for sometime after. Managing expectations now is an essential part of mitigating potential legal actions as strong relationships usually mean no litigation.

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.





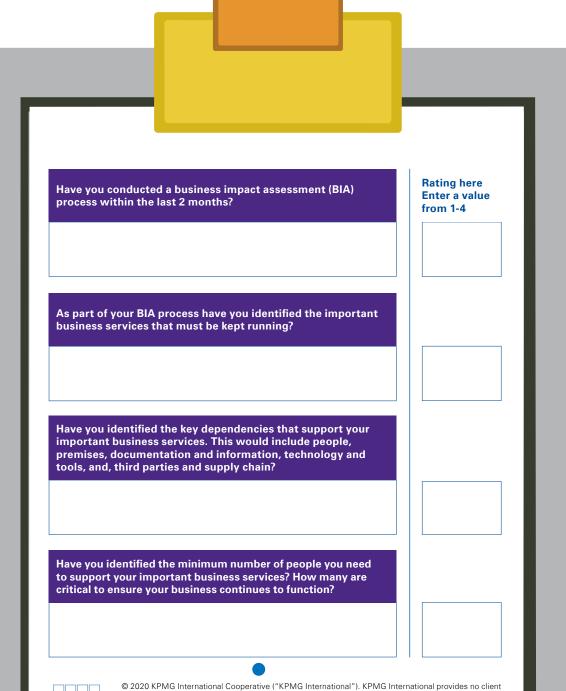
Business Continuity Planning

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.

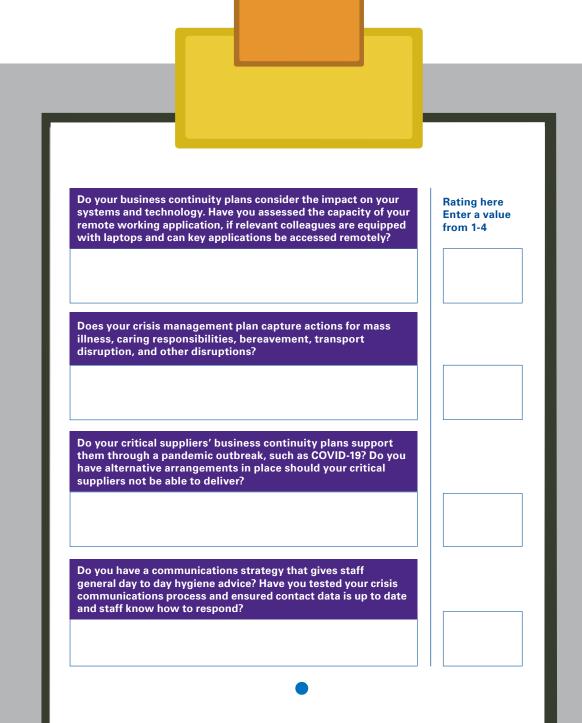
Dependencies could include all elements which support important business services including the people, premises, technology and third party aspects.

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.





Business Continuity Planning (cont).





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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 the relevant KPMG Partner listed here.

3

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



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If you are a small-to-medium sized business, please contact:

Paul McPadden

Private Enterprise pmcpadden@kpmg.co.nz P +64 9 367 5919 M +64 27 208 3707

Otherwise, please contact one of the following:

Souella Cumming

Business Strategy
Business Continuity Planning
smcumming@kpmg.co.nz
P +64 4 816 4519
M +64 27 452 1278

lan Williamson

Supply Chain iwilliamson@kpmg.co.nz P +64 9 367 5823 M +64 22 010 7392

David King

Liquidity & Financing davidking@kpmg.co.nz P +64 9 363 3585 M +64 21 249 8660

Rebecca Amour

Workforce rarmour@kpmg.co.nz P +64 9 367 5926 M +64 21 225 4946

Jon Cantin

Tax jfcantin@kpmg.co.nz P +64 4 816 4518 M +64 21 802 126

For general enquires, send your completed document to: nzclientsandmarkets@kpmg.co.nz





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