

A graphic featuring two overlapping circles. The left circle is a solid dark blue, and the right circle is a lighter blue with a white outline. The text '#BDOcares' is centered in the overlapping area in a white, sans-serif font.

COVID-19 WHAT ARE THE IMMEDIATE PRIORITIES?

- 1.** START SHORT-TIME WORK AND
APPLY FOR SUPPORT
- 2.** SAFEGUARD LIQUIDITY
AND FINANCING
- 3.** WORK THROUGH SCENARIOS FOR
THE COMING WEEKS AND MONTHS



This guide offers insights into the ways that COVID-19 could affect your business. We have put together general risk management tips for companies to consider during business continuity planning as they roll out measures to combat the pandemic.

In light of the public health emergency, business leaders are taking precautionary measures and working around the clock to develop action plans that minimise risks and impacts for their business operations. At the same time, the needs of customers and other stakeholders are paramount. As the situation is still developing rapidly, it is too early to assess the overall consequences for businesses.

Options for operations and supply chains

Although it is not yet clear how coronavirus will affect companies, what is sure is the great uncertainty it is causing. This is true not least because the crisis has already triggered falling demand and, in some cases, interrupted operations entirely. Companies in the hospitality, retail and travel industries anticipate a sharp decline in customer numbers as people are advised to minimise mobility and avoid international travel. Many sectors will feel the squeeze.

Our specialist advisers are here to support you with a focus on long-term solutions.



CHECKLIST

- ▶ Set up a crisis management team to manage the challenges efficiently and minimise negative impacts.
- ▶ Inform your business partners (such as customers, suppliers, banks and employees) about your business continuity measures.
- ▶ Identify potential limitations/interruptions to your sales and supply chains that could emerge if capacity or available head-count is reduced.
- ▶ Review your supply chain model and evaluate any changes you can make quickly (e.g. increasing safety stocks, considering alternative suppliers and new delivery methods).
- ▶ Identify critical business functions that could suffer if people get ill, have to stay home or struggle initially during the transition to home office.
- ▶ Calculate the time it would take to restore critical business processes in three scenarios: 1) best case; 2) moderate case; and 3) worst case.
- ▶ Based on these scenarios, define measures for budget controlling and cost saving.
- ▶ Identify opportunities to explore new business areas in order to avoid over-dependence on existing ones.
- ▶ Examine options to work with new strategic partners to meet customer needs.

Legal aspects/contracts/BCP

Companies may not be able to cope with all the issues arising as a result of operations being interrupted in connection with coronavirus. This is true regardless of whether the problems are caused by failure to perform on the part of third parties or the company itself. Some parties are unable to meet their contractual obligations because their performance is hindered by disruptions to the supply chain or unexpected events beyond their control. **Our lawyers provide targeted advice to assess relevant clauses in your contracts.**



CHECKLIST

- ▶ Verify your contractual obligations in the case of delay or default.
- ▶ Examine your contracts and clarify whether and in what circumstances you can invoke the force majeure clause.
- ▶ Identify contracts that specify a duty to report and develop suggested wordings.
- ▶ Develop wording suggestions for a standard force majeure clause.
- ▶ Create a business continuity plan (BCP)
- ▶ Anticipate serious incidents such as pandemics, fire, flooding, explosions, earthquakes, power cuts or hacker attacks.
- ▶ Identify and mitigate potential disputes relating to production, supply and delivery.



Health and safety

Coronavirus is an infectious disease. Gatherings of people in the workplace can expose employees to the virus. The pandemic puts companies in the challenging position of having to balance the interests of ongoing productivity and efficiency with the need to provide a safe working environment for their people. Our HR advisers are familiar with all the relevant legal requirements and can help you take responsible action as an employer.

You may wish to consider the following measures as you seek to protect the safety of your employees and customers while limiting the negative economic impact on your company.



CHECKLIST

- ▶ Designate the health and safety of your people as your top priority.
- ▶ Communicate clearly and quickly with your people.
- ▶ Make use of flexible working arrangements.
- ▶ Research the legal aspects of home office.
- ▶ Consider and, if relevant, apply for compensation for short-time working.



Technology (IT)

The Federal Council's order to work from home where possible is the most widely discussed measure. Although it is certainly an effective step, it is important not to offer this option in haste or without adequate preparation and technical assurance.. Rapid implementation of remote working is often associated with security concerns and significant risks for companies. Although the practice is widespread, working from home involves considerable organisational and technical effort – especially if all possible security, privacy and compliance guidelines are to be observed.

Our IT specialists have put together a checklist for you to consider:



CHECKLIST

- ▶ Ensure that your Head of IT is part of the crisis management team.
- ▶ Do not make decisions in haste. Take a structured and cautious approach as you transition to home office. Avoid an uncontrolled situation.
- ▶ Ensure that secure remote connections (e.g. VPN) and secured individual access mechanisms are in place.
- ▶ Identify and prioritise the services and employees that are essential for safeguarding business continuity, operating core systems and maintaining business processes in the event of technical bottlenecks (e.g. licenses).
- ▶ Assess alternative technology solutions to maintain your business operations. Approach your IT partners and discuss ways to avoid undesired side effects.
- ▶ Inform your employees of the risks and threats associated with home office.
- ▶ Instruct your employees only to use a secure (NOT public) WPA2-protected wireless network.
- ▶ Update and patch your applications regularly.
- ▶ Ensure that your devices (and those being used by employees working from home) only run authorised applications and are protected by up-to-date software.
- ▶ Regularly provide your employees with information, awareness material, e-learning, etc. to ensure proper caution while working from home.
- ▶ Make sure you are protected in case an employee's device is compromised. Ensure that this device is immediately removed from your network and inform your people of what to do in a situation of this kind.
- ▶ Finally: Be sceptical. There are a lot of fake e-mails going around at the moment pretending to be from the authorities. Do not let yourself be misled. Contact IT or cyber security experts if you are uncertain.

Liquidity/financing

It is currently hard to say whether this pandemic will quickly die down – or drag on for an extended period. Experience from previous crises (9/11, financial crisis, franc exchange rate crisis) suggests that aftershocks are likely. Even if the first 'quake' is well cushioned, we should brace ourselves for bumps further down the line. In such cases cash is king. The most decisive element in any time of uncertainty is to safeguard a company's liquidity - and gain time to recover. **Our financing specialists support you with targeted and expert financial planning advice (procurement of debt and equity).**



CHECKLIST

- ▶ Assess the impact of currency risks.
- ▶ Assess your liabilities.
- ▶ Be proactive in your dialogue with banks and other stakeholders in case the need arises for debt restructuring or alternative sources of financing.
- ▶ Create an overview of available lines of credit and use them if necessary.
- ▶ Research government financial aid programmes.
- ▶ Reduce your accounts receivable: Your customers could find themselves unable to pay in the future so speak to them now about any unpaid receivables.
- ▶ Give your sales employees new invoicing instructions. Consider introducing advance payment for services.
- ▶ Try to negotiate longer payment terms for your own company and delay payments - this is one aspect of active cash management.
- ▶ Take cost-cutting measures to protect liquidity. Limit projects that are not currently essential for operations, or postpone them if possible. Reduce your expenses for external providers, freelancers, marketing, etc.



Restructuring/ insolvency proceedings

If your company is not – or is no longer – in a position to secure financing solutions that safeguard the liquidity needed to continue business operations, it's time to consider restructuring. Indications to be taken seriously include financial difficulties, a lack of liquidity and negative net worth; at an advanced stage insolvency or even overindebtedness. Triggers can be internal (wrong company structure, poor location, inadequate reserves, third-party financing too high, bad management, etc.) or – as we are seeing in the current situation – external (political events, force majeure, government intervention, etc.). Regardless of the reasons: measures are needed to enable the company's return to financial health.

Our restructuring specialists support you in implementing the right measures to restructure your company. The exact steps will depend on your situation but may include:



CHECKLIST

- ▶ Non-reimbursable contributions from shareholders
- ▶ Release of hidden reserves through profit and loss
- ▶ Claim waivers by creditors
- ▶ Revaluation of land, buildings and participations
- ▶ Marking to market
- ▶ Share capital reduction (capital cut in case of overindebtedness with simultaneous capital increase, known in practice as an 'accordion')
- ▶ Capital increase (including conversion of debt capital to share capital by offsetting claims)
- ▶ Carve-out

The most important thing is to design a business model that is once again profitable. If the measures set out above are not possible or not sufficient, it may be necessary to begin composition or liquidation proceedings.



This is a difficult phase for our country. BDO is ready to help you with straight-forward, pragmatic support.

**Contact us:
covid19@bdo.ch**

BDO Ltd

Schiffbaustrasse 2
8031 Zurich
Phone +41 44 444 35 55

www.bdo.ch



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