KPMG

# Leading successfully in turbulent times

**A guide to robust business continuity planning**

# Contents

# Introduction

## In turbulent times, how can boards, senior management and risk managers safeguard the business and discover opportunities amid a crisis?

Many businesses have contingency plans that were developed with an eye on disruptions to the micro-environment, such as power outages, inability of staff to reach their workplace, and the unavailability of machinery. However, such plans might not be adequate for the type of macro-environmental disruption we are currently experiencing which affects many, if not all, stakeholders in a business's ecosystem. This compounds the ramifications and makes the disruption more acute.

For now, businesses need to manage in a highly challenging environment, that for some, is tantamount to a crisis. To succeed, they require strong leadership, and they will need to adapt and improvise. Short- term success can be measured through the immediate safety of their workforce and compliance with relevant laws, followed by continuity of operations and brand perservation.

Businesses need to answer some difficult but important questions:

- ✔ Are you fully prepared for a crisis?
- ✔ Do you understand all potential risks?
- ✔ Have you thought "outside the box" regarding risks and responses?
- ✔ Are all responses documented?
- ✔ Do you have the right resources readily available to assist?

The current environment will test most businesses' ability to operate and manage in a crisis. An effective response by a company requires **transparency, accountability and above all, strong leadership**. Businesses need to be clear about who is making the decisions, keeping the board regularly informed, and maintaining the board's independence.

Businesses must also rapidly establish their immediate and longer-term risks, and develop a response plan accordingly.

In developing that plan they should consider:

- ✔ Who will act as internal lead, and who are their back-ups for each category of crisis?
- ✔ What is the role of each member of the crisis team?
- ✔ Which outside advisors should be on the team?
- ✔ Who is responsible for communications with each constituency (e.g. regulators, investors, employees, clients, media and the public)?
- ✔ What is the role of the board vis-a-vis management?

KPMG has compiled a series of Business Continuity Insights to provide guidance to businesses across all sectors during difficult times. This report outlines key focus areas that organizations should pay attention to when developing an effective business continuity strategy.

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*Further guidance can be found by visiting https://home.kpmg/ca/en/home/insights/2020/03/the-business-implications-of-coronavirus.html*

# Business continuity checklist

## Developing a rapid response - The basics

**Assemble and activate a crisis management team**
In uncertain times, strong leadership steadies the ship. Irrespective of whether a plan exists, successful crisis management requires the activation of a dedicated crisis management team. This team will resemble the executive leadership of the business, with clear roles and responsibilities for addressing the crisis. Multiple teams can form across the organization. Whatever the composition, it is imperative that leadership is accessible and visible, so that concerns and feedback can be given to leaders directly. This better enables them to make timely, well-informed decisions.

**Implement business continuity and resilience planning**
During a crisis, it is often a race against time to make key decisions that will directly affect the stability of the business. Organizations should engage in ongoing business and resilience planning to be able to promptly address the most pertinent challenges. At the same time, they should consistently monitor developments to ensure prompt response to various incidents, while proactively planning for future scenarios.

**Employee well-being**
Of paramount importance is the safety and well-being of employees and their families. Establish clear protocols for employee communications, messaging, and working expectations, and align these with relevant government-issued guidance and restrictions. Working from home or agile arrangements can pose different challenges for businesses, from technology to management expectations.

**Communications feedback loop**
Establish clear, consistent communications channels with employees, suppliers, clients, and their stakeholders. Establish a feedback loop in which you can garner insights and viewpoints from these stakeholders, and feed these into daily management plans.

**Third-party risk management**
Beyond normal supply chains, businesses are dependent on multiple layers of third parties to operate, from technology vendors, serviced office providers, utilities, professional services, logistics and even their regulators, all of whom feel the impact of current developments. Establish a clear understanding of these dependencies and review terms of your service agreements (SLAs) for critical providers.

**Manage the economic impact to the business**
While businesses often focus on continuity of operations during a crisis, it is equally important to understand the economic impact that the crisis may have on the business, put in place strategies to manage the impact, and plan for the recovery of the business.

# Business continuity checklist (continued)

## Be agile - Adapt and iterate

**Cash management**
Gaining visibility and control over cash flows is a business necessity, especially during times of uncertainty. This can be done through accurate cash-flow forecasting, and exercising control by limiting non-essential spending. Focus on cash collections and deferring significant cash outlays. Assess whether there is sufficient liquidity to support short and medium term requirements. Work with suppliers, clients and financiers to alleviate cash constraints.

**Supply chain management**
Understand the extent of disruption to supply chain. How have your suppliers and their suppliers been impacted? Businesses may need to seek alternative suppliers, change transport routes, utilize different transport methods, and/or identify substitute inputs to manufacturing. Some businesses will seek to reduce finished goods inventory held in line with reduced demand, while others will need to rapidly increase raw materials inventory to meet increased demand. If your balance sheet permits, understand how you can support key suppliers with the funding of their working capital together with third party financiers. Visibility across the supply chain and agility in decision-making across departments are critical.

**Stay close to clients**
Regardless of business type or industry sector, during times of uncertainty it is important to reach out to clients to assure them that they can continue to rely on your business for goods or services. Reassuring clients that you will stand shoulder-to-shoulder with them during this challenge is one of the most effective ways to build trust, and it can make a big difference towards strengthening future client relationships. At the same time, businesses should identify areas of potential non-performance with regards to supplying and servicing clients, and proactively engage with clients to mitigate potential risks. They should also closely monitor the market environment and plan future operations accordingly.

**Financial planning**
Revision of financial plans, scenario planning, and communications with lenders. Financial planning should be considered under a range of scenarios including a rebound in the global economy, general slowdown and global recession. Plans should be stress-tested based on these scenarios. Factor in potential covenant breaches on borrowing facilities, and engage early with lenders to seek waivers. Also include cost projections for what the crisis will potentially cost the business, and use these figures as data points when developing the recovery strategy.

**Evaluate and re-evaluate**
Adapt and improvise. Planning initially will be done with little visibility of future market demands and the operating environment. Deploying a continuous communications feedback loop enables crisis managers to adjust their approach. Businesses should also leverage the situation to identify the future direction for their operations. For example, whether they should consider strengthening remote working capabilities for staff and build up IT and cloud capabilities to create a more agile working environment.

# Develop a robust cash management strategy

In the current market, cash is key to the survival and growth of any business. As the global economy continues to face challenges, effective cash management to maintain a steady stream of working capital is an increasingly vital practice.

Regardless of the industry they operate in, businesses can demystify cash management by taking proactive steps to gain control over the situation. These include gaining visibility over cash flows, managing working capital needs, conducting thorough reviews to release illiquid cash, and ensuring the business model fully considers cash requirements.

Inefficiencies with regards to policies, processes and systems, as well as with an organization's culture and its people, can hinder cash management performance. A thorough understanding of an organization's cash position is also crucial in terms of allowing management visibility and control in times of crisis.

## Things to do now

**Gain visibility and control over cash flows**

To achieve working capital performance goals and understand how cash flows around a business, cash flow forecasting needs to be accurate. Improving forecasts will require the business to establish clear reporting through a 13-week rolling cash flow forecast, that is prepared on an expected receipts and payment basis, by business line and jurisdiction. It means reviewing and challenging assumptions on a regular basis, with participation by all function heads and having aligned key performance indicators (KPIs). Cash flow management is not just the responsibility of the finance function. It is important to engage with financiers earlier to address any forecast deficiencies and take appropriate steps to regain control of the situation.

## Proactively manage working capital

Having a clear understanding of the working capital cycle is a key factor. It is important that you consider your working capital strategy holistically. For instance, changing your payment terms with your suppliers may have a consequential impact on the quality of service, impacting inventory levels and thus the quality of service that you can provide to your clients. For trade receivables, ensure appropriate processes are in place to ensure clients are invoiced in a timely manner, in accordance with contract terms, and that there are robust credit controls in place.

There are also best practices that companies can adopt from an inventory perspective. For example, addressing slow moving, obsolete stock and periodically analyzing SKU profitability can help avoid tying up cash in unproductive inventory.

In times of economic disruption, cash management can be even more important, so every dollar counts. Avoid daily or ad-hoc payment runs and consolidate these on a weekly or bi-weekly basis. Make use of supplier finance programs to release cash earlier to suppliers and ensure continuity of supply and service levels.

## Think beyond working capital

Expenditure programs that assumed continued market growth in the past may need to be re-evaluated in light of the changing economic conditions and heightened associated risks. Reassess your trapped and illiquid cash within the group structure, your capex strategy and consider leasehold/rental as alternative. These actions may help to defer significant capex outlays or to release cash through sale and leaseback. Effective tax planning and making use of any opportunities to defer or reduce payment of tax through pursuing any potential refunds can also help alleviate some of the burden.

## Think strategically

For leading global businesses, cash management should consistently be a boardroom priority. To ensure that your business model fully meets cash requirements, it is important to review the markets you operate in, the products and services you sell, as well as the channels these products and services are distributed through. Furthermore, businesses should consider developing a cash management strategy with clear metrics for cash and working capital.

In tough economic times, it is critical that companies have sustainable cash and working capital practices – a discipline they can draw upon to improve their competitive position when there is tremendous amount of turmoil in the market.

# Key considerations

- **Is the organization struggling to meet short-term funding requirements or making unexpected requests for additional funding?**
- **Is the organization receiving requests from clients to extend credit terms when cash is already tight?**
- **Are your forecasts accurate and robust?**
- **Have you entered into a payment plan with trade creditors?**
- **Does management have a clear understanding of how the current business model drives cost into the business and understand what level of cost can be extracted?**

# Build an agile and resilient operating model

To successfully weather a crisis or economic downturn, organizations must be able to adapt to rapidly changing market conditions. In difficult times, it is essential that top management have access to accurate and reliable data that can help them make timely, well-informed decisions.

Building agile and adaptive operating models can help businesses stay competitive during tough times. To be “flexible”, organizations need to be able to break down silos and develop agile teams across their various functions. This also means having the right technology capabilities to incubate and develop new products and services while delivering complex products at scale.

By implementing the right technology structure and solutions as part of an overall digital transformation strategy, businesses can gain valuable insights into their operations and eliminate friction. Aligning front, middle and back offices to become more client-centric can enhance their ability to respond quickly to market shocks or other disruptions.

## Things to do now

### Create a more agile IT function

By recognizing the value of technology and investing in the IT function to better enable the business through automated processes, organizations can stay on top of sudden market changes and make better informed decisions to keep the business running smoothly.

This means developing a connected IT ecosystem that shifts away from the ‘enterprise’ mindset that has traditionally powered the IT function, such as an exclusive focus on enterprise resource planning (ERP) systems and in-house IT development and support teams. Instead of relying solely on one vendor or an in-house IT team, organizations can adopt a best-in-class technology strategy, establishing a portfolio of technologies and partners across the continuum of planning, building, testing and monitoring. During turbulent times, as attention shifts to ensuring sufficient cash flow, alliances and partnerships with third-party technology vendors should also be assessed to ensure that these investments still make long-term sense for the business and are still relevant as the organization's business model adapts.

### Develop remote working contingency plans

In a crisis, being able to remotely access key information required for decision-making to maintain 'business as usual' is critical to business continuity. Establishing "cloud offices" can enable more effective cooperation among management personnel operating from multiple locations during this critical period. The use of robotic process automation (RPA) tools can also assist in business continuity during a situation when available manpower may be disrupted.

To prepare for future emergencies, remote office working plans and scenarios incorporating relevant cloud-based solutions should be factored into the firm's overall business continuity plan. Care should be taken to ensure appropriate data security on these remote systems, and guidance on how to protect confidential information should be shared with employees. Workers should also be educated about potential cyber threats, such as phishing scams, that could damage data or systems – as the frequency of cyber attacks tends to accelerate during a crisis.

### Harness the power of data

Successfully harnessing data not only means having the means to collect it, but also the right tools to aggregate, consolidate, analyze and present it in meaningful ways.

To reap data's full benefits, it is imperative to invest in programs to enhance the data and analytic skills of staff across the business and set baseline expectations for data literacy and usage. Organizations should develop a foundational capability framework, supported by appropriate training programs (e.g., hackathons, analytics bootcamps), to become more data-driven.

### Safeguard client trust

Central to maintaining client trust is protecting clients' data. Organizations can start by building safeguards into the digital platforms clients interact with and by safekeeping the data clients agree to share. Prioritizing security and privacy by design, treating data as an asset, and establishing dynamic incident response are three key technical capabilities that all contribute to protecting the client. The IT function can help implement data governance programs to protect clients' data from theft, loss and misuse. This also keeps clients informed about who is using their data and why, and ensures that data collection complies with all relevant privacy regulations.

## Key considerations

- **Does your organization's business continuity plan include long-term remote working and remote management of essential operations?**
- **Has your business taken steps to make your IT function more agile so it can support rapidly changing business needs impacted by market conditions?**
- **Have you explored how new technologies and business partnerships can modernize your organization's data supply chain to allow continuous delivery of relevant real-time insights?**
- **Have you championed data literacy across your entire organization, as opposed to just IT professionals?**
- **Are you ensuring your company's platforms – particularly those that are client facing – treat data security as a top priority?**
- **Does your organization have a scalable and flexible IT/cloud infrastructure in place in the event of a crisis?**

# Get smart about tax

Tax is an important contributing factor when considering business liquidity and profitability. During a crisis or unexpected economic downturn, it is important to understand how potential disruptions, such as abnormal losses, additional costs to protect employee safety and welfare, cash flow changes, and unexpected personnel shifts could affect a business's overall tax position.

Effective and efficient tax management during periods of financial stress can help alleviate the burden. Companies can derive significant benefits through effective tax planning and adjusting the timing of their tax payments. For organizations operating across a number of jurisdictions, more vigorous management of tax can provide leverage for improved cash management and tax efficiencies.

## Things to do now

### Adopt tax-related cash management strategies

A tax management focus should be a part of your overall cash management strategy. This can help to offset falling profits and shrinking margins. Areas to consider include non-cash employee benefits, bad debt write-offs, goods and services tax or harmonized sales tax (GST/HST), Quebec sales tax and provincial sales taxes, trade and customs, prompt filing of tax returns to bring forward tax refunds and early crystallization of reductions. Businesses should review the tax efficiency of their operations, making use of any opportunities to defer or reduce payment of tax. Additionally, they should ensure any potential refunds are pursued. Businesses should also consider the customs duty impact if alternate suppliers need to be used.

### Improve the tax position

Balance sheet strategies can be adopted to reinforce an entity's tax position. Such approaches may include managing the effective tax rate and regulatory capital requirements. Consider the role of deferred tax assets (DTAs) on your tax positions, for example, where you operate in jurisdictions with thin capitalization rules. Consider also converting ‘fragile’ DTAs to more robust ones and accelerating the crystallization of deferred tax liabilities (DTLs) in appropriate circumstances.

### Review your corporate structure

Some additional risks and opportunities may arise in some jurisdictions. You should review your corporate structure considering the possible impact of thin capitalization, change of ownership, mind and management and M&A restructuring issues, transfer pricing (and ensuring no loss of deductions globally) as well as any specialized industry issues that might apply. Managing these risks and opportunities may deliver savings in the medium term.

### Asset sale strategies

Examining the tax implications of asset sale strategies will result in organizations more carefully managing their tax position. This may include writing down obsolete inventory and investments and the crystalization of unrealized tax positions (e.g. forex exposures), and undertaking a more detailed analysis of year-end provisions and accruals. In-house loss utilization plans and loss refreshing techniques can help an organization improve its cash flow.

### Intra-group financing arrangements

Reassess your cross-border financing activities to ensure that the debt/equity mix is appropriate for the current economic times. Also, ensure that the rate imposed on the debt, guaranteed fees and management fees are appropriate and that withholding tax obligations are complied with to avoid penalties and/or typically punitive late payment interest.

### Optimize tax incentives and credits

Organizations should consider what government support they are eligible for in turbulent times. For example, grants and tax incentives for research and development activities can offer significant tax savings. Government funded collaboration also could be of benefit in terms of speed to market and financial savings. Businesses should also understand and leverage special tax exemptions and deductions provided by governments during a time of crisis that can potentially improve their cash position. This also can include donation tax credits for companies who make donations to qualified public disaster relief efforts.

### Consider impact to employees

Apart from having employees work remotely during a crisis, a secondary consideration may be to relocate employees. Cross-border relocations may have implications for personal taxes, employer taxes and corporate tax. Employers may also be faced with the difficult decision of placing employees on unpaid or part-paid leave or deferring employment offers to save costs. In extreme cases, employers may have to defer payment of wages and other remuneration or to terminate workers. All of these actions have potential tax implications (including personal and corporate tax) and implications for employer withholding and reporting obligations.

## Key considerations

- **Is tax an integral part of your cash management plan?**
- **Is your balance sheet strategy optimized to reflect efficient management of the applicable tax rate and regulatory capital requirements?**
- **Have you considered the implications of asset sale strategies and capital management programs on your current and future tax position?**
- **Have you considered the tax and immigration implications of unexpected personnel changes during an emergency situation or economic downturn?**
- **Are your intra-group financing arrangements well structured?**
- **Have you considered how technologies can be implemented across your tax function to ensure business continuity and maintain connectivity to tax authorities during a crisis?**
- **Timely compliance with all tax filing obligations is key to avoid non-compliance holds on refunds**
- **Have you considered the customs duty impact when alternate suppliers need to be used? Does that decision impact your ability to use a free trade agreement?**

# Be vigilant about employment matters

No matter the business model, location or product, an organization's people are among its greatest assets. People are the core of customer service, innovation, solutions and reputation. Businesses must therefore be vigilant in handling employment matters when they are dealing with a crisis event or business slowdown.

In turbulent times, business continuity is the main objective, with the safety of people as the top priority. Businesses will need the support of their human resources and facility teams to identify where their people are, and where they need to be to ensure safety and enable business continuity. Once that is secured, thoughts need to turn to ensuring capacity for more remote-working and creating a supportive environment where employees can continue to thrive through challenging times.

## Things to do now

**Identify where your people are and where they need to be**

When a crisis occurs, the first consideration is to assess where employees are and whether they are safe. The next step is to identify the people and teams who are critical to business continuity, and assess whether they can continue to operate effectively from their current location.

In the event it is not safe for employees to work from the office or main facility, a first consideration may be remote working. Management should assess if the business has the necessary remote working infrastructure, policies and mechanisms. Technologies such as email, virtual private networks (VPNs) and cloud computing enable employees to continue serving customers and operating critical business processes. For industries or organizations in which remote working arrangements are not suitable, alternative working arrangements may be put in place, such as flexible working hours, shift work and physical separation to reduce the frequency of close interactions.

### Ensure capacity and connectivity

Once you have identified critical roles and activities across the organization, you can map your current resource availability to those. Prepare contingency plans for the absence of key people, e.g. internal substitutions or rotations of resources across roles; short term contract resources, cross-training, etc.

Now is a good time to verify the "call lists" in your business continuity plan – the lists of which workers to call, and their contact information, in case they need to be informed on short notice regarding a change in their work location. Take care to include temporary workers such as students and contractors. You may also need to include vendors if they are expected to work at your location in the coming weeks and months.

Take advantage of remote working tools. Test your remote working tools for their ability to sustain a high number of remote workers. For example, ask half your team (or more) to log in remotely at a specific date and time. Publish instructions on how to take advantage of the features of remote working tools to make conversations easier (e.g. sharing documents on-screen). Provide senior managers with the ability to "sign off" digitally on decision documents. Designate "Super Users" who can teach others and give advice on how to work effectively with such tools.

For business-critical teams, reduce risk of an entire team being affected by splitting them physically across two floors of an office or across geographic locations. Remind people of the need to avoid close physical proximity.

Take advantage of slowdowns in customer business to make progress on critical business improvement projects which might otherwise have lower priority.

### Create a plan to promote well-being

Some people will face challenges in working remotely and others will adjust at different speeds. Encourage your teams to accept that remote working may be "the new normal' for a while. Be empathetic and understanding with people who have family responsibilities, e.g. child or elder care, which may make remote work more challenging – and take care to distribute workload equitably within teams.

Many workers may not be worried about risks to their own health, but rather, about the health of loved ones, or about the potential effects of an economic recession on the business and their own employment. Encourage sharing of personal experiences and feelings, and encourage managers to actively listen, so as to avoid making assumptions about why team members are experiencing stress.

If your organization provides access to an Employee Assistance Program, remind employees what it offers and how to access it.

Develop and communicate guidelines to maximize productivity and emotional well-being while working remotely. Some ideas might include: designating a quiet physical space in which to work, establishing a regular routine, informally checking in with colleagues by phone a few times a day or during an agreed "social break" time, and setting aside time to rest, eat and exercise.

If remote working is not the norm in your organization, you can prepare and communicate temporary policies for expense reimbursement of personal cell phone and internet charges if used for remote working.

## Key considerations

- **Has your organization developed emergency management plans to be able to ensure employee safety and business continuity in the event of a crisis or economic downturn?**
- **Does your business have the capability to provide clear, effective communication and guidance to employees during a crisis?**
- **If you are considering cost-savings measures that affect employees (e.g. reduction of working hours), have you considered implications for employee relations and labour law compliance? Have you considered gathering suggestions from employees on cost-saving opportunities?**
- **Have you considered how various technology applications can better enable remote working and ongoing compliance with regulatory processes?**
- **Can your employees work legally and effectively from alternative locations, and are they creating additional immigration, personal tax or employer reporting obligations by working in those locations?**

# Understand the impact on contractual obligations

COVID-19 is disrupting global supply chains and economic activity. Factories are being closed, events cancelled and employees are being forced into alternative work arrangements. Businesses are experiencing increasing hardship which may make it difficult to meet contractual obligations and protect bottom lines.

Your business may be one of the many impacted and this may take the form of:

- A decrease in demand for your goods and services, but no corresponding changes to your obligations to accept deliveries from your suppliers;
- Your operational capacity decreased, or perhaps you are dependent on manufacturers located in a coronavirus hotspot, and you are unable to produce sufficient quantities of products within the timeline imposed by your customers;
- Due to port closures, airline cancelations, and travel restrictions, the delivery of your goods and services need to be rerouted, resulting in delays and increased costs;
- You are hosting a trade conference or employee retreat and have paid for the venue, the catering and the activities, but now you have to cancel the event; or
- You have received a notice from your customer or your supplier, informing you that they will stop performing their contractual obligations so long as the impact of COVID-19 on their business persists.

What do you do in these situations? From a legal perspective, depending on the contract's wording, its governing law, the industry norm, and the specific impact of COVID-19, a contractual party may be rightfully excused from not performing its obligations due to COVID-19 through assertion of a force majeure clause.

Force majeure clauses are often included in contracts to excuse performance or absolve a party from liability due to the occurrence of certain events that are beyond the parties' control. Courts generally interpret these clauses very narrowly so whether a party can actually rely on the clause to excuse performance and escape liability will be a question requiring a detailed and fact-specific legal analysis.

The first step of analysis is to determine whether a force majeure clause is actually included in your contract. As it is commonly drafted, the force majeure clause begins with a definition of what types of events constitute force majeure. A short form clause may have a broad catch-all of “events beyond the reasonable control of a party” while a long form clause may specifically list the events such as “epidemic”, “pandemic”, “disease outbreak”, and “government action”.

Depending on the specific language used, some force majeure clauses require the force majeure event to render contractual performance legally or physically impossible before it may be relied upon. Other clauses set a lower threshold only requiring performance to become substantially more onerous before the non-performance may be excused. A change in market conditions that only results in more expensive or less profitable performance typically does not qualify for force majeure.

Additionally, a force majeure clause may require the non- performing party to notify the other party within a certain time period and to mitigate the impact of its non-performance. In certain sectors such as information technology, it is also common to see an obligation on the suppliers to have a disaster recovery or business continuity plan in place so that the service deliveries are not interrupted by the adverse event. For the party at the receiving end of a force majeure notice, there may be a right to terminate the contract if the non-performance continues for a certain length of time.

The other provisions of your contracts, outside of the force majeure clause, may also contain rights and obligations affected by a specific adverse event such as the coronavirus. A fulsome review of these contracts may raise questions such as:

– Does the impact of COVID-19 on your business trigger an event of default under your financing arrangements?
– Does the situation meet the definition of a material adverse event under the contracts your business has entered into?
– Is there any impact on your representations or warranties given to other parties, such as those relating to litigation and loss outside of the ordinary course of business?
– Is there insurance coverage under your policy’s terms and conditions for the losses your business have incurred due to COVID-19?

The governing law of a contract also impacts any analysis. There may be common law remedies or remedies enacted by provincial statute implementing the UN Convention on Contracts for the International Sale of Goods. Civil Code jurisdictions (such as France and Germany) and the U.S. Uniform Commercial Code may also contain statutory provisions relating to force majeure events that are applicable to your contracts.

## Key considerations

– **Review your material contracts to confirm your rights and obligations.**
– **Consider the impact of any force majeure clauses on contractual performance and potential (non-)liability.**
– **Proactively engage in discussions with business partners and financing sources on ways to mitigate the effect of any disruptions and bottom line impact.**
– **Determine whether insurance may help to alleviate losses.**

## Compensation & benefits

– **Revisit performance targets for incentive plans and KPIs to remain motivating.**
– **Prepare internal payroll systems for any impacted measures.**
– **Transaction-related retention packages may be put on hold along with payroll systems needing adjustments for unpaid time-off, vacation surrender, or overtime.**
– **Employee hardship packages, such as allowances for canceled trips and childcare support – gross or net of tax – may be considered.**

# Special situations

KPMG has a dedicated team that focuses on helping companies through special situations. Special situations can range from unique business challenges such as the loss of a key customer contract or legislative dispute to global recessions or black swan events that can impact the economy at large. In either scenario, when facing a critical situation the key for any business is the ability to assess and react early. KPMG's team is multi-faceted and includes professionals from across KPMG's advisory business with a particular focus on liquidity improvement, stakeholder management and business restructuring.

Services our team can provide include:

- **Stress testing and scenario modelling** – revaluating core assumptions in financial models to stress test key variables underpinning financial forecasts and to draw light to alternate scenarios for management consideration. KPMG professionals can assist management in designing and building financial models to capture changing core scenarios and better drive strategic decisions by identifying where future vulnerabilities may exist.
- **Rapid performance improvement (RPI)** – ability to, within a very short period of time, assess a situation and deploy professionals with both financial and operational expertise to identify and adjust fundamental business levers to enhance cash flow generating capabilities, improve operations, reduce costs and maximize EBITDA.
- **Business continuity planning** – support businesses in preparing for, responding to and recovering from crisis events. This includes identifying crisis triggers, crisis monitoring, crisis plan implementation and execution, as well as conducting crisis simulations and managing internal and external communications.
- **Debt advisory** – capabilities to review existing capital structures and debt facility agreements and to provide assistance to management in negotiating with lenders to secure financial covenant amendments/waivers, obtaining flexibility to debt agreements and where necessary assist in running competitive processes to refinance existing facilities.
- **Distressed/accelerated M&A** – in distressed scenarios and working with constraints faced by the business, KPMG can utilize its expansive network and work alongside management to deliver a timely sale of shares or sale of business and assets, either within or outside a formal proceeding while generating fundamental value to shareholders.
- **Restructuring** – in times of uncertainty, KPMG can support stressed companies to act quickly and decisively to avoid critical complications. Examples of core services include: crisis cash management, financial and operational restructuring, formal insolvency advice, strategic and financial reviews and turnaround planning and implementation.

# About KPMG in Canada

KPMG in Canada operates in over 40 locations across the country. The firm's more than 700 partners and more than 6,500 employees provide crucial services to many of the top business, not for profit and government organizations in Canada. We work closely with our clients, helping them to manage risks and take advantage of opportunities.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

KPMG is a Canadian leader in delivering Audit, Tax, and Advisory services. KPMG responds to clients' complex business challenges across the country and around the world.

**KPMG Law**

## KPMG Law LLP

KPMG's affiliated law firm, KPMG Law LLP, provides a suite of wide-ranging tax and immigration law services. They offer valuable insight into changes in immigration laws and policies, and appropriate Human Resources and Global Mobility strategies.

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