

Responding to



potential business impacts

of the COVID-19 outbreak



The COVID-19 outbreak has been declared a pandemic by the World Health Organization, causing huge impact on people's lives, families and communities.

As the global and regional response continues to evolve, organisations across all industries in the Caribbean region are facing several potentially significant challenges to which they need to respond rapidly. Sectors such as retail, transportation, hospitality, healthcare and industrial products are particularly impacted.

PwC has significant experience helping a diverse range of organisations build their crisis response capabilities, and our specialist teams have helped them respond and emerge stronger.



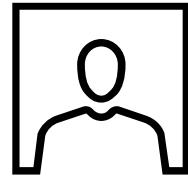
Responding to COVID-19: What Caribbean leaders should know



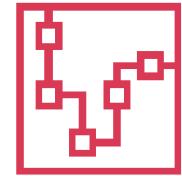
We know that as this situation unfolds, many leaders are grappling with confusion, fear and a multitude of concerns. First and foremost, the safety and security of your people are your first priority. Our Global Crisis Centre team has been actively monitoring the situation and connecting with impacted companies and organisations since January. We've worked with a diverse range of companies, helping them through some of the most publicised crises and disruptive events in recent history. We are prepared to help you manage the wide range of challenges affecting your organisation.



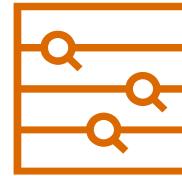
Crisis management + response:
Confidently navigate disruptive events



Workforce:
Protect your people + assets



Operations + supply chain:
Maintain business continuity through your supply chain



Financial reporting:
Know the accounting implications and reporting requirements



Tax + trade:
Understand tax and trade implications



Financial Planning and Analysis:
Rapid Scenario Planning and Business Intelligence

Our Global Crisis Centre is a team dedicated to enabling the PwC network to support our clients during their most stressful times. When a crisis hits, we can bring together people with the necessary skills within hours.

We bring the **right experts** to you **quickly**

We enable you to **continue to run your business**

We identify **priorities**, while not losing sight of the **bigger picture**

We share **insights** specific to your industry, region and crisis type

Crisis Management + Response: Confidently navigate disruptive events



Common challenges + worries

- Not knowing who is in charge of managing the company response.
- Feeling that you are unprepared to handle the crisis or losing control of the situation.
- Not understanding the crisis plan, or knowing where it is and who owns it.
- Worrying that you don't have the right data to inform the decisions you need to make today.
- Dealing with uncoordinated or competing internal priorities that can lead to internal or external miscommunications.
- Succumbing to stakeholder pressures to take immediate action before the full picture is clear.
- Neglecting critical stakeholders - including employees.
- Losing authenticity and credibility because of mixed messaging or negative public sentiment.
- Identifying longer-reaching risks and impacts.
- Not knowing which experts to call.

Suggested next steps

- Establish a core crisis team to coordinate response efforts.
- Identify functional workstreams and align activity with response objectives.
- Determine strategies for engaging with key internal and external stakeholders.
- Base the immediate response and communications on established facts.
- Develop different scenarios and put them to the test in order to prepare for unknown variables the outbreak.
- Put in place structures and mechanisms to ensure transparency and accountability throughout the crisis.

How we can help

During the Ebola outbreak in West Africa, regional and global companies were concerned about a myriad of issues – safeguarding people, managing supply chains, understanding economic implications, and understanding the most recent updates in a rapidly evolving situation.

PwC assisted by serving as the secretariat and coordination node for the Ebola Private Sector Mobilisation Group. Our Global Crisis Centre was able to provide a critical mechanism to allow companies to coordinate, leverage information, and lead the way in crisis recovery.

You are not alone. We are here to help.

Prepare

- Planning and capabilities review
- Current state assessment and remediation roadmap
- Crisis scenario planning
- Exercises and simulations

Respond

- Response team mobilisation
- Strategy and governance model
- Stakeholder engagement strategy
- Operational response and fact-finding support

Embrace stronger

- Recovery strategy and “looking around the corner”
- Crisis programme build and enhancements
- Employee training and plan socialisation

Workforce: Protect your people and assets



Common challenges + worries

- Tracking and having visibility into the safety, security and well-being of your workforce, including those on business travel and secondment; travellers may be subject to quarantines, or may overstay visas due to travel restrictions.
- Protecting employees and keeping the work environment safe, particularly for those in critical business operations roles.
- Having timely and accurate information — and ability to fact-check it — in order to make important workforce decisions (e.g., regulation requirements, travel bans, evacuations).
- Ability for leaders to confidently guide their workforce, while inspiring them, managing fear, and reliably communicating news and contingency planning.
- Having the infrastructure and management capabilities to support flexible and remote work arrangements.
- Setting up hotlines so your workforce can ask questions and you can provide guidance and manage misinformation.
- Managing and getting ahead of any negative publicity in cases where you don't respond in "just the right way".

Suggested next steps

- Align leaders on crisis communications readiness, and develop strategy and execution plans.
- Get HR ready: review flexible and remote work, immigration, travel, first aid, and other relevant policies and regulations.
- Ensure workforce safety: test emergency contact systems and ensure the accuracy of contact information for all employees.
- Ramp up remote working and communication capabilities, prioritising technology, IT infrastructure and security.
- Review contingency plans for compromised infrastructure, power, water, fuel, transport.
- Ensure the site management team's readiness on crisis response protocols (e.g., OSHA compliance) for those on-site.

How we can help

In the wake of a prolific virus outbreak, a governmental client needed to rapidly reach out to their 270,000 health employees across the country. PwC worked directly with senior government officials to develop the internal communications strategy and plans for the Ministry of Health. We drafted content for internal communications on raising awareness of the virus in non-affected hospitals. This expanded to inform all health employees of the risks of a different outbreak on another continent. We also included a number of new communication channels to help drive employees online, including communication hotspots in sites across the country.

Our team has also helped multiple clients in the areas of communications, leadership alignment, and behavioural change as part of large scale risk and regulatory / crisis response.

You are not alone. We are here to help.

- Global and regional employee mobility
- Immigrations deployment + workforce planning
- Flexible work arrangements and remote working models
- Health + Welfare benefits planning
- Human Capital Management strategies
- Leadership + Communications
- Communications strategy + planning: direct to affected areas; duty of care; reactive communications
- Remote technology planning, IT infrastructure, security plans
- Company purpose + strategy planning
- Inclusive work culture
- Corporate culture
- Employee well-being strategy

Operations + Supply Chain: Maintain business continuity through your supply chain



Common challenges + worries

- Understanding supply availability and constraints at all tiers of the supply chain and having a method to maintain this data as situations evolve.
- Identifying specific supply constraint remediation levers that are either immediately available or available in the shorter term and validating them (e.g., enabling alternate suppliers, securing overtime or expedited freight).
- Converting the risk-adjusted supply situation into estimates of revenue deferral and revenue loss, along with understanding any one-time costs.
- Communicating with key supply chain stakeholders multiple times a week as the virus and policies on quarantine, etc., continue to rapidly evolve.
- Working with sales to shape demand to available supply.
- Reassessing pending new-product introductions: where built and sold.
- Making informed trade-offs for more expensive remediations, such as approving supplier or bill-of-material changes that might take lead time to deploy.
- Thinking through more creative ways to improve supply assurance, such as helping finance supplier inventory exposure where capitalisation is thin.

Suggested next steps

- Stand up a 'situation room' where supply risk and mitigations can be coordinated with other risk management teams.
- Build a tiered factual base of supply: what's available and constrained, and set the mechanism to regularly update the data.
- Set clear roles and accountabilities, as well as closed-loop communication protocols, for actions that could impact revenue, cost of revenue, customer satisfaction and other essential areas.
- Develop expected-case and worst-case scenarios designed to help ensure that supply aligns to demand — and there are plans for each.

How we can help

- Assess where supply risk exists with categorisation into potential for revenue deferral, and versus loss.
- Identify supply remediation options and analyse the timing of impact and / or costs for levers like rerouted freight.
- Establish processes to enable sales-driven actions within the supply chain where supply is constrained: allocations and demand shaping.
- Determine gaps in supply chain risk-modeling tools, and determine how to better consider external factors, such as disease, natural disasters, labor strikes, shifts in trade policies and more.

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- Business continuity planning
- Margin impact / revenue displacement
- Understand cost increases: overtime, expedited freight, premiums
- Inventory and raw material buy-ahead strategies
- Supply chain resilience and network agility
- Supply chain intelligence, visibility and planning tools, including machine learning
- Landed cost tools and strategies
- Tariff assessments and mitigation for changing supply chains

Financial reporting: Know the accounting implications and reporting requirements



Common challenges + considerations

- Understanding of the impact on a company's operations, and consequently, the nature and amounts and disclosures in the financial statements and more broadly.
- Adjusting revenue recognition for changes in estimates of amounts customer will pay; collectability of receivables will also need to be assessed and revenue recognition may be impacted if payment is not probable.
- Evaluating disruptions in the supply chain and reduced demand affect financial projections, there's the possibility of impairments; also, decreases in production can also require manufacturing overhead to be expensed.
- Identifying impacts in other areas, like hedge accounting, stock compensation, and more.
- Implementing process changes from the above items can impact internal controls.
- Ensuring transparency of disclosure of the actual as well as anticipated impacts; impacts may be direct or indirect and could include effects on supply chains, service providers, business partners, capital providers and business practices.
- Management's going concern analysis may need updating to ensure the impact is incorporated into future projections and the conclusions are robustly evaluated and stress tested.

Suggested next steps

- Evaluate the breadth of impact considering both direct and indirect effects. Each element of financial reporting impacted by the outbreak may have specific disclosure requirements or may otherwise require disclosure.
- Consider the need to discuss the impact of the coronavirus outside the financial statements, such as in the description of the business; risk factors; and management's discussion and analysis of results, liquidity, and capital resources (including consideration of trends and uncertainties).
- Review coverage and limits of any business interruption insurance. Determine how to substantiate lost revenue or income and over what period of time.

How we can help

PwC provides trusted advisors for accounting, financial reporting and valuation support . We are well-versed and experienced in regulatory and reporting requirements.

We are helping clients assess subsequent events disclosures as well as the accounting for business interruption, supply chain disruption, and other impacts of the virus. We have also provided clients with guidance over the evaluation of whether an impact is an adjusting or non-adjusting subsequent event.

Specialists serve as a resource for navigating complex accounting issues and disclosure requirements and keep companies informed of key developments and considerations.

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- Evaluation of financial processes and controls
- Insight and assistance in navigating complex accounting issues
- Guidance on all types of accounting issues
- Assistance in accounting, financial reporting, and valuations

Tax and trade implications



Common challenges + worries

- Income tax, transfer pricing, indirect tax, and tariff issues that are due to disrupted supply chains and shifts in operations.
- Addressing income tax implications of repatriating or redeploying key personnel.
- Cross-border tariff and compliance implications of getting needed emergency exports to China (e.g., medical supplies).
- Understanding impacts of disruption on tax attributes, losses, recoveries and reinvestment plans.
- Impacts of costs and risk on transfer pricing policies.
- Potentially lasting impacts on tax footprint and operating models.
- Reporting and disclosures to ensure tax and customs compliance.

Suggested next steps

- Evaluate tax, trade and tariff implications of alternatives to your global supply chain.
- Track business travelers, provide immigration assistance, address income tax implications of repatriating global employees.
- Understand how to get needed exports to China quickly (e.g., medical equipment and supplies), including import processes to minimise delays through expedited customs procedures.
- Seek advice on utilising tax losses, other tax attributes and tax impact of cash repatriation that may arise from the emergency.
- Understand any required changes in reporting and disclosures required for tax and customs compliance.

How we can help

Through a holistic approach to global structuring, we have provided the world's top businesses with tax and trade advice to optimise their global and regional value chains and operating models, including supply chains.

We bring an unmatched combination of industry, strategy, global mobility, HR, immigration, tax, analytics and technology expertise from around the world to assist clients in critical people and organisational situations.

Our global network of customs experts utilises our relationships and expertise to facilitate import/export of goods for our clients.

We help companies determine proper tax treatment of losses, when emergencies, such as global pandemics, occur.

Our tax practice helps the region's companies model the impacts of cross- border tax regimes on their tax attributes and financial cost.

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- Proactive customs and tariff strategies
- Global trade policy consulting
- Regulatory risk remediation
- Global structuring
- Value chain transformation
- Transfer pricing planning
- Tax- and tariff-efficient supply chain strategies
- Global trade services
- Global mobility consulting
- Immigration services
- US federal tax planning
- US state tax planning
- Hedging and cash planning

Financial Planning and Analysis: Rapid Scenario Planning and Business Intelligence



Common challenges + worries

- Increased pressure to re-forecast cash flows and scenario analysis from internal and external stakeholders (e.g. Board of Directors, Shareholders/ Investors, Creditors, etc.).
- Having sufficient forecast information to enable your sales and operational teams to make effective decisions (e.g. forecasts by SKU, region, etc).
- Ensuring your forecast tools can adequately capture “downside” scenarios, incorporating impacts of fixed, variable and step-variable costs as well as sales and operational planning issues (e.g. supply chain).
- Ensuring you have robust forecast assumptions/drivers to allow you to confidently communicate the expected impact of COVID-19 on your business. For example:
 - What is the overall impact on demand for our sector and business compared to others?
 - How would a lockdown impact our business (e.g. demand, sales channels, workforce productivity, etc.)?
 - What is our exposure to “at risk” markets (e.g. demand, supply chain, counterparties, etc.)?
- Understanding the potential impacts on your bank covenants, credit agreements and normalisation adjustments for EBITDA.

Suggested next steps

- Rapid assessment of your current state forecasting and scenario planning capabilities. In particular, forecast tools needed to enable rapid updates and their granularity must meet the needs of relevant stakeholders to support better decision making, particularly around sales and operational planning.
- Leveraging data and analytics to provide better business intelligence supporting your forecast assumptions (e.g. extracting data on demand and supply chain trends by SKU/region).
- Leveraging external data sources and predictive analytics to enhance the forecast process, including consideration of impact of comparable incidents (e.g. SARS, swine flu, etc.).

How we can help

- Development of strategic cash flow models based on value drivers that are aligned to the needs of the business and key stakeholders.
- Development of 13 week cash flow models (based on receipts and disbursements of the business) that incorporate demand, and supply chain realities to better manage day-to-day cash flow.
- Leveraging data and analytics to develop better business intelligence for forecast assumptions, incorporating internal and external data sources.
- Utilising predictive analytics to help forecast demand based on key variables (e.g. demographic, macroeconomic trends, prior incidents, etc).
- Detailed scenario modelling, including the impact on covenant, credit agreements and normalised EBITDA.

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- Driver based **strategic planning models** that forecast cash flows under various scenarios.
- Detailed **13 week cash flow models** to support day-to-day cash flow management.
- **Data and analytics** to provide better business intelligence for key forecast assumptions.
- **Predictive forecasting** to provide greater insights into demand forecasting and risk assessment.
- **Financial model review** to enhance confidence in your forecast tools.

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To find out how PwC in the Caribbean is responding to COVID-19, please visit: <https://www.pwc.com/cb/en/about-us/business-resiliency>

For our latest insights, please visit:
<https://www.pwc.com/cb/en/services/covid-19>

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