COVID-19 Impact on Supply Chain
With You Today

JEFFREY PRATT
Managing Director - Management and Technology Advisory Services; Supply Chain Leader
COVID-19: Supply Chain Impacts

- New health and safety considerations
- Initial supply chain shortages
- Fulfillment delays
- Transportation cost increases
- Working capital misalignment
- Renegotiation of supplier commitments
- Re-evaluation of supply chain strategy / footprint
## Supply Chain Actions

<table>
<thead>
<tr>
<th></th>
<th>CONTRACTION</th>
<th>TROUGH</th>
<th>EXPANSION</th>
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<tbody>
<tr>
<td><strong>Persevere</strong></td>
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<tr>
<td><strong>Maintain / Prepare to Thrive</strong></td>
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<tr>
<td><strong>Thrive</strong></td>
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<td><strong>SHORT</strong></td>
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<td><strong>MEDIUM</strong></td>
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<td><strong>LONG</strong></td>
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</tbody>
</table>

### Operations

- Safety of supply chain professionals
- Enable remote workforce
- Communication/training
- The right leadership team
- Improved visibility - processes and digital enablers
- Transportation optimization
- Transparent operations
- Industry 4.0 vision

### Strategy/Footprint

- Identify supply shortages
- Supply base risk/contingency planning
- Reputational risk review
- Customer and product profitability review and strategy (80/20)
- Review supply chain risks and mitigation
- Review supply chain footprint
- Optimized global network
- Profitable growth

### Working capital

- Evaluate customer demand shifts
- Triage inventory investments
- Supplier collaboration/renegotiation
- Agile sales and operations planning
- Strategic sourcing
- Statistical inventory planning
- Improved return on working capital
Global Tax Impacts of COVID-19
Global Tax Impacts

**CANADA**
- Economic stimulus
- Deferral for tax filings and payments
- USMCA
- Global Mobility

**UNITED STATES**
- CARES Act
- Employment tax relief
- USMCA
- Tariffs
- Global Mobility

**EUROPE**
- Government support through loan programs, grants, and tax relief
- VAT deferral
- Employment tax benefits
- Brexit
- Global Mobility

**CHINA**
- Employment tax benefits, business tax relief, and VAT exemptions
- Tariffs
- Transfer Pricing
Global Tax Impacts

COVID-19: Fiscal and financial measures to support businesses and individuals
An overview across the globe

EXPLORE THE GLOBAL TOOL

COVID-19: Mitigating Risk During Disruption
BDO Data Privacy Recommendations for COVID-19
KAREN SCHULER
Principal, BDO Digital - Governance, Risk & Compliance National Practice Leader
## General Impact on Privacy and Data Protection

<table>
<thead>
<tr>
<th>EMERGING ISSUES</th>
<th>PRIVACY IMPLICATIONS</th>
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<tbody>
<tr>
<td><strong>Customers</strong></td>
<td>▶ Visibility and transparency ▶ Respect for user privacy ▶ Individual rights management</td>
</tr>
<tr>
<td>▶ Information requests</td>
<td>▶ Policies and procedures ▶ Online ordering</td>
</tr>
<tr>
<td>▶ Protection of personal data</td>
<td>▶ Proactive not reactive ▶ Preventative not remedial</td>
</tr>
<tr>
<td>▶ Remote workforce collaboration</td>
<td>▶ Privacy embedded into the design ▶ Records retention and remediation</td>
</tr>
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<td>▶ Remote workforce collaboration</td>
<td>▶ Data management ▶ Seasonal workers data handling</td>
</tr>
<tr>
<td>▶ California Consumer Privacy Act (CCPA)</td>
<td>▶ CA begins enforcement July 1 ▶ GDPR requests continue to increase</td>
</tr>
<tr>
<td>▶ General Data Protection Regulation</td>
<td>▶ National security implications for critical infrastructure</td>
</tr>
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<td>▶ Compliance in 3, 6, 9, 12 months</td>
</tr>
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<td>▶ Protection of personal data</td>
<td>▶ Privacy as the default ▶ End-to-end security</td>
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<td>▶ Remote workforce collaboration</td>
<td>▶ Tracking health information ▶ Physical security</td>
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<tr>
<td>▶ Data storage</td>
<td>▶ Records retention and remediation</td>
</tr>
<tr>
<td>▶ Compliance requirements as online collaboration increases</td>
<td>▶ Seasonal workers data handling</td>
</tr>
<tr>
<td>▶ Product implementation without regard for customer data</td>
<td>▶ Data management</td>
</tr>
<tr>
<td>▶ Return to work, building optimization</td>
<td>▶ Tracking health information ▶ Physical security</td>
</tr>
<tr>
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## Industry Specific Impact on Privacy and Data Protection

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<th>INDUSTRY</th>
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| **Hospitality**         | Hotel requisitioning                     | ▶ Property management and above property systems used for COVID-19  
                          |                                                        | ▶ Tracking health information  
                          |                                                        | ▶ CCTV                                                   |
| **Food & Beverage**     | Increased use of apps and credit card payments | ▶ Data handling to fulfill orders  
                          |                                                        | ▶ Privacy by design requirements  
                          |                                                        | ▶ Vendor data management                                 |
| **Healthcare**          | Telemedicine                             | ▶ Online data storage (videos)  
                          |                                                        | ▶ Vendor data management                                 |
| **Manufacturing & Distribution** | Supply chain                  | ▶ Data management  
                          |                                                        | ▶ Seasonal workers data handling  
                          |                                                        | ▶ Tracking health information                           |
| **Marketing & Data Analytics** | Geolocation                          | ▶ Tracking individuals  
                          |                                                        | ▶ Law enforcement use of data                            |
### MISSION: MAP OBLIGATIONS AND REQUIREMENTS

The company’s mandate is to align privacy operations to its obligations through a time of disruption.

#### PART 1
Review staffing plans and strategic initiatives

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<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Evaluate costs and budgeting</td>
</tr>
<tr>
<td>2</td>
<td>Align interim requirements</td>
</tr>
<tr>
<td>3</td>
<td>Determine the impact of the strategy on performance</td>
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#### PART 2
Evaluate goals, allocate resources, identify measures and metrics

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<tr>
<td>4</td>
<td>Determine whether we have the right capabilities</td>
</tr>
<tr>
<td>5</td>
<td>Define and measure objectives</td>
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<tr>
<td>6</td>
<td>Funding required to manage obligations</td>
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#### PART 3
Plan execution plans

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<th>Description</th>
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<tr>
<td>7</td>
<td>Update policies and procedures</td>
</tr>
<tr>
<td>8</td>
<td>Allocate staffing to meet obligations</td>
</tr>
<tr>
<td>9</td>
<td>Prepare to respond</td>
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Establishing a Holistic Data Privacy Program

**LINEAR APPROACH**
A linear approach is used when a business addresses the requirements for one regulation at a time and incorporates those requirements into their privacy program.

- Governance and Oversight
- Data Protection Officer (DPO)
- Data Management and Retention
- System Inventory, Data Maps, and Processing Activities Register
- Security Technology and Infrastructure of Systems
- Privacy by Design and Default
- Privacy Impact Assessments (PIAs)
- Data Protection Impact Assessments (DPIAs)
- Cross-Border Data Transfers
- External-facing Privacy Statement (Including Consent and Information Disclosures)
- Internal Policies, Processes, and Guidelines
- Vendor Risk Management
- Data Subject Rights
- Incident Response and Breach Notification
- Training and Awareness

**CYCLICAL APPROACH**

1. Identify Regulatory Changes
2. Review Current Status of Aspects of Privacy Program
3. Create or Update As Needed

**General Data Protection Regulation (GDPR)**
- Consumer Opt-Out of Sale of Covered Information

**Nevada Senate Bill 220 (SB 220)**
- Notice to Consumers
- Consumer Rights
- Training and Record-Keeping
- Special Rules Regarding Minors

**California Consumer Privacy Act (CCPA)**

Source: BDO Building a Holistic Privacy Program in the New Age of U.S. Data Privacy Law
Leverage Data Protection Managed Services

Advisory
- RegulatoryWatch®
- DPIA and privacy incident response advisory
- DPA and processing contracts advisory
- Individual rights requests consultation

Data Protection Administration
- Policy and standards reviews and updates
- Data inventory/RPA maintenance
- DPIA/PIA execution
- Information lifecycle management

Monitoring
- Annual data protection assessment
- Third-party assessment
- Managed Defense (O365)
- Advanced Threat Protection

Rights Administration
- Intake and verification
- Notification
- Fulfillment
- Close out and record keeping

Regulatory & Litigation Response
- Complaints and inquiries response
- Breach and litigation response
- Supervisory authority communications
- PCI readiness assessment

Training & Awareness
- Data protection training
- Awareness communications
- Microsoft Compliance Workshop
- Data Protection Academy®
BDO Cybersecurity Recommendations for COVID-19
Cybersecurity in 2020: Top Ten Predictions

1. Continued global shortage of cybersecurity talent
2. Growth of zero trust cyber data architecture
3. Rise of insider threat cyber-attacks
4. Expansion of lot cyber-attacks
5. Growth of distributed denial of service (DDOS) cyber-attacks
6. Increase in cyber-impersonation attacks and business email compromise (BEC) attacks
7. Explosion in the use of machine learning or AI to combat cyber-attacks
8. Exploitation of cyber weakest link attacks on supply-chains
9. Lack of empowerment in CISO role
10. Increasingly complex cybersecurity and data privacy regulatory landscape
COVID-19 Related Cyber-Attacks

- Significant increase in socially-engineered spear-phishing attacks using fake e-mails and fake websites, including:
  - Fake websites to sell protective equipment
  - Fake CDC information
  - COVID-19 Health Webinar - fake links
  - Fake government and healthcare reports

- Rise of ransomware attacks worldwide, especially targeting IOT connected medical devices against hospitals and healthcare centers

- Increased number of business e-mail compromise (BEC)/impersonation scams on banks and financial institutions

- Growth of cyber-attacks on healthcare and food distribution supply chains
Key Cybersecurity Questions to Consider

- Is your organization secure from potential external cyber-attacks?
- How can your organization improve cyber defense?
- How can your organization educate your employees on how to prevent cyber vulnerabilities while working from home?
- How can your organization prevent data loss while employees are working from home?
Top Cybersecurity Recommendation Amid COVID-19

- Create an organizational culture of cybersecurity
- Implement advanced cyber diagnostic assessments, on a regular basis
- Establish a rapid cyber-attack incident response plan
- Conduct 24x7x365 monitoring, detection & response (MDR)
- Ensure information system resilience

Source: Top Cybersecurity Recommendations Amid Covid-19 Pandemic
The Changing Risk Profile and How to Adjust Your Processes and Controls
DAWN WILLIFORD
Partner - Risk Advisory Services South Region Leader
Major Disruption = Major Process Changes

Whether your company was ready or not, you are likely experiencing major disruption to your operations and are forced to change many of your processes.

<table>
<thead>
<tr>
<th>BUSINESS PROCESSES ARE CHANGING TO ACCOMMODATE THIS DISRUPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automation</td>
</tr>
<tr>
<td>Increased flexibility to address critical needs</td>
</tr>
<tr>
<td>Virtual meetings</td>
</tr>
<tr>
<td>New technology</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PEOPLE ARE ADJUSTING TO NEW WORK REALITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work from home</td>
</tr>
<tr>
<td>Social distancing at the workplace</td>
</tr>
<tr>
<td>Technology challenges</td>
</tr>
<tr>
<td>Crisis management teams activated</td>
</tr>
</tbody>
</table>
# Changes to Key Operational Processes

<table>
<thead>
<tr>
<th>OPERATIONAL PROCESS RISKS</th>
<th>PROCESS AND CONTROL CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of products/need for products - purchasing requirements change</td>
<td>Revise who can purchase, what they can purchase (i.e. critical items for key revenue/customers).</td>
</tr>
<tr>
<td>Inability to get customers their products - standard transportation/delivery options unavailable</td>
<td>Determine who will be responsible for assessing other options and communication of cost implications.</td>
</tr>
<tr>
<td>Misalignment of business changes - communications between departments (no silos)</td>
<td>Departments can’t operate independently of each other in times of disruption.</td>
</tr>
<tr>
<td>Inability to access key data necessary for business decisions - Decentralized companies may struggle</td>
<td>Identify key data elements from the various aspects of your operations. Determine what systems data is obtained from, who has access to it, and create process to ensure timely delivery of data to identified parties.</td>
</tr>
<tr>
<td>Protecting customer and commercial interests</td>
<td>Need to update policies - flexibility for customer changes or cancellations, adjusting stock levels to support top customers needs</td>
</tr>
<tr>
<td>Increased risk of errors, safety violations, inefficiencies as a result of redeployment of workforce to critical functions they don’t normally perform</td>
<td>As redeployments are contemplated, ensure training of employees, experienced supervisors with communication protocols and controls to detect errors.</td>
</tr>
</tbody>
</table>
## Changes to Key Financial Processes

<table>
<thead>
<tr>
<th>FINANCIAL PROCESS RISKS</th>
<th>PROCESS AND CONTROL CHANGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inability/accessibility of all employees in back office functions to work from home</td>
<td>Assessment of devices, accessibility and security of working from home. Need for clear policies for working from home and transmitting data.</td>
</tr>
<tr>
<td>Finance and treasury functions can’t be “business as usual”</td>
<td>Cash forecasting/monitoring; FX exposure, debt covenants, etc. will be different. Adjusting frequency and methods to monitor and report to key decision makers.</td>
</tr>
<tr>
<td>Inability to pay vendors/suppliers or process customer receipts</td>
<td>Shift from manual methods to electronic (i.e. checks to ACH); develop processes to retrieve manual customer payments, seek electronic payment from customers. Ensure you are prepared for these changes with your financial institutions.</td>
</tr>
<tr>
<td>Excess time and inefficient processing invoices, contracts, purchase orders, etc.</td>
<td>Companies that have largely relied on manual approvals of such documents are being forced to change how they process and approve transactions.</td>
</tr>
</tbody>
</table>
Contractual Risks

But remember - cooperation with your vendors, suppliers and customers is key
Audit and Regulatory Impacts
With You Today

PHILLIP AUSTIN
National Assurance Managing Partner - Auditing

CHRISTOPHER ORELLA
Assurance Managing Partner
Reporting and Compliance Considerations

- Assess the business impacts on suppliers, customers, operations and logistics
- Determine what lender compliance, tax filing and other needs for financial reporting exist
- Adjust the close and audit timetable to match those needs
- Plan to use technology more in the close and audit process
COVID-19 Work Methods and Insights for Clients

BDO Global Portal & COVID-19 Resource Center

CLICK HERE OR SCREENSHOT ABOVE TO LAUNCH

CLICK HERE OR SCREENSHOT ABOVE TO LAUNCH
Forecasts need to be redone in measuring impact on assets

Anticipated shifts may cause debt covenant challenges, leading to possible debt classification impacts

Use of qualitative assessments of goodwill, and long lived intangibles, will often not be possible

Disclosure of impacts is essential to users, and is changing as the business impacts and length of those impacts changes
**COVID-19: SEC Guidance for Registrants**

SEC CORPORATE FINANCE TOPIC 9
RELEASED MARCH 25, 2020

<table>
<thead>
<tr>
<th>ADDRESSES:</th>
<th>PROVIDES AT LEAST 10 AREAS OF CONSIDERATION:</th>
</tr>
</thead>
<tbody>
<tr>
<td>▶ Need for timely high quality financial information</td>
<td>1. Financial condition and results of operation impacts</td>
</tr>
<tr>
<td>▶ Need for current information</td>
<td>2. Impact on capital and financial resource needs and sources</td>
</tr>
<tr>
<td>▶ Matters to be assessed</td>
<td>3. Expected impact on assets on the balance sheet, including fair-value assets</td>
</tr>
<tr>
<td>▶ No trade periods while information is not public</td>
<td>4. Anticipated material impairments (e.g., with respect to goodwill, intangible assets, long-lived assets, right of use assets, investment securities), allowance for credit losses, restructuring charges etc.</td>
</tr>
<tr>
<td></td>
<td>5. Remote work arrangement impacts on operations, systems and controls</td>
</tr>
<tr>
<td></td>
<td>6. Business continuity plans and associated costs</td>
</tr>
<tr>
<td></td>
<td>7. Impact on demand for products and services</td>
</tr>
<tr>
<td></td>
<td>8. Impact on supply chain or methods to distribute products or services</td>
</tr>
<tr>
<td></td>
<td>9. Impact of constraints or other impacts on your human capital resources and productivity</td>
</tr>
<tr>
<td></td>
<td>10. Impact of travel restrictions and border closures ability to operate and achieve business goals</td>
</tr>
</tbody>
</table>


HEIGHTENED RISK OF MISSTATEMENT FOR:
- Debt classification at 12/31

LOOKING FORWARD:
- CARES Act impacts on 3/31 quarters
- Revenue accounting
- Lease modifications
- Valuation of financial and non-financial assets, including inventory, accounts receivable, intangibles and goodwill
- Government assistance
- Changes in taxes

RELATED AUDIT CONSIDERATIONS:
Auditors will need to:
- Understand impact on entity and any components by engaging with management, audit committees, and other client personnel.
- Consider implications for the entity’s control environment e.g., controls may not be operating as previously designed in respect to YE close process.
- Consider to what extent the entity, and any components, ability to prepare necessary information has been affected. What challenges exist to access audit evidence, including access to personnel who may not be available to the audit process?
COVID-19: Obtaining Sufficient Appropriate Audit Evidence

Auditors are focused on obtaining sufficient appropriate audit evidence, which is different when:

- Client personnel are unable to carry out roles or physically meet with audit engagement team
- Inability of audit engagement team to work onsite/in office potentially affecting performance, review and supervision (including component audit work)

RESPONSES INCLUDE:

- Using virtual methods, such as BDO Portal, for exchange of information with our clients and technologies for virtual interaction
- Changing the audit response to group audits/cross-border work
- Using electronic means to obtain signed engagement letters, management representations, confirmations, and other letters
- Methods for inventory and site observations
Some Other Thoughts

- Cyber criminals are very active, remote working increases the need to be vigilant

- Communication is key – within the organization, with lenders, with auditors

- Audits are essential for access to many sources of support, providing confidence in financial reporting