

# RETHINKING YOUR BUSINESS

Questions to consider in your  
response to the global health crisis

As a result of the pandemic, BDO have adopted a three-stage model to help you manage business priorities, address issues and leverage thinking: React, Resilience, Realise. These stages can be considered separately, or as a part of a roadmap to help you manage throughout the COVID-19 impact. The model provides a practical approach to helping you assess what issues you are likely to face throughout the COVID-19 pandemic and recovery.

# REACT

Safe-Guarding Your Business: The way in which your business responds to the initial impact of the COVID-19 crisis, minimising the catastrophic effects on its business operations, employee safety, supply chain and ongoing financial viability.

## Business recovery



- Have you considered the benefits of forming and / or activate a cross-functional team and explain the situation; listen to the team's opinions and concerns; have them help create the action plan?
- Have you considered what the business's short-term needs are and established a plan for moving forward? Are you conducting "all employee" communications on a regular basis?
- Have you created a financial plan based on new assumptions, including using the stimulus package(s) available?
- Have you established a communication strategy for key customers and vetted counter parties?

## Start-ups facing liquidity challenges, valuation dips



- How prepared are you to continue growing with reduced ability to raise funds?

## Financial modelling, forecasting



- Have you modelled the impact of low/zero/negative oil prices?
- Have you modelled the impact of cost reductions, budget cuts?
- Do you understand the cash flow issues that you are going to face?
- Are you comfortable that you will be able to pay debt obligations?
- Will you have decreased access to capital?
- Will you need to navigate debt restructuring or bankruptcy proceedings?

## Government support programs



- Are you aware of all available economic stimulus opportunities for financial relief?
- Are you aware of changes to financial reporting deadlines?
- Are you aware of changes to tax filing & payment deadlines?
- Have you considered potential resurgence of climate action?

## Funder support (ie: equity markets, PE)



- Have you assessed the implications of supply chain disruptions including for equipment, raw materials?
- Have you assessed the risk of counter party defaults / contract liabilities?
- What is the probability of forced suspension or closures of refineries, wells, etc?
- Have you prepared for the impact of increased cyber attacks?
- What will the impact be from having a lack of control in non-operated positions?
- Have you considered the impact on your business from continued global unrest and pressure?

## Business continuity plan



- Do you have a current crisis response plan?
- Does your business continuity plan consider stakeholder management & communication?
- Have you contemplated the impact of reduced demand for minerals/metals due to manufacturing reductions or stoppages, resulting in commodity price uncertainty?

## Opportunistic or forced transactions



- How will you take advantage of M&A opportunities that will arise?

## Cost optimisation



- Have you assessed the opportunity for cost reductions, budget cuts?
- Have you assessed the cash flow benefits arising from cost optimisation?

## Employee health & safety



- Have you assessed the implications for workplace safety, spread prevention?
- Have you assessed possible remote working options, staff augmentation?
- Who is responsible for developing working around travel restrictions?
- Have you completed your planning and implementation of layoffs, furloughs, workforce shortages?
- How are you addressing the impact on employee morale?
- Are you prepared for a reduction of employee productivity?
- How are you protecting the business from the increased cyber risk due to WFH?

## Business continuity plan



- Do you have a current crisis response plan?
- Does your business continuity plan consider stakeholder management & communication?
- Have you contemplated the impact of diminishing fuel demand due to curtailed travel on your business?
- There is the potential for unprecedented oversupply beyond storage capacity. What could this mean for your business?
- What could likely reduced utilization of midstream / downstream assets mean for your business?
- What would the implications be of project delays, including pipeline construction, well drilling?

# RESILIENCE

Embedding resilience and keeping your business running: Maintaining business operations during 'lockdown' disruption using techniques that allow people, processes and information systems to adapt to changing patterns.

## Supply chain management



- What actions have you taken to optimise supply chain costs?
- Have you assessed alternate sourcing considerations to mitigate future risks?
- What impact might supplier and customer defaults have on your business?
- Have you performed critical infrastructure maintenance?
- What steps have you taken to assess counterparty risk management?
- What impacts might arise from lack of control in non-operated positions?
- Have you assessed the risks arising from continued global unrest and pressure?

## Finance department resilience



- Have you modelled the impact of sustained low oil price impacts?
- Are you prepared for any liquidity challenges?
- Have you considered and modelled cost reductions and budget cuts?
- How are you adapting to changing investor expectations?
- Who is responsible for debt repay or refinancing decisions?
- Have you undertaken revenue impact forecasting and cash flow analysis?
- Have you managed to minimize total tax liability?
- Have you considered M&A impacts & considerations?

## Business model resilience



- How are you preparing for a prolonged low oil price environment?
- What plans do you have for operational efficiency, cost optimisation?
- How have you assessed overall impact measurement?
- Have you reviewed assets and potential asset sales including land and/or equipment?
- Have you reevaluated new capital projects?
- Who is responsible for developing the strategy to get back in action?
- Would there be a benefit in refocussing your core business strategy on highest performing products and/or services?

## Enhanced business continuity planning



- Are there any opportunities to fortify strategic partnerships and mitigate partnership risks?
- What strategic partnerships might offer maximum business impact?

## Remote working strategies, tools



- Have you assessed whether to reopen offices or to shift nonessential workers to remote?
- What actions have you taken to maintain employee productivity?
- What actions have you taken to maintain employee morale?
- Have you undertaken a workforce rightsizing assessment??

## Regulatory compliance



- Are you aware of changes to sanctions and how best to navigate them?
- Have you considered potential changes to drilling restrictions and other environmental regulations?
- Are you prepared for a renewed focus on climate change?
- Have you planned for a likely backlog of environmental permit applications, potential pipeline construction delays?
- Do you understand total tax liability implications?

## Accelerating digital transformation



- Have you reassessed and bolstered cybersecurity alongside new digital initiatives?

## Human capital management



- Have you considered the benefit of implementing agile employment strategies with on-demand staff?
- Have you considered the benefits of building a remote operations centre?

## Forensics, dispute management



- Have you reviewed all commercial relationships and addressed any possible disputes?

## Strategic M&A



- How will you take advantage of M&A opportunities that will arise?
- Have you considered how best to leverage your strong balance sheet?
- Have you undertaken a market assessment of what possible transaction synergies may be available in the market?

## Access to funding for growth



- Do you have access to sufficient funding to allow you to build for the long term?

## Cost structure



- Do you have an ongoing process to continue to look for cost cutting opportunities?
- Are you able to live within the current cash flow?

# REALISE

Returning to work and succeeding in a 'new normal': Applying the learnings from key resilience activities and continuing to adapt. Successfully adapting to new business models and ways of working needed to address essential and obligatory political, economic, socio-cultural, and technological changes.

## Strategic M&A



- How will you take advantage of M&A opportunities that will arise?

## Accelerating digital transformation



- Have you resumed investment in digital initiatives to further improve efficiencies and reduce cost?

## Customer self-service, strategies



- Have you identified opportunities for preventative maintenance?

## Advanced technologies (AI, IoT, Robotics, 5G)



- How have you assessed the opportunities available from advanced technologies?

## Revised market sensitivities, go-to-market strategies



- Have you assessed and modelled the impact of revised market sensitivities and strategies?

## Supply chain optimisation/ redesign/tech



- Do you have a team looking at supply chain optimisation & strategic sourcing?
- Have you considered the establishment of global employment or procurement centres?

## Longer term corporate vision



- How is the business adapting business models to changing customer expectations and metal/mineral demand in light of changing technologies and manufacturing trends?
- Have you assessed possible investments in innovative energy sources for remote operations, such as solar and small modular nuclear?

## Regulatory environment evolution



- Have you identified compliance gaps and inefficiencies?
- Are you prepared for increased regulatory scrutiny?
- Are you ready to capitalize on additional legislative opportunities?
- Have you reassessed and strengthened ESG and CSR programs?

## Business model transformation



- When do you plan to begin assessment of product and/or service expansion?
- Have you considered alternative energy investments?
- Is it now time to explore drilling projects, depending on demand?
- Is there an opportunity to explore industry and external partnerships to accelerate change, particularly for alternative energy initiatives?

## Opportunistic plays for innovative start-ups



- Increased use of remote monitoring technology

## New collaboration strategies



- Would it be beneficial to develop hedging agreements to mitigate future oil price downturns?

## Cyber security



- Have you considered the need to reassess and bolster cybersecurity alongside new digital initiatives?

## Data driven decisions



- When do you plan to begin assessment of product and/or service expansion?
- Have you considered the increased use of remote monitoring technology?
- Who is responsible for identifying opportunities for preventative maintenance?

## Access to funding for growth



- Have you considered exploring alternative sources of funding for growth?
- Have you considered the benefits of spinning off or selling non-core projects to focus efforts and resources?

## Taxation of the digital economy (TOTDE)



- Have you reviewed tax and transfer pricing policies based on changes to TOTDE?
- Do you understand and have you modelled OECD tax policy changes and royalty rate reviews with local governments??

## Health tech, medical tech



- Have you assessed the benefits to the business from health and medical technology?

## Data privacy legislation



- Have you identified compliance gaps and inefficiencies?

## Sustainability strategies



- Have you appointed anyone to be responsible for change management to help facilitate alternative energy initiatives?

# CONTACTS



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