

RESPONDING TO THE BUSINESS IMPACTS OF CORONAVIRUS (COVID-19)

In light of the rapid expansion of the pandemic Covid-19, all corporates should start preparing for its economic side effects as it is uncertain how long the governmental measures, partial or total lockdown will last. We understand that making sense out of chaos is not easy. However, it is extremely important to divulge into a Risk assessment of your company, and a Business Impact Analysis of your company i.e. assess what the present conditions mean to your business, and your different activities.

It goes without saying that in these unprecedented times the main priority of every person, government and business, is the well-being of people. There are many sources available that are advising us how to keep people safe, practice social distancing, enhanced infection control, prevention etc. Knowing that you are already doing everything you can to keep people safe, we will focus on practical matters to address and think from a business continuity perspective.

It is important to note that the below are a generic list of matters to consider - it is not a comprehensive list of matters to consider, it does not take into account industry specific characteristics of your business, nor demand or supply side specific impact or characteristics, nor geographical specific matters, or customer specific problems. All these matters should be considered when you divulge your business specific plan of action.

Be well informed of all measures by the Government and Central Bank. As at today, we highlight below the main measures implemented in Cyprus:

1. The Cyprus Ministry of Finance has announced the following measures within the framework of the Support Program tailored to face the crisis:
 - Temporary suspension of the VAT liability payment until the 10th of November 2020. The liability for the submission of the tax return remains and eligible for exemption from penalties and interest will be ones who have submitted their tax returns within the deadline.
 - Temporary preservation of the contributions to the National Healthcare Scheme at the initial rate (by employees, employers, self-employed, rentiers and the Government both as an employer and as a third party) from 01 April 2020 to 30 June 2020. For March 2020, the increased contributions will apply for all parties. For those who have applied the reduced rate from March 2020, the relevant grace period will apply from 1st March 2020 to 31st May 2020.

- General reduction of the electricity price by 10% for a period of 3 months.
 - Temporary suspension of the foreclosure procedures by KEDIPES for a period of 3 months, until 30 June 2020.
 - 3 months' extension of the submission deadline of all information required regarding filed applications for induction to the "Estia Scheme".
2. By the Central Bank of Cyprus (CBC) in order to support businesses and householders are:
- CBC is currently negotiating with the government for the release of additional capital funds to the real economy through the banks, i.e. to provide flexibility to the banks to reduce the measures towards the affected by the crisis parties and allow them to restructure their current agreements.
 - Easy and immediate provision of short-term loans towards the affected businesses and households to help them confront current difficult conditions.
 - Suspension of the loan instalments (including interest) from 30th March 2020 until 31st December 2020. Eligible will be legal and physical persons who presented no payments' delays exceeding 30 days as at 29th February 2020.
3. Other additional measures announced are as follows:
- Suspension of publication of the 3-month notice before dissolution in the Official Gazette by the Registrar of Companies until January 2021.
 - Extension of payment of the annual levy amounting to €350 until 31 December 2020, without imposition of the additional charge of 10% and 30%.
 - Extension of the submission of Annual Returns with editorial date from 1 January 2020 to 31 December 2020 until 28 January 2021, without the imposition of the €20 penalty.
 - Suspension of evictions for a 3-month period until 31 May 2020. Every eviction process initiated beyond 1 March 2020 is suspended until the above-mentioned date. It is highlighted that the payment of rent is not suspended, unless otherwise agreed between the parties.

The Tone from the Top

As the CEO, business owner, leader of your organisation you need to address all stakeholders in a calm, rational and contained manner. Reassure your people that you will fight and win this war together. Truthful transparent communication of your concerns but also your plans and vision for the future is of utmost importance to make them feel comfortable and confident that despite the hard times and the crisis, they can rely on you to bring the best possible outcome. Ensure that you have set up the right communication lines, to ensure that all concerns and insecurities of your people are listened to and addressed even if this means being their psychologist, their advisor and their friend. Calmness and patience are attributes necessary to a leader under such critical times.

Cash Flow Management

As Cash is king, you will need to take pro-active steps to ensure the long-term liquidity, survival and prosperity of your business. Currently you have obligations, and predetermined cash outflows while your cash inflows may decrease dramatically (if not completely) during the next months, rendering you in dire financial difficulties. Some useful tips are:

- Implement more aggressive debt collecting policies – money now is better than money later (even if that entails giving your clients a discount).
- Manage your liabilities - prioritize your 'critical vendors' and the need for full or partial payment. Critical vendors are the ones who are necessary for a functional business - the ones that provide essential goods and services. Distinguish between the vulnerable vendors from the ones that are healthy enough to get through the crisis on their own.
- Renegotiate your payment terms if possible, including Rental Agreements.
- Discretionary Spending - be ready to cut down discretionary spending as much as possible.

Credit Function

Your clients may request discounts and flexible payment terms. Establish policies and procedures to address this business risk (implement a responsible person who will oversee this process, set up authorization levels, criteria for assessment, alternative arrangements).

Banking Relationships

Being in the business for over 50 years, we are experienced enough to know that you always need to get along with your bankers. Especially in bad times the side of them on the opposite side won't be pretty. To avoid this unwishful outcome, you need to be proactive and communicate:

- Cash flow projections - follow your expected cash position based on expected cash receipts and payments over the coming weeks and months and be ready to provide info and discuss them with your banker.
- Credit facilities: be aware of your facilities and your limits, especially if they are closely related to specific aspects like receivables or inventories. Make sure you are informed at all time if you are approaching the limits.
- Bank covenants – be well aware about report deadlines and make predictions and forecasts about your position on the reporting dates.
- Be prompt and reliable with your communications to bankers. The sooner you inform them, the earlier you will be able to take precautionary measures and avoid your loans being called up.

Supply Chain Management

As the imports from (mainly) China were highly increased in Cyprus over the last few years, the impact of the Covid-19 during the past few months was already visible. Production there might not come back on stream immediately. Furthermore, as Europe is increasingly affected by the virus, local businesses will more and more be dealing with regional suppliers that will be unable to fulfil their orders/agreements. Having in mind all the above, you need to plan for shortages now:

- Prepare sales' forecasts, assess your inventory levels and the coming months' needs. Subsequently assess your production schedule.
- Assess material quantities required to fulfil your production schedule. Make ordering arrangements as soon as possible.
- Assess your suppliers - if you feel that any of them faces challenges which may cause delays in delivering your materials, look for alternatives. If there are no alternatives, adjust your business plan and act accordingly.

Information Technology

- If your people will be “working from home”, you will need to establish a work from home policy. You will need to provide them with all the resources to complete their work and at the same time set expectations, deadlines and accountability rules. Hold virtual staff meetings on a regular basis to follow up and engage/inform.
- If a portal for clients’ and vendors’ communication is in place, this is a good opportunity to use it.
- Security Measures are extremely important, and these should be explained and adhered to by your people.

Human Capital Management:

One of the major expenses of a businesses is payroll – especially if you are in the services industry. If you find yourselves in the unfortunate situation where some of your employees could be off work due to virus infection, business slowdown or even shut down due to quarantine orders, you may find yourself in the difficult position where you need to reduce the payroll expense. As these events will create frustration and/or disappointment from your employees and have a disruptive effect on the culture of the business, consider some of the below as possible courses of action:

- Annual leave – allow your staff to use the annual leave as paid time off.
- Consider dividing your work force, “work from home” rotation periods, flexible working days and reduced work week.
- Be receptive to unpaid annual leave. Stressed people will feel better if they spend few days at home and relax.
- Temporary layoffs/suspensions by fulfilling the terms provided by the Ministry of Labour in order to do so, could prove lifesaving for your business if required.
- If the measures above are not adequate, then you may adopt the redundancy schemes available in the country.

Your HR and employees should be timely informed of the measures undertaken by the Ministry of Labour to reduce unemployment and support businesses and employees, like the parental leave payment of employees with a salary up to €2.500 for 4 weeks.

While off work, make sure that your employees have easy access to you/your HR and your health insurance providers.

Insurance:

Assess your insurance, your needs and future risk coverage. Contact your broker for:

- Business interruption/losses – your business might be covered for loss of profits due to this type of business environment (pandemic)
- Receivables Insurance - covers risk of non-payment in certain circumstances

As already mentioned above, this unprecedented situation is new for all of us, but we will win this war together.

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