Study objective: Identify actions to help companies around three main time horizons

1. **Operate**
   - in a confined world
   - Overview of best practices and private and governmental initiatives to manage the COVID-19 crisis

2. **Prepare**
   - for the reopening
   - Review of the conditions for success and major operational solutions for deconfinement

3. **Anticipate**
   - the new normal
   - Analysis of the changes needed within companies to anticipate the new normal

Source: Roland Berger
A methodology that relies on experiences of countries ahead in the curve

- Desk research
- *Interviews with business leaders and members of management committees* of Quebec companies
- *Analyses* carried out by Roland Berger and the FCCQ, including an *inventory by Roland Berger's network of best practices* observed internationally and applicable to the Quebec situation

Source: Roland Berger
COVID-19 is an unprecedented health crisis in scale, duration and global nature paired with a drastic economic downturn

Status update (as of 24 April)

<table>
<thead>
<tr>
<th>World</th>
<th>Canada</th>
<th>Quebec</th>
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</thead>
<tbody>
<tr>
<td>2,708,884 cases</td>
<td>43,000 cases</td>
<td>21,800 cases</td>
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<tr>
<td>190,857 deaths</td>
<td>2,200 deaths</td>
<td>1,200 deaths</td>
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<td>One third of the world's population in quarantine</td>
<td>9% drop in GDP in March 2020</td>
<td>Potential 5% drop in GDP in 2020</td>
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<td>1 million job losses</td>
<td>Nearly 600,000 job losses in early April</td>
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<td>between February and March 2020</td>
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<td>1.5 million Canadian Emergency Responses Benefit claims in the second half of March</td>
<td>Potential budget deficit of 12 billion CAD for the Government of Québec</td>
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</table>

Source: Roland Berger
All economic sectors in Quebec will be affected to varying degrees

Estimated impact by sector (non-exhaustive)

1) FMCG: Fast-moving Consumer Goods

Source: Roland Berger
Good practices for short-term crisis management in companies can be categorized in five subject areas:

1. Protection of **employee health**

2. **Cash conservation**

3. Maintenance of **operations** and the **ecosystem**

4. Strengthening of **administrative activities** and **information technology**

5. Adjustment of **governance** and **communication**

Source: Roland Berger
The implementation of these good practices requires the creation of war rooms at all levels of the company.
The government measures announced to date primarily address the short-term liquidity crisis.

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Quebec</th>
<th>Canada</th>
<th>Desired impact</th>
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<tbody>
<tr>
<td>Businesses in distress</td>
<td>Liquidity</td>
<td>65 billion Business Credit Availability Program (via BDC and EDC)</td>
<td>Limiting bankruptcies / restructurings</td>
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<td>Concerted temporary action program for businesses (PACTE)</td>
<td>Canada Emergency Wage Subsidy (CEWS)</td>
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<td>Less stringent lending rules via the Local Investment Fund</td>
<td>New Canadian Emergency Response Benefit (CERB)</td>
<td>Avoiding the vicious circle of recession / poverty</td>
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<td></td>
<td>4 billion envelope from the CDQ to support Quebec companies</td>
<td>Additional time to file a tax return</td>
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<td>Protection of vulnerable households</td>
<td>Poor households</td>
<td>Increase in Canada Child Benefit (CBB) payments</td>
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<td></td>
<td>Households with high indebtedness / fixed costs</td>
<td>New fund to support Aboriginal communities</td>
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<td></td>
<td>Household with no social protection</td>
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<td>Businesses critical to continuity</td>
<td>Maintenance of skills</td>
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<td>Continuation of the Seasonal Agricultural Worker Program</td>
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<td>Multiple measures and health instructions</td>
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<tr>
<td>Anticipation of recovery</td>
<td>Bankruptcies / loss of control (e.g. size, techno/patents, rare skills)</td>
<td></td>
<td>Maximise the speed / extent of recovery</td>
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</table>

Source: Roland Berger
Companies need to identify the conditions for success and the major operational solutions for deconfinement

Cross-functional solutions

1. Actively manage human resources
2. Prioritize all activities
3. Maintain relationships with key customers and partners
4. Launch a program to adapt and reprioritize expenses
5. Implement a drastic management of liquidity and working capital
6. Plan and detail different scenarios for the resumption of operations

Source: Roland Berger
Companies need to identify the conditions for success and the major operational solutions for deconfinement.

Specific solutions along the value chain (1/6)
Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (2/6)

→ **Realign** research and development activities to new post-crisis priorities

→ **Reduce** risks on strategic sourcing by assessing procurement opportunities with other suppliers, including local suppliers
Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (3/6)

- **Prepare** the restart of upstream logistics flows and production synchronization
- **Identify bottlenecks** in the supply chain
- **Assist** suppliers in difficulty
- **Manage** working capital requirements and anticipate changes in demand to adapt stock levels
Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (4/6)

- **Production**
  - Adapt the master production schedule
  - Implement necessary sanitary measures
  - Prepare the ramp-up of industrial assets
  - Plan the necessary staffing adjustments
  - Control the evolutions of costs

- **Asset Management**
  - Optimize the use of each asset, then review the activity plan and the workload schedule
  - Assess the level of risk of the whole portfolio of assets
  - Review investment plans/programs
Companies need to identify the conditions for success and the major operational solutions for deconfinement.

Specific solutions along the value chain (5/6):

- **Build** different scenarios of forecasted sales
- **Secure** customer relationships
- **Increase** knowledge of customer needs
- **Assess** the opportunity to review the segmentation of the client portfolio
- **Plan and implement** targeted marketing strategies
- **Assess** the need for further diversification of distribution channels
- **Gradually readjust** the level of the labor force to evolving needs
Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (6/6)

- Adapt interventions to make them compatible with social distancing measures
- Anticipate the evolution of demand
COVID-19 also creates opportunities for businesses

### Suppliers
- Negotiate **favorable long-term conditions with suppliers** in exchange for secured volumes

### Regulation
- Negotiate **more favorable regulations** with government authorities

### Ecosystem
- Secure **aggressive M&A opportunities** with distressed / undervalued companies

### Company
- Catch up on **R&D projects backlogs**
- Upgrade or **maintain facilities**
- Speed-up **digitization of processes**
- Adjust the **operating model**

### Clients
- Negotiate **specific terms with best customers**

Source: Roland Berger
To anticipate the new normal, certain changes are needed within organizations and processes.

- Increasing **digital transformation** in company processes
- Relocating production and shortening supply chains
- Strengthening **environmental, social and governance (ESG)** requirements
- Strengthening **risk management capabilities**