SMMT COVID-19
Tuesday 21 April

Mike Hawes  Jennifer Pheasey  James Nicholson
SMMT          SMMT            Ernst & Young LLP

To listen to a copy of the recording click here.
• During presentations (15:00 – 15:50) everyone will be muted so that only the presenters will be heard.

• If you are experiencing any technical problems please call 020 7344 1670, this is a popular webinar please bear with us while we try and help you.

• The presentations will be followed by a Q&A session. Please type your question into the side panel.
Questions and Answers

Please type your question in the Question/Chat box.

Slides emailed to participants after this session.
Running order

- Mike Hawes, SMMT: SMMT update, general update
- Jennifer Pheasey, SMMT: SMMT Policy support
- James Nicholson, Ernst & Young LLP: Now, next and beyond
- Q&A
Mike Hawes, SMMT

Tuesday 21 April
### COVID-19: SMMT approach

<table>
<thead>
<tr>
<th><strong>External</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• New ACEA &amp; CLEPA TF</td>
</tr>
<tr>
<td>• Daily CBI Covid-19 call</td>
</tr>
<tr>
<td>• Umbrella coordination for govt for automotive Trade Bodies</td>
</tr>
<tr>
<td>• Ministerial roundtables</td>
</tr>
<tr>
<td>• Frequent bilateral engagement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Member</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>(New) SMMT Covid-19 Taskforce: weekly meeting; daily updates, ad hoc updates and calls as required</td>
</tr>
<tr>
<td>Member inquiries: <a href="mailto:covid19@smmt.co.uk">covid19@smmt.co.uk</a></td>
</tr>
<tr>
<td>Member webinars: <a href="http://www.smmt.co.uk/covid-19">http://www.smmt.co.uk/covid-19</a></td>
</tr>
<tr>
<td>Member support and engagement through existing mechanisms incl. committees etc</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Communications</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ongoing media engagement and responses</td>
</tr>
<tr>
<td>Website: <a href="http://www.smmt.co.uk/covid-19">http://www.smmt.co.uk/covid-19</a></td>
</tr>
<tr>
<td>Regular member briefing newsletters</td>
</tr>
<tr>
<td>Support for government communications</td>
</tr>
<tr>
<td>Incl. FAQs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Internal</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>All staff working-from-home and supported by HR &amp; IT</td>
</tr>
<tr>
<td>Daily Senior Management meeting on Covid-19</td>
</tr>
<tr>
<td>Internal Covid-19 working group</td>
</tr>
</tbody>
</table>

**Website:** http://www.smmt.co.uk/covid-19

**Member inquiries:** covid19@smmt.co.uk

**Member webinars:** http://www.smmt.co.uk/covid-19

**Restart support**
Jennifer Pheasey, SMMT

Tuesday 21 April
# COVID-19: SMMT approach

## External
- New ACEA & CLEPA TF
- Daily CBI Covid-19 call
- Umbrella coordination for govt for automotive Trade Bodies
- Ministerial roundtables
- Frequent bilateral engagement

## Member
- **(New) SMMT Covid-19 Taskforce**: weekly meeting; daily updates, ad hoc updates and calls as required
- Member inquiries: covid19@smmt.co.uk
- Member webinars: http://www.smmt.co.uk/covid-19
- Member support and engagement through existing mechanisms incl. committees etc

## Communications
- Ongoing media engagement and responses
- Website: http://www.smmt.co.uk/covid-19
- Incl. FAQs
- Regular member briefing newsletters

## Internal
- All staff working-from-home and supported by HR & IT
- Daily Senior Management meeting on Covid-19
- Internal Covid-19 working group
- Restart support
**Government Interventions overview (18 April)**

<table>
<thead>
<tr>
<th>Finance/liquidity</th>
<th>Bank of England</th>
<th>record rates cuts 0.1%/QE</th>
</tr>
</thead>
<tbody>
<tr>
<td>COVID-19 Corporate Financing Facility (CCFF)</td>
<td>Coronavirus Large Business Interruption Loan Scheme (CLBILS)</td>
<td>Coronavirus Business Interruption Loan Scheme (CBILS)</td>
</tr>
<tr>
<td>Employment/Employee</td>
<td>Coronavirus Job Retention Scheme</td>
<td>Self-employment Income Support Scheme</td>
</tr>
<tr>
<td>Statutory Sick Pay/new support mechanisms for SMEs</td>
<td>PHE advice for workplace/work settings</td>
<td></td>
</tr>
<tr>
<td>Advice/guidance/communication</td>
<td>Daily No10 briefing</td>
<td>PHE advice for workplace/work place opening</td>
</tr>
<tr>
<td>BEIS SOS letters on ‘can remain open’ Manufacturing &amp; Retail</td>
<td>Call for business support on PPE/ventilator/other support – new PPE plan</td>
<td></td>
</tr>
<tr>
<td>BEIS outreach/intelligence</td>
<td>Business Support website</td>
<td></td>
</tr>
<tr>
<td>Regulatory/deadline/other</td>
<td>State aid law</td>
<td>Insolvency Law changed</td>
</tr>
<tr>
<td>Bus support scheme</td>
<td>MOT delay</td>
<td>Export licence advice</td>
</tr>
<tr>
<td>Driver CPC</td>
<td>Other relaxations</td>
<td>Many other amendments/relaxations</td>
</tr>
<tr>
<td>Companies House deadlines moved</td>
<td>COP 26 delay</td>
<td>LEZ delay</td>
</tr>
<tr>
<td>Tachographs</td>
<td>COP 26 delay</td>
<td>LEZ delay</td>
</tr>
</tbody>
</table>

**Industry Asks**
- Need support across the breadth of sector
- Urgency of support delivery, flexibility & accessibility
- Finance/fund schemes that can deliver for automotive – CCFF ratings issue addressed
- CJRS flexibility
- Communication on essential workers/business opening
- Delay NICs, PAYE & extend business rates
- IVA ‘temporary special scheme’
- ….energy costs, apprenticeship levy suspension, R&D tax credits
- Future asks: coordinated reopening, market stimulus, regulatory or UK target challenges i.e. CO2? 2035?
- Export licence advice
- Many other amendments/relaxations
- BEIS outreach/intelligence
Latest Developments (as at 18 April)

Global Lockdowns

Recent UK Government announcements:

- **UK lock down to continue until at least 10 May.**
- **Business Secretary letters to manufacturing & retail (8 April)**
- **HMRC Coronavirus Job Retention Scheme:** applications open on 20 April (4-6 day processing time), guidance updated 9 April; eligible employee start date moved from 28 Feb to 19 March; scheme extended to end-June.
- **Updated Coronavirus Large Business Interruption Loan Scheme:** government guarantees of 80% to enable banks to make loans of up to £50m, offered to firms with a turnover of over £45m and have been impacted by Covid-19 and have cash flow difficulties.
- **Other developments:** FCA 3-month motor finance forbearance (17 Apr), PPE guidance/plans, export license update, LEZ delays

Pandemic Data

- 108,692 confirmed UK cases.
- 14,576 confirmed hospital deaths.
- > 2 million cases globally
- > 147,337 deaths globally

**Pandemic Data**

- 108,692 confirmed UK cases.
- 14,576 confirmed hospital deaths.
- > 2 million cases globally
- > 147,337 deaths globally

**Recent UK Government announcements:**

- **UK lock down to continue until at least 10 May.**
- **Business Secretary letters to manufacturing & retail (8 April)**
- **HMRC Coronavirus Job Retention Scheme:** applications open on 20 April (4-6 day processing time), guidance updated 9 April; eligible employee start date moved from 28 Feb to 19 March; scheme extended to end-June.
- **Updated Coronavirus Large Business Interruption Loan Scheme:** government guarantees of 80% to enable banks to make loans of up to £50m, offered to firms with a turnover of over £45m and have been impacted by Covid-19 and have cash flow difficulties.
- **Other developments:** FCA 3-month motor finance forbearance (17 Apr), PPE guidance/plans, export license update, LEZ delays
**SMMT engagement and actions (as at 18 April)**

### Direct

- 18 March, 3 April

### (almost) daily calls

### TA Groups

**Actions (over the last week)**

- Responses to key announcements & continuous input or Qs to govt
- Ministerial meetings
- Department of International Trade (DIT) SoS roundtable – global supply chains
- Meeting with new Labour Shadow Chancellor (Dodds) & Shadow Business (Miliband)
- SMMT coordinated Sister Associations mtg
- Daily BEIS engagement, weekly DfT calls
- Member support: CTF, new bulletin, briefings/circulars, dedicated email/direct engagement, webinars, SMMT COVID-19 Webpages, Member Survey, Production & Registration Releases
- Media Qs
Restart challenges - overview

- Uncertainty over supply and lack of visibility across value chain
- Ongoing social distancing, movement and other lockdown mechanisms
- Erratic demand with fundamental weakening of the market
- Limited liquidity
- Vulnerability to fraud and security threats
- Regulatory challenges which could undermine ability to recover quickly
- Reputational damage and societal challenge if not mitigated

- 3 staged approach – exit – restart – rebound
- Support members – needs in key areas: production, supply-chain, regulation and retail, finance & demand stimulus
James Nicholson, Ernst & Young LLP

Tuesday 21 April
Our starting point — acknowledging the unknown

Sources of uncertainty

- Supplier identity (Tier N)
- Supplier viability
- Demand signal
- Lockdown timing

Key unknowns

Path to recovery

- Typical recession
- UK GFC/
  Average pandemic
- Greece Eurozone

GDP
Q4 2019

Phase of response
- Protect
- Reboot
- Operate
- Transform
- Policy maker and corporate effort

Sources: Financial Times, Oxford Economics, Capital Economics, EY analysis
Learning from experience — insights from restarting operations in China and Italy

**China: An early indicator of the challenge**

**Wave 1 (early February): Keeping dealers afloat**
- Chinese New Year holiday extended
- Largest ever year-over-year production decline
- Dealer support implemented

**Wave 2 (late February): Plan the restart**
- Workforce in home towns
- Domestic parts shortages
- Dealers still closed

**Wave 3 (early Apr): Manage the restart**
- Imported parts shortages
- Ongoing challenge: 6-7 week parts cycles
- Freight capacity constraints: air, sea

**Lessons learned:**
- Original equipment manufacturers (OEMs) & Tier 1s have a plan and support role
- Consumer confidence may constrain demand
- International trade flow issues continue

**Italy: Initial steps of a restart**

**Supply-side restart**
- Government support for smaller suppliers
- Similar starting point to UK
- Workforce protocols developed, agreed with unions

**Demand-side restart**
- March sales hit lowest level for 59 years
- New sales models: video chat, leasing through e-commerce
- Demand impacted by confidence and by regional lockdowns

**Lessons learned:**
- Stimulation efforts driving new sales models
- Impacts can be regional not just international
Auto supply chains are tuned for cost and speed but they are also brittle and now need protecting, restarting and even rethinking.

**Now**
- Build visibility & protect supply
  - How do you identify potential points of failure in the supply chain?
  - How do you ensure that critical suppliers are able to survive the lockdown?
  - What are the options for suppliers who require support?
- Maximise supplier visibility
- Identify points of stress
- Protect critical suppliers
- Run ramp-up scenarios
- Develop workforce protocols

**Next**
- Restart targeted operations
  - How do you restart a complex, multi-tiered, just in time/just in sequence supply chain when key elements, from labour to entire companies, are missing?
  - Which products should you build and for which markets?
- Prioritise production
- Adapt and rerun scenarios
- Build control towers and digital twins of your supply chain
- Implement safety protocols

**Beyond**
- Rethink and build resilience
  - How do you embed resilience in the supply chain to ensure you are better able to manage further lockdowns or future shocks?
  - What changes might be needed to footprint, integration and supplier networks?
- Re-examine supply chain design — increase resilience
- Adapt crisis management frameworks
- Reprioritise complexity rationalisation
Immediate supply chain actions to take in response to COVID-19

<table>
<thead>
<tr>
<th>Dynamic network optimisation</th>
<th>Integrated planning and sales and operations planning</th>
<th>Supplier and commercial management</th>
<th>Manufacturing</th>
<th>Financial and risk impact mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>► Identify critical parts and associated first- to third-tier supplier locations required to maintain operations and anticipated production plans</td>
<td>► Reassess demand based on outbreak-driven market adjustments, e.g., increased demand from grocery stores, reduced demand from restaurants and fast food</td>
<td>► Identify supplier options and associated supplier locations required to maintain operations and anticipated production plans</td>
<td>► Develop risk assessment checklist for all sites to perform and action</td>
<td>► Execute risk response strategy for at-risk suppliers and/or their respective Tier N suppliers</td>
</tr>
<tr>
<td>► Consider alternative transportation methods and trade routes throughout the supply chain based on facts and hypotheses. Develop activation plans accordingly</td>
<td>► Review inventory levels to evaluate emergency inventory management strategies, e.g., pooling</td>
<td>► Collaborate immediately with customers and suppliers to respond collectively from demand to supply</td>
<td>► Implement social distancing standards for site meetings, visitation, breaks/lunches, and interactions where applicable</td>
<td>► Prepare responses to supplier invocation of force majeure clauses</td>
</tr>
<tr>
<td>► Determine production, transportation and storage constraints and capacity</td>
<td>► Adjust and optimise production plan focus to accommodate anticipated disruptions</td>
<td>► Identify and quality alternative sources of supply and other key products</td>
<td>► Implement remote work plans and adjust operating patterns and leadership support to optimise production and minimise risk</td>
<td>► Anticipate for delayed payment requests from customers and plan procedure for handling these requests</td>
</tr>
<tr>
<td>► Assess impact of transportation and production labour shortages driven by policy and travel restrictions</td>
<td>► Synchronise supply, manufacturing, logistics and fulfillment to meet demand in short to mid terms</td>
<td>► Monitor lead times to gauge performance</td>
<td>► Develop &quot;disinfect/restart&quot; standard and obtain critical personal protection equipment</td>
<td>► Suppliers and vendors may potentially request accelerated payment terms</td>
</tr>
<tr>
<td>► Evaluate channel signals, i.e., increase in retail, decrease in restaurant</td>
<td>► Plan allocation strategy for future shifts in demand, e.g., supermarket rush ends or restaurants open again</td>
<td>► Build long-term implications and issue tracker to de-risk impact to business as usual after crisis</td>
<td>► Understand cultural impacts and ways to support the workforce</td>
<td>► Continue risk and controls assurance as processes and operations shift globally</td>
</tr>
<tr>
<td>► Plan for potential disruption due to third party logistics (3PL) shortage of refrigerated trucks</td>
<td>► Support suppliers with contract compliance and update where possible</td>
<td>► Support workforce planning for minimum staffing levels and risk mitigation</td>
<td>► Determine workforce planning for future scenarios</td>
<td>► Identify current and future contract exposure</td>
</tr>
</tbody>
</table>

Supply Chain Intelligence and Analytics

► Highlight immediate gaps in current supply chain (manufacturing, suppliers, inventory, planning, logistics)
► Quantify cost of current and potential issues driven by supply disruptions and changes in demand
► Develop additional hypotheses on most likely courses of action and worst-case scenario planning

Workforce Planning, Governance & Communications

► Command and decision-making delegation
► Corporate and supply chain reporting
► Workforce replanning
► Crisis playbook development
► Define supply chain resiliency opportunities for long term
► Assess readiness by function (people, process, technology)

Financial and Risk Impact Mitigation

► Use corporate financial and risk impact mitigation, such as working capital
► Identify any cash constraints and liquidity/working capital opportunities

Crisis playbook development

- Restoring Auto - Now, next and beyond
Thank you

James Nicholson
EY UK&I Strategy Lead
Email: jnicholson1@uk.ey.com
Mobile: + 44 7970 723 012
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

© 2020 EYGM Limited.
All Rights Reserved.

EYG/OC/FEA no.

EY-000119758-01 (UK) 04/20, CSG London.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/******
Questions and Answers

Please type your question in the Question/Chat box.

Email: covid19@smmt.co.uk with your questions after this session.

Slides emailed to participants after this session.
Thank you

The Society of Motor Manufacturers and Traders Limited
71 Great Peter Street, London SW1P 2BN
www.smmt.co.uk

SMMT, the ‘S’ symbol and the ‘Driving the motor industry’ brandline are registered trademarks of SMMT Ltd.