

# COVID-19

your questions answered

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**You will probably be suffering from an “infodemic” owing to the huge volume of reporting, updates, advisories, government policies and social media posts on the outbreak of the novel coronavirus – known as COVID-19. While there is a substantial amount of publicly available information on the current situation, having too much information is unhelpful in day-to-day corporate decision-making.**

We have collated some of the most frequently asked questions from our Clients and provide answers that we hope will help you make decisions. Because every company and employee situation is unique, where a simple answer would not be useful, we provide a clear framework for the factors you need to consider.

## **1. Foreign governments have stated that we should leave China. What should we do?**

This is one of the hardest decisions for many companies to make in the current situation; there is a significant operational challenge and cost involved, confusion regarding government advice, and there are important issues of business continuity, employee well-being, liability and reputation to consider.

Some foreign governments, including the UK, Australia and the USA, have issued travel warnings for China. As of 7 February 2020, The UK Foreign Commonwealth Office’s (FCO) has advised against all travel to Hubei Province, and against all but essential travel to the rest of Mainland China (excluding Hong Kong and Macao). The FCO also advises that if you are a UK citizen and are currently anywhere in China and can leave, you should do so. This is consistent with a range of travel advisories by other governments, including the US and Australia.

Conversely, the World Health Organisation (WHO) currently advises “against the applications of any restrictions of international traffic based on the information currently available”.

So how are we to manage this apparent contradiction and make operational decisions about our people in China? The answer is, make a “risk-based” decision.

Foreign government travel advisories must cater to all citizens – from the student backpacker with limited resources and perhaps no medical insurance, to corporate employees with the backing of substantial company resources; from citizens who are resident in areas where infection rates are very high (like Wuhan) to those residing in cities where infection rates are currently still very low (like Shanghai) – and everything in between. Foreign government travel advisories consider the broadest possible set of circumstances and risks, including limited resources to conduct a rapid mass evacuation, should the situation deteriorate rapidly. The WHO’s travel advisory takes into account the current containment and monitoring measures in place and assesses the current medical risks of travel. Here is what you need to consider in your decision-making:

- ▶ If you have foreign employees in Hubei, actively work with their embassy to try to get them out. This is a government-to-government operation now.
- ▶ We have had a number of companies enquire about the relocation of Chinese national employees in Hubei. This is unfortunately not a practical outcome for the time being, given the extensive (and often very restrictive) quarantine requirements that can be imposed. You should actively look

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for other ways to support any employees in Hubei or other fully locked down location to shelter in place.

- ▶ Ensure that you have proper medical advice about employees/family members who might be at increased medical risk (e.g. those with underlying conditions).
- ▶ Monitor increases in infections and the rate of increase in other provinces, not just Hubei. Six other provinces now have more than 700 cases each – Guangdong, Zhejiang, Henan, Hunan, Jiangxi and Anhui. These areas are now considered “seriously infected”, resulting in quarantines imposed at the neighbourhood, district and city levels. The bottom line is that you will need to ensure compliance locally. If confirmed infections continue to increase in a city, you should consider proactively relocating employees, where possible.
- ▶ Compliance with local and international quarantine rules is now very complicated and changes frequently. To plan appropriately, you must have:
  - ▶ Complete travel histories and the current location of each employee (down to street address)
  - ▶ An updated list of the passports your employees and their family members hold
  - ▶ For those who may travel internationally, an updated list of countries each employee/family member will be allowed to enter once departing China. Update this list daily.
- ▶ Here are some other factors to include in your decision framework:
  - ▶ **Employee/family wellbeing and anxiety.** The current situation is undoubtedly very stressful for many employees, and this can be exacerbated by personal circumstances, mental health, language ability, childcare responsibilities. Check your corporate health insurance for mental-health resources and highlight these to your teams.
  - ▶ **Operational impact.** While many of our businesses remain closed or are slowly returning to work, there is a wide range of operational impacts in the current remote-working environment. For some, it may be more convenient to have employees work from another office with no hassles about internet speeds and VPNs, or to continue to work from home if that has been working well. For others, being in the same time zone and proximity to the team will still be important.

- ▶ **Cost.** Unfortunately, for many companies, this will be a factor, and you will need to consider what financial support you will provide employees (Additional travel expenses? Housing outside home city? For how long? Flights? Daily expenses? Childcare?). Fairness and consistency is going to be key to your reputation among employees, and going forward!
- ▶ **Visas:** Some China-based employees may be facing visa renewal. If they are in China, accommodation at the local level is likely to be needed (like Shanghai). If they are out of China when their visa expires, it can affect renewal (and therefore re-entry). Your list of employee’s personal information and whereabouts should include visa renewal information, as appropriate.
- ▶ **Limited resources:** There are fewer flights out of China now, and more are being cancelled every day. In a rapidly deteriorating situation, commercial travel resources will be fully utilised very quickly.
- ▶ **Employee choice:** What does your employee and their family want to do? What support are they getting from their spouse’s employer? If they make a decision that goes against company policy, what is your response?

It’s complicated. There are lots of factors to consider. Work through the nuances, scenarios and details now!

### 2. My employees are outside China – When can they come back? When can we resume normal business operations?

There are many variables that will determine how long the current issue lasts, including the effectiveness of containment and quarantine, and how virulent the virus is – all big unknowns at this point. Regardless, it is unlikely that we will see a rapid return to normal business operations soon. We expect a gradual return, which will improve once authorities are of the view that infections are declining. Return to normal business will be monitored and directed by local authorities, and companies should continue to anticipate continuing and sudden disruption.

- ▶ The best-case scenario is that you need to be prepared to be actively managing the current issue in China until, at least, the end of March. This scenario would see a peak in infections in late February and then a gradual return to normality throughout March.

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- ▶ A more likely scenario is that normal business operations will be resumed gradually throughout the second half of March/early April, depending on city and provincial infection rates. Returning to normal operations will not be consistent across the country.
- ▶ If containment and quarantine is less successful in other provinces, return to normal operations could be interrupted and would not occur until July/August
- ▶ In a worst-case scenario, the outbreak is not contained until into early 2021, and there are uncontained outbreaks in parts of Asia, Europe, Africa and the Americas.

You will also need a clear “return to work” protocol. This will need to be done in close consultation with local level authorities, and not every location will apply the same standards. In many instances, you will need to prepare a formal return to work request for approval, which will need to include details of health and hygiene practices, travel histories of employees, detailed employee communications, and written commitments to cooperate with governmental instructions and building/industrial park management.

However, just because you have government approval to return to work doesn't mean that all your employees will be comfortable to do so. You can use similar factors to determine triggers for return to China.

- ▶ **Employee/family well-being and anxiety.** There have been no symptomatic people in close proximity; employees and family members do not show any symptoms; infection rates are decreasing/low; local city officials are relaxing quarantine rules; schools are reopening.
- ▶ **Operational impact.** A gradual return to work has been announced by regulators/has been observed across the industry and key people need to return to lead the recovery efforts.
- ▶ **Support infrastructure:** Access to medical facilities and resources are operating as usual; flights are returning to near-normal frequencies, company resources are available to support with any last-minute requests.
- ▶ **Employee choice:** If your employees want to return to the workplace, you need to be satisfied they have the knowledge and information to be able to make that judgment, and that they are implementing company and governmental directives

on quarantines and reporting and remaining healthy.

It is important to set some expectations among your employees about the factors you will consider for return to work and return to China and communicate those well in advance, maintaining an ongoing dialogue with employees.

### 3. What business continuity/operational factors do I need to be considering now?

Anecdotally, many companies are using the end of February as the starting point for returning to normal operations, with the aim of being fully back to business by the end of March. This timeframe is a sensible and risk-based one, without being too pessimistic. However, it is critical to maintain flexibility and preparedness for disruption. It is important to monitor triggers, such as announcements regarding when school returns, when infection rates start to decline, or when authorities and governments start signalling a relaxation of quarantine and travel restrictions.

The extent of disruption to your business will depend heavily on your sector, how reliant you are on third parties and how affected they have been by the outbreak; and on the operational and financial impact on your customers and clients.

Many business continuity plans assume a narrow or limited impact on business and third parties; they assume either denial of access for a short period of time, a limited staff impact, or that there will be redundancy in the supply chain with credible alternatives in the market. A pandemic isn't a “normal” business disruption. You need to plan for longer-term shortages across a broader geography (national and regional supply chains) and 50% or more of your employees with reduced capacity. This means that you will need to:

- ▶ Re-evaluate your current business impact assessment with revised scenarios for longer and larger shortages in supply chains and greater reduction in workforce capacity over a longer period of time. You will need to refine your priorities and critical business processes again.
- ▶ Check supplier contracts for force majeure clauses and assess the likelihood of suppliers successfully asserting force majeure to delay or excuse performance.
- ▶ Activate a regional and global response to the identification of alternate supplies. First-mover advantage and thinking creatively about your supply chain and your relationships with third parties will lead to a quicker recovery.

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- ▶ Integrate pandemic response plans that include health and hygiene and social-distancing measures with your standard business continuity planning. These will be mandatory requirements by government authorities in many instances but will also work to ensure your employees fulfill their reporting obligations, practice good personal hygiene, and have the confidence to return to work.
- ▶ Plan for a bumpy return to work – there may be a localised spike in infection rates or employees who are quarantined, because they have had contact with suspected or confirmed infected persons that set you back.
- ▶ Communicate frequently with clients, customers, suppliers and your employees about your operational requirements, needs and what you are doing to return to business as quickly as possible.

Finally, many companies are forecasting a short-term financial hit to their P&L. It is never too early to plan for recovery. Establish a dedicated recovery team that can focus on the customers, clients, sales and marketing efforts you need to get back to business as quickly as possible.

#### 4. How do I interpret and ensure compliance with confusing and sometimes contradictory advice from national to city level.

Many of our clients are finding the sometimes confusing, vague and occasionally contradictory advice and notifications from the authorities in China challenging to manage. Getting this wrong can be a significant compliance and reputation issue.

While there is national-level coordination, in the current situation, neighbourhood and city level authorities take the lead in making and executing important decisions relating to quarantine and returning to work. Interactions with these local organisations can be challenging.

- ▶ It is important to remember they have the authority to make these local decisions, and respectful compliance is expected; you should counsel your employees to remain calm, obey directions and be respectful.
- ▶ When strict home quarantine is imposed, the local organisation will assist with sourcing for and delivering food and necessities, and employees should be encouraged to

keep petty cash at home for this contingency.

- ▶ Remember that city-wide and local guidelines in most places have been put in place as a result of a public-health emergency, so any perceived non-compliance can lead to sanctions being imposed for causing disturbance to public order, including detention and criminal proceedings.

#### 5. What should you be doing now?

Most companies have the basics under control. They have established regular crisis-management team meetings, have implemented some monitoring, have additional travel approvals in place, have been working remotely for a week or more, and are educating employees on health and hygiene. Here are some additional steps you should be taking, if you aren't already doing so.

- ▶ Enhance your monitoring so that it captures the nuance of infection-rate trends and how authorities are responding in the cities and provinces that matter to your business (for your operations and those of your dependent third parties).
- ▶ Align your monitoring to triggers for key decisions about people and operations in those cities.
- ▶ Conduct detailed scenario planning for best-case, most likely and worst-case situations, and adjust your business continuity planning accordingly.
- ▶ Start planning for recovery now to get ahead of the curve.

**If you would like to discuss your approach to COVID-19, our on-the-ground team in China and around the globe, is well placed to provide assistance. Please contact [coronavirus@controlrisks.com](mailto:coronavirus@controlrisks.com).**

**Detailed medical and travel security information can be found on the website of our partner, International SOS, which can also help with specific medical advice and planning.**