

A close-up photograph of several interlocking golden gears, likely from a watch movement, set against a dark background. The gears are highly detailed, showing their teeth and the intricate mechanical structure. The lighting highlights the metallic sheen and the precision of the engineering.

Control Risks

化险集团

12 March 2020

COVID-19 Response and Recovery

The Australian Chamber of Commerce in Shanghai

**Kent D. Kedl, Partner
Head of Greater China and North Asia**

▶ Your speaker today



Kent D. Kedi

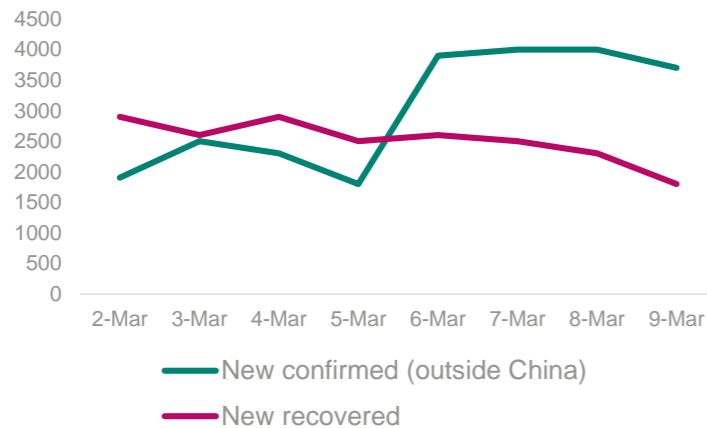
Partner, Head of Greater China & North Asia

► Global snapshot

Countries to watch

- **China** – rate of new cases is decreasing
- **EU** – France, Spain and Germany all have more than 1,000 cases. France has banned gatherings of more than 1,000 people.
- **Israel** – Israel has imposed mandatory quarantine for all arriving/returning Israelis and visitors
- **US** – USD 8bn spending package passed to support actions against COVID-19 spread; five states have declared a state of emergency.

Daily cases



4,600+

Total deaths

126,000+

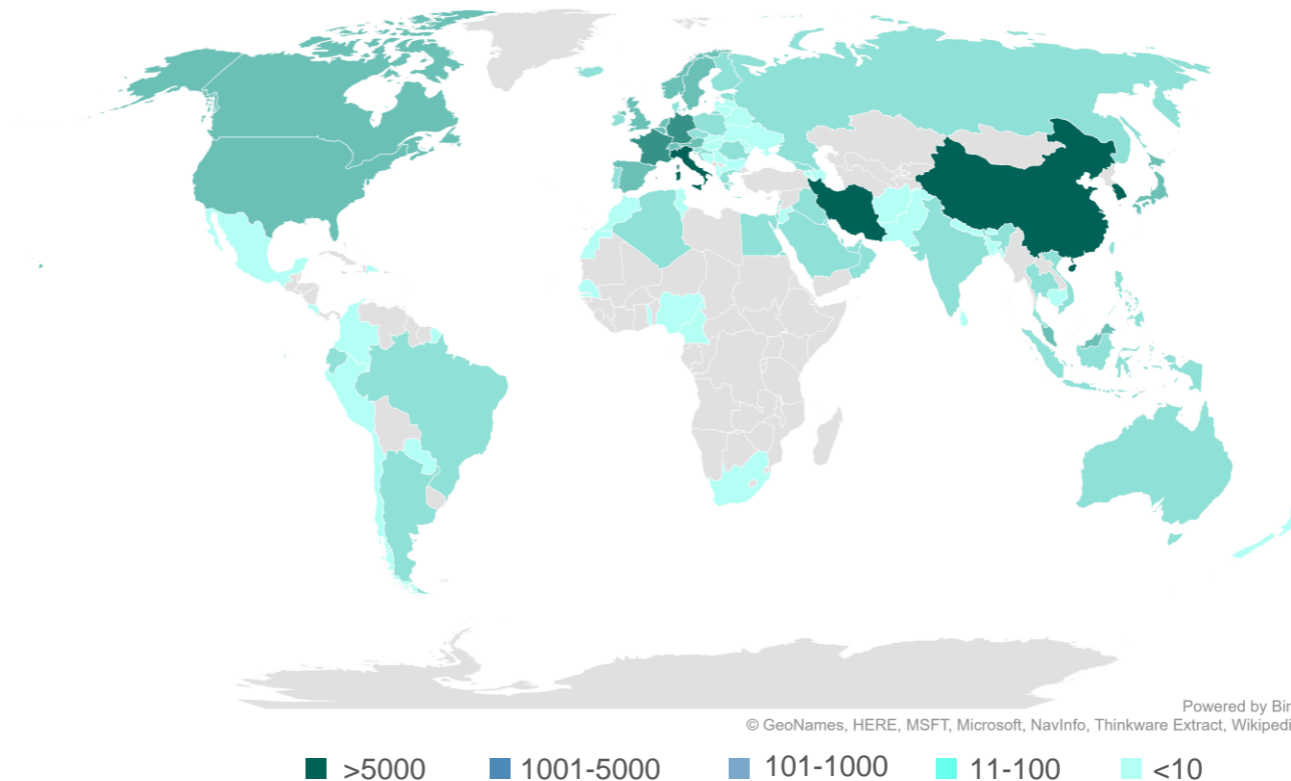
Total confirmed

114

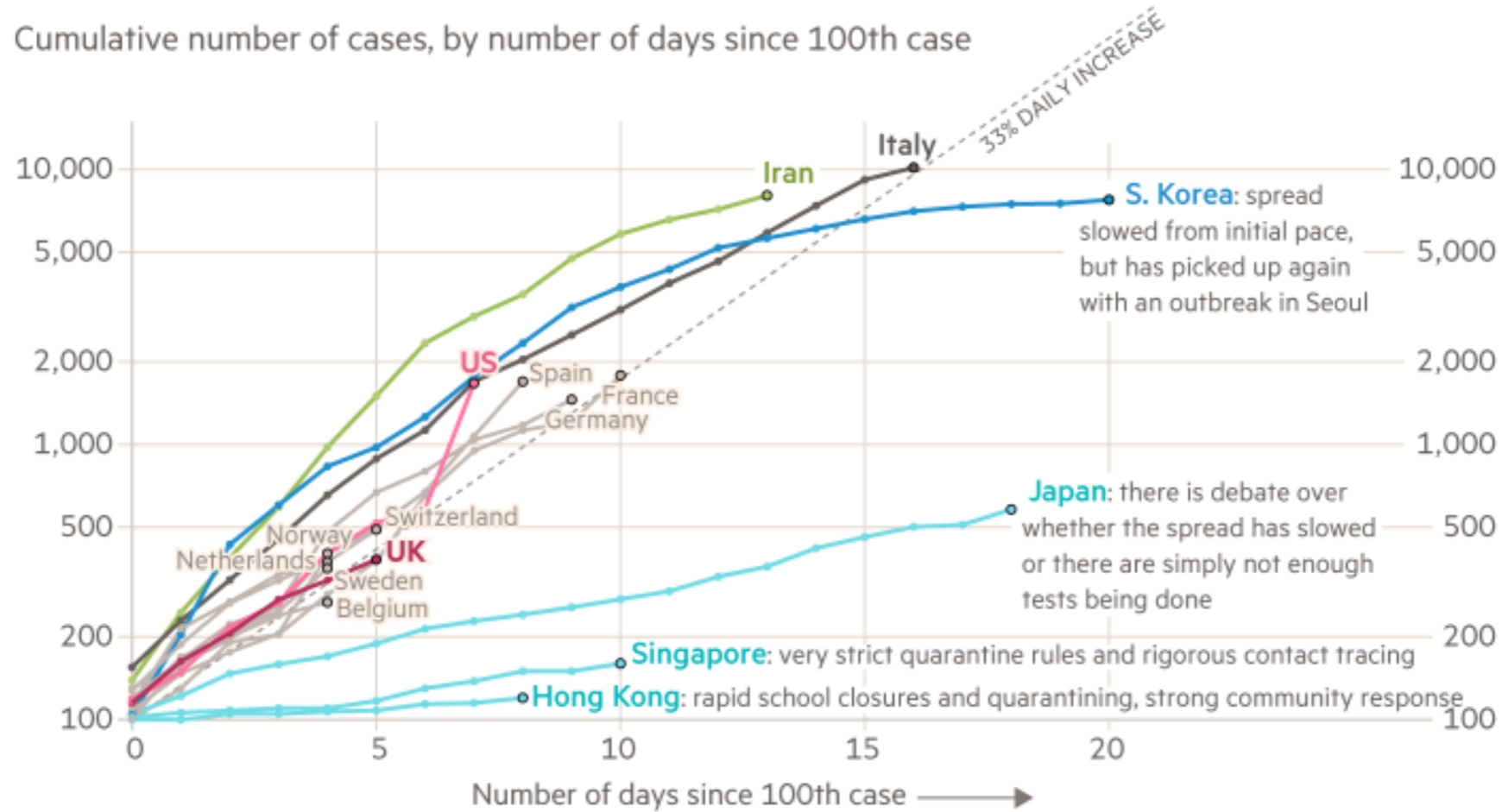
Countries/regions affected

On March 11, 2020, the WHO officially classified COVID-19 as a global pandemic.

Total number of confirmed cases

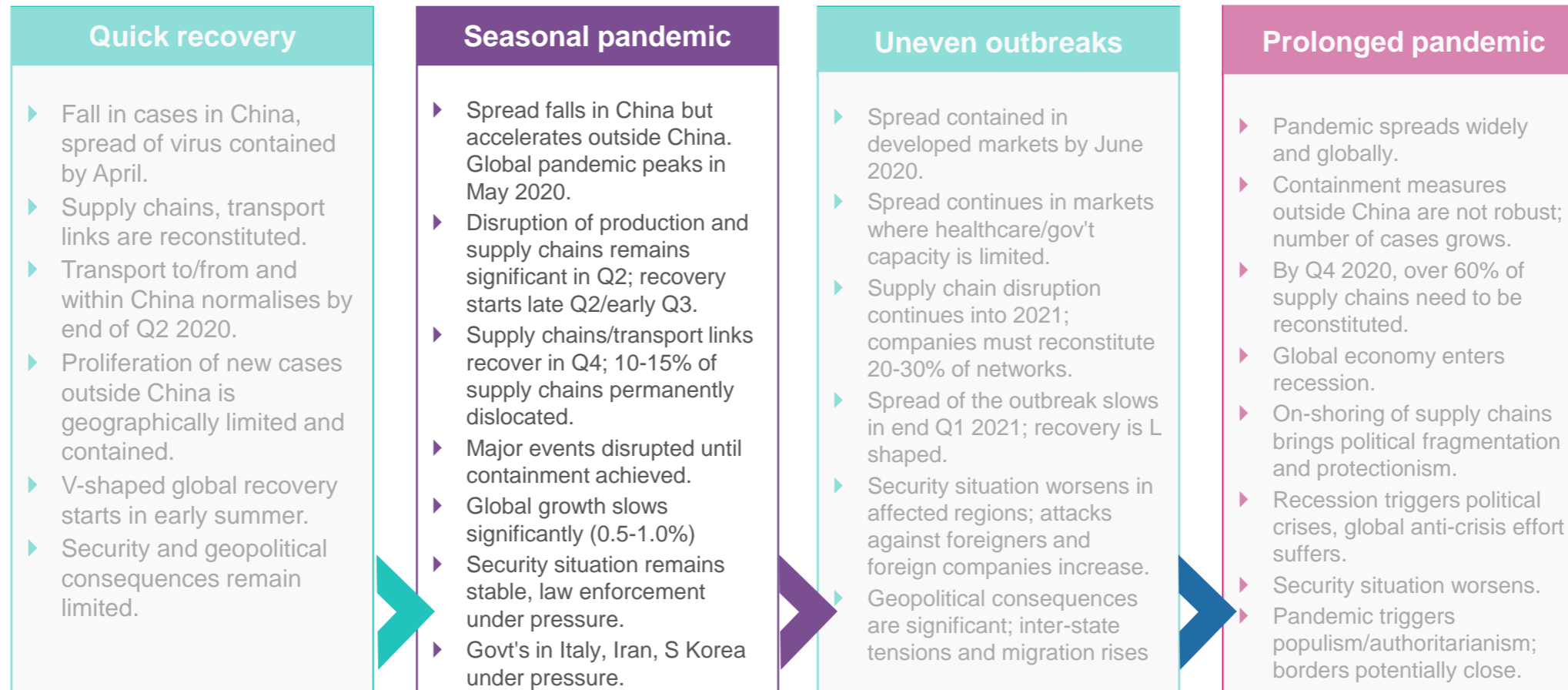


► Virus trajectories are similar in the West



Source: FT analysis of Johns Hopkins University, CSSE
 FT graphic: John Burn-Murdoch / @jburnmurdoch
 © FT

► Global scenarios



































► Trigger monitoring

Quick recovery		Seasonal pandemic		Uneven outbreaks		Global pandemic	
New case count in China declines	↗ ✓	New cases in China start to decline	↗ ✓	New cases in developed countries start to decline	→	Uncontained global spread causes rapid increase in new cases in most regions	↘
New case count outside China declines	↘	New cases outside China continue to increase	↗ ✓	New cases in developing and emerging countries ex-China continue to increase	↗	Supply chain disruptions result in shortages of intermediate and final goods	→
Rapid resumption of Chinese manufacturing	→	Slow resumption of Chinese manufacturing	↗ ✓	Significant supply chain disruption outside China	↗	Global economy forecast to enter recession in 2020	→
Minor global growth impact in 2020 (<0.5%)	↘	Global growth forecast to slow significantly in 2020 (0.5-1.0%)	↗ ✓	Global economy forecast to enter recession in 2020	→	Widespread restrictions on international travel – WHO advises against travel to affected areas	↘
Public health emergency declarations rescinded	↘	Major countries issue selective international travel restrictions	↗ ✓	Selective international travel restrictions - WHO advises against travel to affected areas	↗	Nationwide restrictions on freedom of movement	→
Major international meetings and events are held as scheduled	↘	Localised or regional restrictions on movement	↗ ✓	Major international meetings and events are delayed or cancelled through end of 2020	→	International and multilateral meetings postponed indefinitely	↘
		Major international meetings and events are delayed or cancelled through mid-2020	→	Limited migration driven by public health concerns	→	Significant migration driven by public health concerns	↘
				Isolated deterioration of security	→	Broad deterioration of security – reduction of law enforcement capacity	↘

Likelihood	
Neutral	→
Likely	↗
Unlikely	↘
Met	✓

▶ Government action summary

Region	Country	Type of restrictions	Date introduced
South Asia	Bangladesh		25 Feb
	Bhutan		8 Feb
	India	  	5 Feb; 19 Feb; 3 Mar
	Maldives	 	3 Feb; 26 Feb
	Nepal	 	29 Jan; 29 Jan
	Sri Lanka	 	29 Jan; 6 Feb
North-East Asia	Mainland China	    	All 23 Jan; Schools 26 Jan
	Hong Kong (SAR)	   	3 Feb; 3 Feb; 3 Feb. 25 Feb
	Taiwan	  	26 Jan; 6 Feb; 4 Mar
	Japan	  	1 Feb; 1 Mar; 1 Mar
	North Korea	  	21 Jan; 21 Jan; 27 Feb
	South Korea	  	2 Feb; 10 Feb; 21 Feb

Legend:

 Flight





















 Port

 Land transport

 School

 Public gatherings

► Government action summary

Region	Country	Type of restrictions	Date introduced
South-East Asia	Brunei		30 Jan
	Indonesia		5 Feb
	Laos	  	29 Jan; 2 Feb; 3 Mar
	Malaysia	 	27 Jan; 4 Feb
	Myanmar	 	1 Feb; 23 Feb
	Philippines	 	31 Jan; 6 Feb
	Singapore	 	29 Jan; 1 Feb
	Thailand	 	5 Mar; 4 Mar
	Timor-Leste		8 Feb
	Vietnam	 	1 Feb; 28 Jan
Australasia	Australia		1 Feb
	New Zealand		2 Feb

Legend:

 Flight














 Port

 Land transport

 School

 Public gatherings

► Government action summary

Region	Country	Type of restrictions	Date introduced
MENA	Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Morocco, Qatar, Saudi Arabia, Tunisia, UAE	   	January, February, March
Sub-Saharan Africa	Angola, Burundi, Cameroon, Cape Verde, Chad, Comoros, Congo (Brazzaville), Congo (DRC), Cote d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, eSwatini, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Senegal, Sierra Leone, Somalia, South Africa, South Sudan, Tanzania, Togo, Uganda, Zambia, Zimbabwe	 	January, February, March
Former Soviet Union	Kazakhstan has banned port traffic from Iran and Azerbaijan. All countries bordering China have closed that border.	 	February
Europe	Most EU countries have introduced border screening at border or provided enhanced travel info.	 	February
North America	United States, Canada	 	January, February, March
South America	Antigua and Barbuda, Bahamas, Belize, Bermuda, El Salvador, Cayman Islands, Grenada, Guatemala, Jamaica, Paraguay, St Kitts and Nevis, St Lucia, Suriname and Trinidad and Tobago Chile		February, March

▶ Business impact analysis – mid March

China supply chains starting to move

- ▶ Factories are open ... workers not all back, suppliers not all running
- ▶ Tensions with local authorities

Global impact still unknown

- ▶ Market plunges halt trading for the first time in 20 years
- ▶ Travel restrictions, large events limited – for how long?
- ▶ Government response not always in line with actual virus cases

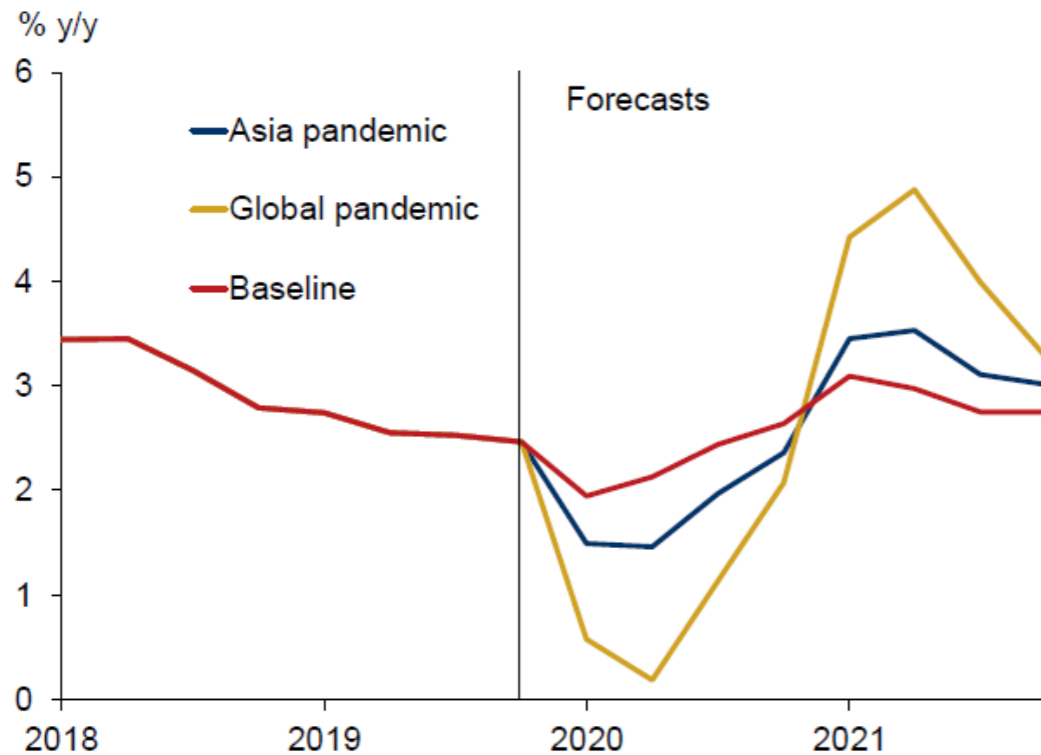
Corporate HQ crisis plans are tested

- ▶ No scenario for this
- ▶ Challenges in getting information, analysing it and communication *clearly* to company and stakeholders
- ▶ Coming up with clear scenarios and triggers



► The macro economic impact

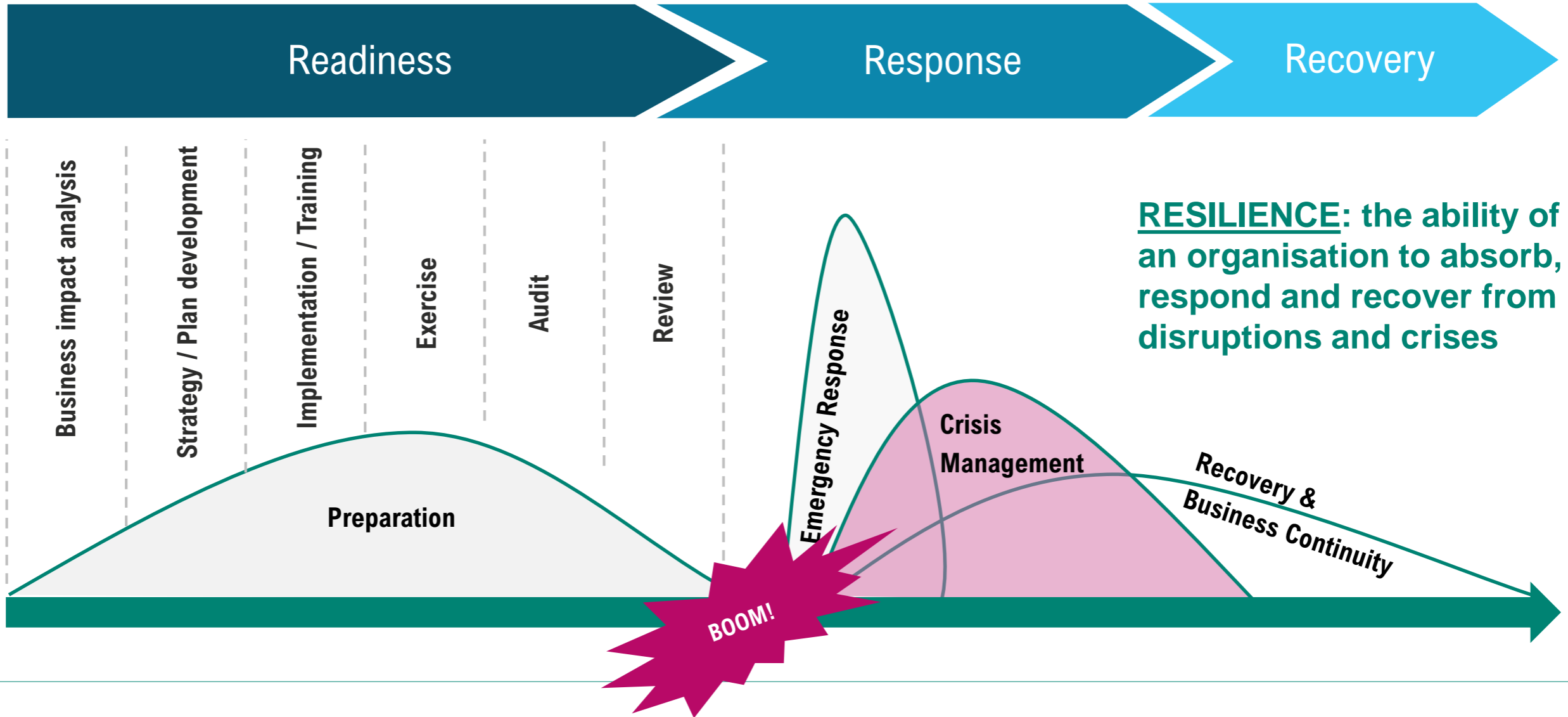
World: GDP growth in pandemic scenarios



Source : Oxford Economics

- Scenario 1: Asia Pandemic results in a global fall of 0.5% of GDP (\$0.4tn)
- Scenario 2: A global pandemic results in a fall in GDP of 1.3% (\$1.1tn)
- Lower discretionary spending
- Unavailability of labour
- Drop in demand in travel, tourism, etc
- Significant supply chain disruption
- Weaker global trade
- But expect a bump!

► Timeline – managing *through* a crisis



► The recovery process

It's about creating a shared vision of the market, post-crisis, and your growth opportunities in that market. This isn't about mere *survival* ... it's about getting back to *growth*.

The recovery team – separate from the crisis team – follows a process to answer critical questions and implement solutions to get you back to growth



Objectives

What kind of a company do we want to be, post-COVID-19 crisis?



External

How will the market and players be different, and where will the growth opportunities be?



Internal

What do we need to change internally in order to be able to execute on the identified opportunities



Risks

What are our threats and vulnerabilities in the post-COVID world?
How can we mitigate risks in order to have the best chances of capturing growth opportunities?



Accelerated implementation of changes to your business will be required to capture opportunity

► Set your objectives

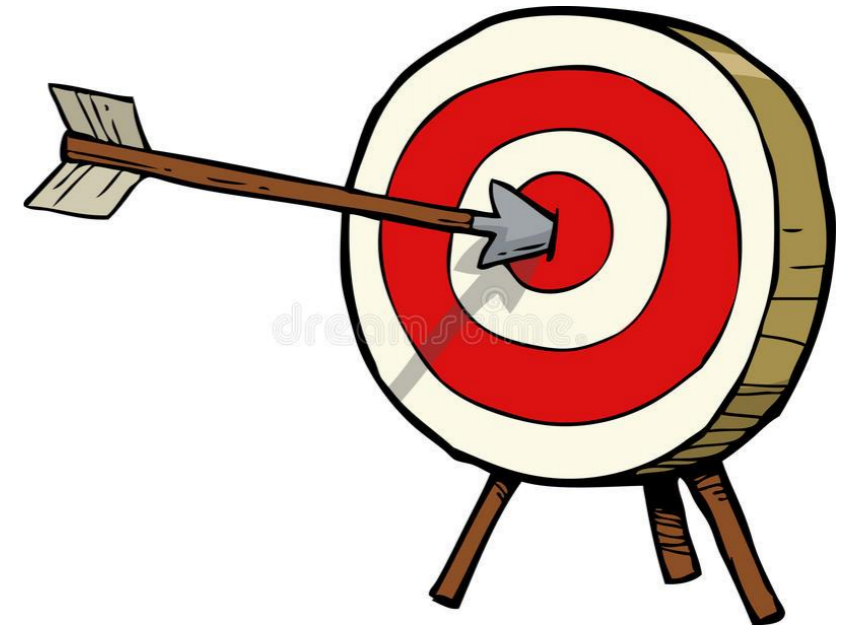
You need to assume that there is no “normal” to get back to

You first need to determine the kind of company you want to be in the business world after COVID-19 subsides

- Consider the market, external and internal stakeholders

Define your recovery objectives

- We want our employees/clients/customers to know we are alongside them in the bad times, as well as the good (avoiding short term thinking)
- We are as prepared as possible to capitalise on the “bounce” in H2. We will capture “xyz%” market share in recovery
- We are going to re-organise our supply chain/key functions to be more resilient/compliant in the future
- Etc...



► Questions around the *external* environment



How will the routes-to-market change?

- Will our current distributors be able to handle the post-COVID-19 world? Are we fully ready for a renewed focus on digital?

Which part of our market will recover first?

- What products and services will customers be buying first?

How has the crisis impacted our competitors?

- Where are they stronger, where weaker?
- What changes will they make in their go-to-market strategies

Can our supply chain support the new growth opportunities?

- How can we help our suppliers be more resilient? where do we need to load-balance our global supply chain?

What will be the focus of government authorities and regulators?

- How can we be the “poster child” for compliance?

What can we do NOW to get the recovery momentum going?

- Building trust, creating loyalty – communicating and following through

► Questions around the *internal* environment

Consider all...

- stakeholders (employees, suppliers, distributors, government)
- resources (sales, R&D, HR, GA, etc.)

What is the impact on our P&L?

- How does that change if we model various scenarios?
- Where can we stop the short-term bleeding vs invest for the long term?

Do we have the right mix of talent?

- Can our current team manage sales and distribution?
- Do we have resources for digital?
- Can we do more virtually?

Can our suppliers handle the new post-COVID demands?

- How invested do you need to be in third parties that are struggling financially in the short term?
- Can we cost-effectively speed their rebound?



► Update your risk register



How are you mitigating these risks and focusing on opportunities...?

Identify the new threats to your business after COVID-19

- Our competition has both the right product and distribution for the new demand
- Government regulators will focus new efforts on cyber
- Cyber criminals will vigorously exploit increased opportunities

Where are you most vulnerable in the new environment?

- Our distribution network can't shift fast enough
- We don't have the right government and regulatory relationships to managing the rapidly changing compliance environment

What are the key risks you will have to manage after COVID-19?

- What can you do now to mitigate those risks?

How do your plans need to be updated?

- Crisis management and response
- Business continuity

Do you have a solid pandemic plan – global, regional and local?

▶ How Control Risks is helping our clients

Monitoring, information and updates

- ▶ **Comprehensive updates and maps** including numbers and rates of infection and monitoring for local government directives, operational disruption, regional movement restrictions, quarantine directives, supply chain routes.
- ▶ **Ad-hoc advice** for more nuanced intelligence gathering and updates.
- ▶ Control Risks' monitoring is used by our clients to **support critical decisions** they need to make about people, operations, supply chains and overall risk management.
- ▶ Headquarter briefings – **updates from on the ground**, verification of what local teams are telling them, forecasting critical issues for the future.
- ▶ Stimulating innovative thinking by facilitating **management workshops** to assess readiness and resilience and create improvement plans, using our market knowledge and subject-matter expertise.

Advisory services

- ▶ **Crisis management:** subject matter experts to augment and supplement a client's crisis management, communications and business continuity efforts, using a risk-based decision-making framework to effectively make critical decisions.
- ▶ **Scenario planning:** best case, most likely, worst case, detailed for industry and operations. Includes triggers to monitor for changes to operations decisions (escalation and de-escalation).
- ▶ **Business continuity:** focused on current situation, planning for how to recover quickly and build resilience. Applies to all sectors -- services and manufacturing included.
- ▶ **Supply chain advisory:** what is the *real* situation with my supplier; when will supply chains resume normal operations, what triggers can we monitor for early opening, how can we positively influence local officials, etc.
- ▶ **Recovery team:** Facilitating the information, process, analysis required to focus on recovery and helping you implement practical solutions
- ▶ Creating key **messaging and communications** for internal and external stakeholders.

► Q&A

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