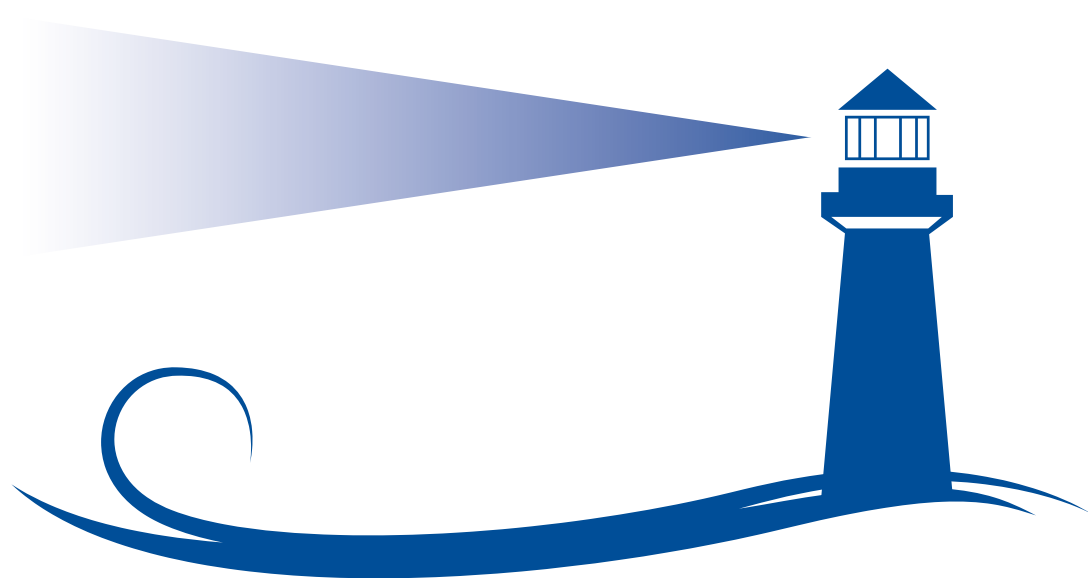




# Leading successfully in turbulent times

*A guide to robust business continuity planning*



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# Introduction

## In turbulent times, how can boards, senior management and risk managers safeguard the business and discover opportunities amid a crisis?

Many businesses have contingency plans that were developed with an eye on disruptions to the micro-environment, such as power outages, inability of staff to reach their workplace, and the unavailability of machinery. However, such plans might not be adequate for the type of macro-environmental disruption we are currently experiencing which affects many, if not all, the stakeholders in a business' ecosystem. This compounds the ramifications and makes the disruption more acute.

For now, businesses need to manage in a highly challenging environment that for some is tantamount to a crisis. To succeed, they require strong leadership, and they will need to adapt and improvise. Short-term success can be measured through the immediate safety of their workforce and compliance with relevant laws, followed by brand preservation and continuity of operations.

Businesses need to answer some difficult but important questions:

- ✓ Are you fully prepared for a crisis?
- ✓ Do you understand all potential risks?
- ✓ Have you thought "outside the box" regarding risks and responses?
- ✓ Are all responses documented?
- ✓ Do you have the right resources readily available to assist?

The current environment will test most businesses' ability to operate and manage in a crisis. An effective response by a company requires **transparency, accountability and above all, strong leadership**. Businesses need to be clear about who is making the decisions, keeping the board regularly informed, and maintaining the board's independence.

Businesses must also rapidly establish their immediate and longer-term risks, and develop a response plan accordingly.

In developing that plan they should consider:

- ✓ Who will act as internal lead, and who their back-ups are for each category of crisis
- ✓ The role of each member of the crisis team
- ✓ Which outside advisors should be on the team
- ✓ Who is responsible for communications with each constituency (e.g. regulators, investors, employees, customers, media and the public)
- ✓ The role of the board vis-a-vis management

KPMG has compiled a series of Business Continuity Insights to provide guidance to businesses across all sectors during difficult times. This report outlines key focus areas that organisations should pay attention to when developing an effective business continuity strategy.

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Further guidance can be found by visiting <https://home.kpmg/cn/en/home/topics/business-continuity-insights.html>.



# Business continuity checklist

## Developing a rapid response – The basics



### **Assemble and activate a crisis management team**

In uncertain times, strong leadership steadies the ship. Irrespective of whether a plan exists, successful crisis management requires the activation of a dedicated crisis management team. This team will resemble the executive leadership of the business, with clear roles and responsibilities for addressing the crisis. Multiple teams can form across the organisation. Whatever the composition, it is imperative that leadership is accessible and visible, so that concerns and feedback can be given to leaders directly. This better enables them make timely, well-informed decisions.



### **Implement business continuity and resilience planning**

During a crisis, it is often a race against time to make key decisions that will directly affect the stability of the business. Organisations should engage in ongoing business and resilience planning to be able to promptly address the most pertinent challenges. At the same time, they should consistently monitor developments to ensure prompt response to various incidents, while proactively planning for future scenarios.



### **Employee well-being**

Of paramount importance is the safety and well-being of employees and their families. Establish clear protocols for employee communications, messaging, and working expectations, and align these with relevant prevailing local emergency laws. Working from home or agile arrangements can pose different challenges for businesses, from technology to management expectations.



### **Communications feedback loop**

Establish clear, consistent communications channels with employees, suppliers, customers, and their stakeholders. Establish a feedback loop in which you can garner insights and viewpoints from these stakeholders, and feed these into daily management plans.



### **Third-party risk management**

Beyond normal supply chains, businesses are dependent on multiple layers of third parties to operate, from technology vendors, serviced office providers, utilities, professional services, logistics and even their regulators, all of whom feel the impact of current developments. Establish a clear understanding of these dependencies and review Service Level Agreements (SLAs) for critical providers.



### **Manage the economic impact to the business**

While businesses often focus on continuity of operations during a crisis, it is equally important to understand the economic impact that the crisis may have on the business, put in place strategies to manage the impact, and plan for the recovery of the business.

## Be agile – Adapt and improvise



### Cash management

Gaining visibility and control over cash flows is a business necessity, especially during times of uncertainty. This can be done through accurate cash-flow forecasting, and exercising control by limiting non-essential spending. Focus on cash collections and deferring significant cash outlays. Assess whether there is sufficient liquidity to support short and medium term requirements. Work with suppliers, customers and financiers to alleviate cash constraints.



### Supply chain management

Understand the extent of disruption to supply chain. How have your suppliers and their suppliers been impacted? Businesses may need to seek alternative suppliers, change transport routes, utilise different transport methods, and/or identify substitute inputs to manufacturing. Some businesses will seek to reduce finished goods inventory held in line with reduced demand, while others will need to rapidly increase raw materials inventory to meet increased demand. If your balance sheet permits, understand how you can support key suppliers with the funding of their working capital together with third party financiers. Visibility across the supply chain and agility in decision-making across departments are critical.



### Stay close to customers

Regardless of business type or industry sector, during times of uncertainty it is important to reach out to customers to ensure them that they can continue to rely on your business to deliver goods or services to them. Reassuring customers that you will stand shoulder-to-shoulder with them during this challenge is one of the most

effective ways to build trust, and it can make a big difference towards strengthening future customer relationships. At the same time, businesses should identify areas of potential non-performance with regards to supplying and servicing clients, and proactively engage with customers to mitigate potential risks. They should also closely monitor the market environment and plan future operations accordingly.



### Financial planning

Revision of financial plans, scenario planning, and communications with lenders. Financial planning should be considered under a range of scenarios including a rebound in the global economy, general slowdown and global recession. Plans should be stress-tested based on these scenarios. Factor in potential covenant breaches on borrowing facilities, and engage early with lenders to seek waivers. Also include cost projections for what the crisis will potentially cost the business, and use these figures as data points when developing the recovery strategy.



### Evaluate and re-evaluate

Adapt and improvise. Planning initially will be done without little visibility of future market demands and the operating environment. Deploying a continuous communications feedback loop enables crisis managers to adjust their approach. Businesses should also leverage the situation to identify the future direction for their operations. For example, whether they should consider strengthen remote working capabilities for staff and build up IT and cloud capabilities to create a more agile working environment.



# Develop a robust cash management strategy

In the current market, cash is key to the survival and growth of any business. As the global economy continues to face challenges, effective cash management to maintain a steady stream of working capital is an increasingly vital practice.

Regardless of the industry they operate in, businesses can demystify cash management by taking proactive steps to gain control over the situation. These include gaining visibility over cash flows, managing working capital needs, conducting thorough reviews to release illiquid cash, and ensuring the business model fully considers cash requirements.

Inefficiencies with regards to policies, processes and systems, as well as with an organisation's culture and its people, can hinder cash management performance. A thorough understanding of an organisation's cash position is also crucial in terms of allowing management visibility and control in times of crisis.

## Things to do now

### **Gain visibility and control over cash flows**

To achieve working capital performance goals and understand how cash flows around a business, cash flow forecasting needs to be accurate. Improving forecasts will require the business to establish clear reporting through a 13-week rolling cash flow forecast, that is prepared on an expected receipts and payment basis, by business line and jurisdiction. It means reviewing and challenging assumptions on a regular basis, with participation by all function heads and having aligned key performance indicators (KPIs). Cash flow management is not just the responsibility of the finance function. It is important to engage with financiers earlier to address any forecast deficiencies and take appropriate steps to regain control of the situation.



## Proactively manage working capital

Having a clear understanding of the working capital cycle is a key factor. It is important that you consider your working capital strategy holistically. For instance, changing your payment terms with your suppliers may have a consequential impact on the quality of service, impacting inventory levels and thus the quality of service that you can provide to your customers. For trade receivables, ensure appropriate processes are in place to ensure clients are invoiced in a timely manner, in accordance with contract terms, and that there are robust credit controls in place.

There are also best practices that companies can adopt from an inventory perspective. For example, addressing slow moving, obsolete stock and periodically analysing SKU profitability can help avoid tying up cash in unproductive inventory.

In times of economic disruption, cash management can be even more important, so every dollar counts. Avoid daily or ad-hoc payment runs and consolidate these on a weekly or fortnightly basis. Make use of supplier finance programmes to release cash earlier to suppliers and ensure continuity of supply and service levels.

## Think beyond working capital

Past expenditure programs that assumed continued market growth may need to be re-evaluated in light of the changing economic conditions and heightened associated risks. Reassess your trapped and illiquid cash within the group structure, your capex strategy and consider leasehold/rental as alternative. These actions may help to defer significant capex outlays or to release cash through sale and leaseback. Effective tax planning and making use of any opportunities to defer or reduce payment of tax through pursuing any potential refunds can also help alleviate some of the burden.

## Think strategically

For leading global businesses, cash management should consistently be a boardroom priority. To ensure that your business model fully meets cash requirements, it is important to review the markets you operate in, the products and services you sell, as well as the channels these products or services are distributed through. Furthermore, businesses should consider developing a cash management strategy with clear metrics for cash and working capital.

In tough economic times, it is critical that companies have sustainable cash and working capital practices – a discipline they can draw upon to improve their competitive position when there is tremendous amount of turmoil in the market.

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For more information, please visit: <https://home.kpmg/cn/en/home/insights/2020/02/improving-cash-and-working-capital-management.html>.

## Key Considerations

- **Is the organisation struggling to meet short-term funding requirements or making unexpected requests for additional funding?**
- **Is the organisation receiving requests from customers to extend credit terms when cash is already tight?**
- **Are your forecasts accurate and robust?**
- **Have you entered into a payment plan with trade creditors?**
- **Does management have a clear understanding of how the current business model drives cost into the business and understand what level of cost can be extracted?**



# Build an agile and resilient operating model

To successfully weather a crisis or economic downturn, organisations must be able to adapt to rapidly changing market conditions. In difficult times, it is essential that top management have access to accurate and reliable data that can help them make timely, well-informed decisions.

Building agile and adaptive operating models can help businesses stay competitive during tough times. To be “flexible”, organisations need to be able to break down silos and develop agile teams across their various functions. This also means having the right technology capabilities to incubate and develop new products and services while delivering complex products at scale.

By implementing the right technology structure and solutions as part of an overall digital transformation strategy, businesses can gain valuable insights into their operations and eliminate friction. Aligning front, middle and back offices to become more customer-centric can enhance their ability to respond quickly to market shocks or other disruptions.

## Things to do now

### Create a more agile IT function

By recognising the value of technology and investing in the IT function to better enable the business through automated processes, organisations can stay on top of sudden market changes and make better informed decisions to keep the business running smoothly.

This means developing a connected IT ecosystem that shifts away from the ‘enterprise’ mindset that has traditionally powered the IT function, such as an exclusive focus on enterprise resource planning (ERP) systems and in-house IT development and support teams. Instead of relying solely on one vendor or an in-house IT team, organisations should adopt a best-in-class technology strategy, establishing a portfolio of technologies and partners across the continuum of planning, building, testing and monitoring. During turbulent times, as attention shifts to ensuring sufficient cash flow, alliances and partnerships with third-party technology vendors should also be scrutinised to ensure that these investments still make long-term sense for the business and are still relevant as the organisation’s business model adapts.





## Develop remote working contingency plans

In a crisis, being able to remotely access key information required for decision making to maintain 'business as usual' is critical to business continuity. Establishing "cloud offices" can enable more effective cooperation among management personnel operating from multiple locations during this critical period. The use of robotic process automation (RPA) tools can also assist in business continuity during a situation when available manpower may be disrupted.

To prepare for future emergencies, remote office working plans and scenarios incorporating the relevant cloud-based solutions should be incorporated into firm's overall business continuity plan. Care should be taken to ensure appropriate data security on these remote systems and guidance on how to protect confidential information should be shared with employees. Workers should also be educated about potential cyber threats, such as phishing scams, that could compromise data or systems – as the frequency of cyber attacks tends to accelerate during a crisis.

## Harness the power of data

Successfully harnessing data not only means having the means to collect it, but also the right tools to aggregate, consolidate, analyse and present it in meaningful ways.

To reap data's full benefits, it is imperative to invest in programs to upscale the data and analytics skills of staff across the business and set baseline expectations for data literacy and usage throughout the organization. Organisations should develop a foundational capability framework, supported by appropriate training programs (e.g., hackathons, analytics bootcamps), to become more data-driven.

## Safeguard customer trust

Central to maintaining customer trust is protecting customer data. Organisations can start by building safeguards into the digital platforms customers interact with and by safekeeping the data customers agree to share. Prioritising security and privacy by design, treating data as an asset, and establishing dynamic incident response are three key technical capabilities that all contribute to protecting the customer. The IT function can help implement data governance programs to protect customer data from theft, loss and misuse. This also keeps customers informed about who is using their data and why and ensures that data collection complies with all relevant privacy regulations.

## Key Considerations

- **Does your organisation's business continuity plan include long term remote working and remote management of essential operations?**
- **Has your business taken steps to make your IT function more agile so it can support rapidly changing business needs impacted by market conditions?**
- **Have you explored how new technologies and business partnerships can modernise your organisation's data supply chain to allow continuous delivery of relevant real-time insights?**
- **Have you championed data literacy across your entire organisation, as opposed to just IT professionals?**
- **Are you ensuring your company's platforms – particularly those that are customer facing – treat data security as a top priority?**
- **Does your organisation have a scalable and flexible IT/ cloud infrastructure in place in the event of a crisis?**



# Getting smart about tax

Tax is an important contributing factor when considering business liquidity and profitability. During a crisis or unexpected economic downturn, it is important to understand how potential disruptions, such as abnormal losses, additional costs to protect employee safety and welfare, cash flow changes, and unexpected personnel shifts will affect the business's overall tax position.

Effective and efficient tax management during periods of financial stress can help alleviate some of the burden. Companies can derive significant benefits through effective tax planning and varying the timing of their tax payments. For organisations operating across a number of jurisdictions, more vigorous management of tax can provide leverage for improved cash management and tax efficiencies.

## Things to do now

### **Adopt tax-related cash management strategies**

A tax management focus should be a part of your overall cash management strategy. This can help to offset falling profits and shrinking margins. Areas to consider include non-cash employee benefits, bad debt write-offs, goods and services tax (GST) or value-added tax (VAT) management, trade and customs, lodgement of tax returns to bring forward tax refunds and early crystallisation of reductions. Businesses should review the tax efficiency of operations, making use of any opportunities to defer or reduce payment of tax. Additionally, they should ensure any potential refunds are pursued.



## Enhance the tax position

Balance sheet strategies can be adopted to enhance an entity's tax position. Such strategies may include managing the effective tax rate and regulatory capital requirements. Consider the role of deferred tax assets (DTAs) on your tax positions, for example, where you operate in jurisdictions with thin capitalisation provisions. Consider also converting 'fragile' DTAs to more robust ones and accelerating the crystallisation of deferred tax liabilities (DTLs) in appropriate circumstances.

## Second-order risks and opportunities

Some second-order risks and opportunities may arise in some jurisdictions, such as franking credits, thin capitalisation, change of ownership and M&A restructuring issues, transfer pricing (and ensuring no loss of deductions globally) as well as any specialised industry issues that might apply. Managing these risks and opportunities may deliver savings in the medium term.

## Asset sale strategies

Examining the tax implications of asset sale strategies will result in organisations more carefully managing their tax position. This may include writing down obsolete trading stock and the crystallisation of unrealised tax positions (e.g. forex exposures), and undertaking a more detailed analysis of year-end provisions and accruals. Also, ensure capital management programs are undertaken in a way that will satisfy any continuity of ownership test and same business test requirements, for the purpose of recouping tax losses in future years.

## Intra-group financing arrangements

Reassess your cross-border financing activities to ensure that the debt/equity mix is appropriate for the current economic times. Also, ensure that the rate imposed on the debt, guaranteed fees and management fees is appropriate and that withholding tax obligations are complied with to avoid penalties and/or typically punitive late payment interest.

## Take advantage of tax incentives and credits

Organisations should consider what tax incentives and credits they are eligible for. For example, incentives for research and development activities have multiplied across the region and may offer significant tax savings. Businesses should also understand and leverage special tax exemptions and deductions provided at the country and local level by governments during a time of crisis that can potentially improve their cash position. This also can include tax incentives for companies who donate money, goods or services to public disaster relief efforts.

For more information, please visit: <https://home.kpmg/cn/en/home/insights/2020/02/china-tax-alert-05.html>.

## Key Considerations

- **Is tax an integral part of your cash management plan?**
- **Is your balance sheet strategy optimised to reflect efficient management of the effective tax rate and regulatory capital requirements?**
- **Have you considered the implications of asset sale strategies and capital management programs on your current and future tax position?**
- **Have you considered the tax and immigration implications of unexpected personnel changes during an emergency situation or economic downturn?**
- **Are your intra-group financing arrangements well structured?**
- **Have you considered how technologies can be implemented across your tax function to ensure business continuity and maintain connectivity to tax authorities during a crisis?**



# Be vigilant about employment matters

No matter the business model, geographical location or type of service or product on offer, one of the greatest assets of any organisation are its people. People are the core of innovation, culture, solutions and reputation. Businesses must therefore be vigilant in handling employment matters when they are dealing with a crisis event and/or business slowdown.

In turbulent times, business continuance is the main objective, with the safety of people as the top priority. Businesses will need the support of their human resources and finance teams to identify where their people are and where they need to be to ensure safety and enable business continuity. Once that is secured, thoughts need to turn to managing costs to protect the business and preserve jobs through challenging economic times ahead.

## Things to do now

### **Identify where your people are and where they need to be**

When a crisis occurs, the first consideration is to assess where employees are and whether they are safe. The next step is identifying the people and team(s) who are critical to business continuity, and assess whether they can continue to operate effectively from their current location.

In the event it is not safe for employees to work from the office or main facility, a first consideration may be remote working. Management should assess if the business has the necessary remote working infrastructure, policies and mechanisms. Technologies such as email, virtual private networks (VPNs) and cloud computing enable employees to continue servicing the businesses' clients. For industries where remote working arrangements are not suitable, alternative working arrangements may be put in place, such as flexible working hours and shift work, to protect the employees.



A secondary consideration may be to relocate employees. When considering this option, employers should consider and document whether the “relocation” is a secondment to another local entity or classified as “working remotely”; as the treatment will be very different. Cross-border relocations may have implications for immigration, personal and employer taxes and corporate tax. In the decision-making process, businesses should obtain feedback from employees as to whether they would like to relocate; and the employee’s preferences should be weighed against the business imperatives. Consideration should also be given to the lead time for getting staff operational in a location. For example, work permits will be required if the location is not the employee’s home country, and the time to complete visa formalities may defer the recommencement of work. Employers should also ensure that changes to employment or remuneration terms are compliant with relevant local employment laws.

### Consider the implications of cost-saving measures

During tough times, employers may be faced with the difficult decision of placing employees on unpaid or part-paid leave or deferring offers of employment in order to save costs. In extreme cases, employers may find it necessary to defer payment of wages and other remuneration or to lay off/terminate workers. All of these actions have potential implications with regards to tax (including personal and corporate tax), employer withholding and reporting obligations, immigration, and employment law.

Providing unpaid or part-paid leave is one way to temporarily reduce costs while eliminating the need for terminations. However, depending on where the leave is taken, there may be tax or immigration considerations. Under some jurisdictions, this leave may only be utilised with employees’ consent – so employers should check whether actions are compliant with local employment laws. Further, they should take care to avoid discrimination when choosing which employees to place on leave.

Deferment of employment offers or wages may affect a company’s personal and corporate tax obligations. In addition, in certain locations, it may cause non-compliance with local labour laws unless prior agreement with affected employees is obtained.

Layoffs and terminations are usually a last resort for organisations facing hardship. From a tax perspective, termination agreements should be properly documented to ensure correct tax treatment. For expatriate workers, employers should consider how termination will affect their and their family’s immigration status. Care should be taken to avoid wrongful termination claims – including by employees that have not yet passed probation. Finally, terminations should always be carried out according to the terms in employment contracts, taking into account local laws regarding severance payments or other obligations.

### Avoid rash decision making

Employment solutions should always be catered as there is “no one size fits all” solution. Designing solutions must take into consideration all relevant legal, employee relations, tax and immigration issues to ensure an optimal and compliant outcome. Above all, businesses are reminded to always seek professional assistance and not to make any rash decisions to avoid unnecessary disputes and/or legal consequences.

## Key Considerations

- **Has your organisation developed emergency management plans to be able to ensure employee safety and business continuity in the event of a crisis or economic downturn?**
- **Does your business have the capability to provide clear, effective communication and guidance to employees during a crisis?**
- **Have you considered the implications that cost-saving measures will have on employee relations and developed clear channels for employees to provide feedback to management?**
- **Have you carefully evaluated the tax, immigration and legal implications for various types of HR-related cost-saving measures?**
- **Have you considered how various technology applications can better enable remote working allow remote management of company functions and operations?**
- **Can your employees work legally and effectively from their current or preferred location, and are they creating additional immigration, personal tax or employer reporting obligations by working in that location?**

For more information, please visit: <https://home.kpmg/cn/en/home/insights/2020/02/employment-issues-in-the-spotlight-during-turbulent-times.html>.



# Pay attention to contracts and other legal obligations

Contracts are a key part of doing business, as they set out expectations and govern relationships between business partners. During a crisis or financial downturn, some businesses may find it challenging to perform their contractual obligations, despite their best intentions. Firms may face difficult questions in terms of how to comply with its contracts and deal with business partners who are unable to perform.

During turbulent times, it is critical that businesses should strive to comply with their obligations while making legally responsible decisions. Board members and management should ask themselves how decisions made in the heat of the moment will bear the test of time. Longer-term impacts beyond legal matters, such as community and regulator expectations, also need to be factored in.

## Things to do now

### **Ensure continuity of contract approvals**

In the course of business contracts may need to be signed urgently. Significant contracts may require approval from a company's board of directors and sometimes even shareholders. However, travel restrictions and the inability to conduct in-person meetings can potentially cause delays.

For general commercial contracts, electronic signing of contracts may be an option. Businesses should review specific local contract laws to determine if they allow electronic signing. In addition, they should discuss with their business partner(s) what type of electronic or digital signature is agreeable. Most importantly, both parties should be able to show that the e-signature is appropriate and reliable and can prove they have mutually agreed to be bound by a contract.

### **Consider remote options for board and shareholder meetings**

Unforeseen circumstances may make face-to-face board or shareholder meetings unfeasible. To ensure continuity, the company's articles of association should be examined to understand the rules of how the company can be run. Subject to these rules, meetings may be hosted by phone or videoconference, or a written resolution may be passed in lieu of a meeting. In all cases, the procedures stipulated in the articles of association should be followed carefully.





## Understand the meanings of contractual time limits

Many commercial contracts contain time requirements that apply to the service of notices, payment terms, termination, the exercise of option periods, or extensions. Many contracts use the concept of “business days” to count how much time you have to fulfil certain obligations. Businesses should review the definition of “business days” and all the places in the contract where this term is used, and consider whether they can still meet those time limits.

Proactive engagement with other contracting parties before a time limit may be breached can lead to improved negotiated outcomes than merely waiting for it to expire, especially for financing arrangements.

## Understand the contract terms

A crisis or economic downturn may disrupt supply chains, trigger cancellations and generally dampen the economic mood for investment and spending. Businesses under financial pressure may face challenges when trying to uphold their contracts. If they determine that continued performance is not possible, they may try to look for ways to suspend or terminate their obligations. Commercial contracts often have a force majeure clause to cover what happens during extreme situations. Under mainland China law, force majeure is defined in statute as unforeseeable, unavoidable, and insurmountable objective conditions. Meanwhile, Hong Kong SAR law emphasises the exact contract wording, where force majeure is usually defined as something beyond the parties’ reasonable control, and certain types of situations are then listed out. During a crisis, the exact wordings of contracts as well as legal precedent in relevant jurisdictions should be examined to determine what does and doesn’t constitute force majeure. If force majeure applies, businesses should carefully weigh the impact of this option against all the circumstances.

## Proactively deal with breaches

Despite the best intentions of business partners, it is possible that businesses will fail to meet their obligations under a contract and therefore technically be in breach. This is not an ideal situation for either party, however it is important to remain proactive and practical in finding a way out, and not necessarily resort to legal remedies immediately.

When a business believes that it may be unable to perform a contract, apart from considering whether force majeure would apply (as mentioned above), it should also consider when it is realistically likely that it can resume being in compliance. Management should review the contract to assess the impact on the business due to non-performance. It should also communicate early with the other party on a good faith basis in an attempt to resolve the situation and consider whether part of the contract may still be performed.

In the case where a business partner is the one who may breach a contract, businesses should review the contract carefully to evaluate available options and take all reasonable steps to mitigate losses. They should also consider whether failure of this contract may in turn affect the company’s performance under other contracts.

Good faith negotiation is always preferable to formal dispute resolution. It is important to preserve long-term business relationships and recognise that all businesses will face difficulties during a crisis or economic downturn. That said, if there are signs that the relationship is breaking down, businesses should consider whether they need professional advice about their legal rights to better inform discussions with business partners.

For more information, please visit: <https://home.kpmg/cn/en/home/insights/2020/02/how-the-coronavirus-outbreak-might-affect-your-business-contracts.html>.

## Key Considerations

- **Has your company reviewed its articles of association to develop contingency plans for board and shareholder meetings?**
- **Has your business explored whether electronic signatures are allowable for various types of contracts in the event that face to face meetings cannot be held?**
- **Does your company understand what constitutes a force majeure event in local jurisdictions and how such events impact contractual obligations?**
- **Has your company considered how potential breaches of contract by business partners will affect the company’s own obligations?**
- **Has your company fully explored how good faith negotiations with business partners on contract terms can reduce the likelihood of disputes in the event of a crisis?**



# About KPMG China



KPMG China is based in 23 offices across 21 cities with around 12,000 partners and staff in Beijing, Changsha, Chengdu, Chongqing, Foshan, Fuzhou, Guangzhou, Haikou, Hangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou, Hong Kong SAR and Macau SAR. Working collaboratively across all these offices, KPMG China can deploy experienced professionals efficiently, wherever our client is located.

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We operate in 147 countries and territories and have more than 219,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

In 1992, KPMG became the first international accounting network to be granted a joint venture licence in mainland China. KPMG was also the first among the Big Four in mainland China to convert from a joint venture to a special general partnership, as of 1 August 2012. Additionally, the Hong Kong firm can trace its origins to 1945. This early commitment to this market, together with an unwavering focus on quality, has been the foundation for accumulated industry experience, and is reflected in KPMG's appointment for multi-disciplinary services (including audit, tax and advisory) by some of China's most prestigious companies.



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SF Lawyers  
In association with KPMG Law

## About SF Lawyers

SF Lawyers is an independent law firm, which is in association with KPMG Law in Australia. As a member of KPMG's Global Legal Services network, which has more than 2,850 legal professionals operating in 80 jurisdictions, and which is in alliance with ZICO Law network across the ten jurisdictions of ASEAN, giving legal coverage to clients' business needs wherever they may be in the world. We are able to not only provide quality legal services in Hong Kong, but also assist you with your business issues and challenges around the globe.







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