



Global Board Briefing

Sharing insights and lessons learned from Deloitte's Governance Practice in China and beyond

With apocalyptic news about the Novel Coronavirus (COVID-19) coming around seemingly every corner this week, the implications for business and the economy are profound. While there can likely be no exhaustive checklist for directors, the Deloitte Global Center for Corporate Governance presents the following consideration for boards, during this period of uncertainty and crisis.

Business Continuity

- Now is the time to dust off those business interruption and continuity plans, if you haven't done so already. Work with those within your organization who are on-point for activating your business interruption/ business continuity plan for 1) current status on what could result in activation, and 2) how the board can best be utilized prior to – and during activation. This is all in addition to continuing to serve as the board – and an overseer of management during this challenging time.
- Revisit your entity's emergency succession planning materials. Who are the 4-5 leaders you cannot afford to lose, and what would you do if they were out of commission for several weeks or even quarantined? Has the board considered not just a single successor, but several possibilities for succession?
- Ask management for scenarios, with associated financial impact, of disruptions to supply chains, of employees staying at home, etc. – and if the disruption lasts one week, two weeks, a month. Decide at what point management needs to seek a Plan B for business operations.
- While it's a significant aspect of business continuity planning, work with management to understand implications at facilities that house operations with a significant amount of talent resources. Consider distribution centers, off site storages facilities, customer call centers, etc. How could the entity best prepare – and minimize risk – for these populous sites?
- Give consideration to what this disruption might mean for your supply chain – inclusive of the receipt of raw materials.
- Consult with management on whether they will consider launching or revisiting their current telecommuting policy for their talent resources in light of the continuing developments.



- Request that management approve a new global travel policy for all employees, vendors/ third parties working on behalf of the entity, and executives which will be revisited frequently. Management should proactively monitor latest travel guidance for all affected areas and review travel policies in response.
- Ask management to put measures in place to stock-up on health essentials – soap, sanitizer, etc.

Disclosure

- In many countries, there are forward-looking disclosure requirements to consider when circumstances change. For example, in the US, the Securities and Exchange Commission has detailed rules about when companies must disclose a material change that might affect earnings and future prospects, generally. The board should ensure that management is on top of this, working together with General Counsel and outside counsel, and their external communications team, as appropriate.
- Beyond the requirements, management should find a level of transparency that they are comfortable with for their communications with investors and others about how the Coronavirus may affect the business.

Board Meetings and Shareholders

- Many boards are meeting telephonically about the Coronavirus weekly, if not more frequently; the frequency and duration of meetings could be dependent on where the entity – or its operations and employees – are based.
- Consider forming an ad-hoc or temporary Coronavirus or Crisis Committee of the board, that can meet more frequently, perhaps together with management, and report back to the full board with updates and recommendations.
- For an upcoming shareholder meeting or road show, is it time to consider a virtual, on-line meeting? Many shareholder meetings are held in the Spring, meaning this is a live issue for many boards. What are the legal and regulatory hurdles to overcome? How long could you delay a shareholder meeting under your listing rules? These are questions the board Nomination and Governance Committee should be looking at now.

Employees and Communication

- It is appropriate for the board to work with management to set the right tone with employees. You don't want staff to panic, but you also don't want to project complacency, or give the impression that the board and management are downplaying the situation –

or not considering what's best for their people and the entity. Be honest about the uncertainties, and shed light on your decision-making processes, and how much time you are devoting to the issue.

- We have seen some organizations – mainly financial institutions – divide mission-critical teams in two: an A Team and a B Team. The two teams work separately, in different locations, or in quarantine, for two weeks (the supposed incubation period of the virus) and then switch. If a member of one team becomes infected, this will knock out only half of the whole.
- Request that management launch a communication campaign asking for employees to stay home if ill, or to not come into the office until a specified amount of time has elapsed. This can take the form of email communications and/or with signs posted in common areas of the entity's facilities.
- In the event an entity has to close doors to their office, factory, or distribution center, arrive at a communication plan on how you will communicate with all employees – and let all know of this plan. Management should be communicating with employees early – and often – throughout the crisis.

Post-virus

- Request that management finalize a guide/checklist to determine when employees can return back to work and/or their assigned facility once the all clear is given.

Lessons from China

- If and when appropriate, the board should make sure management has increased communication with local government to solicit support and assistance; there may be special loans or tax rebates to help companies mitigate impact from the outbreak.
- The board should make sure management has strictly followed the travel and self-quarantine rules as required by the local government and arranged for staff to work from home. The board should ensure management is paying attention to employee morale, and consider setting up a hotline to consult with HR for any update on work from home requirements.
- The board should ask if management has considered measures to help employees manage the transition back to the office, once the all-clear is sounded. The board should ensure that management takes measures to make sure disinfectant items and other related supplies are available.