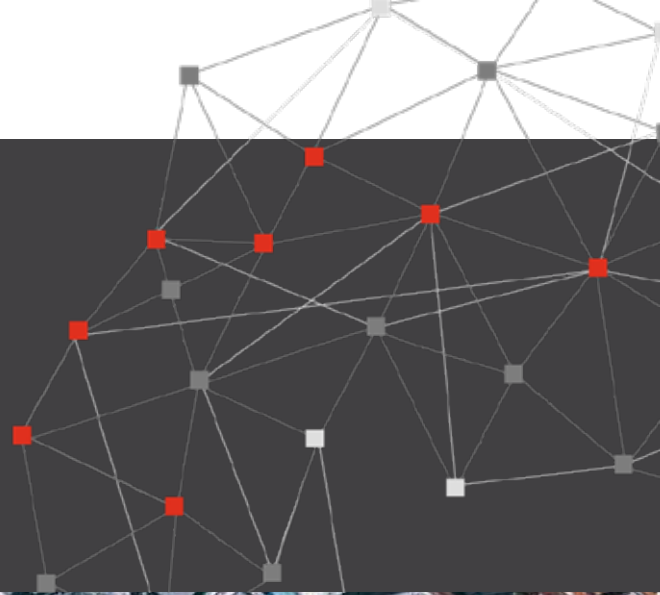
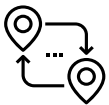


Response to COVID: Support for companies with business relationships between Switzerland and China



In recent weeks, China has shown great determination in stabilising the COVID-19 situation



COVID-19 Update

In the fight against COVID-19, the Chinese government has also supported companies with numerous new regulations and measures. It is encouraging to see that companies in China are now gradually resuming their business. That said, COVID-19 is currently spreading all over the world – including in Switzerland. On 11 March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic.

The worldwide proliferation of COVID-19 presents Swiss and Chinese companies with major challenges, particularly in regions and countries that are severely affected by the spread of the virus. What should companies be aware of, given the spread of COVID-19? PwC Switzerland and PwC China offer companies special support in dealing with uncertainties, risks and operational problems in connection with cross-border activities.

How to deal with the crisis?

1. Develop an action plan: identify and quantify potential problems, evaluate the resources available to the company, develop an action plan for your employees, business activities and finances, and provide a framework plan as well as strategic guidelines and specific measures for coping with the crisis.
2. Assemble the right team: form a strong, cross-functional crisis team to provide a comprehensive response to the crisis. Rapid responsiveness requires the involvement of top management in order to set the framework and issue strategic guidelines.
3. Communicate: determine the strategy and approach for your external communication. In particular, don't forget appropriate internal communication – your employees are your greatest asset.
4. Access reliable information: in a crisis, there is a significant need for information to make informed decisions ... and to make them quickly. The correct classification of facts has priority. Reliable information is a central element of crisis management, to evaluate different scenarios for how business could be affected in the short, medium and long term.

How can PwC help in Switzerland and in China?

Personnel and employment law

Current challenges

- Operating Swiss and foreign workplaces in COVID-19 mode, e.g. in the area of home office, alternating teams, quarantine, exemption etc.
- Challenges related to Swiss and foreign employment due to disruptions in operational processes
- Utilisation of state benefits such as short-time work benefits
- Responsible and reliable support for employees in dealing with personal security issues

Posting of employees

Current challenges

- Cancellation of transport connections – business trips are postponed or cancelled, while employees in Switzerland or other countries may be affected by local travel restrictions
- Tax and legal implications – effects of the unplanned extension of stay on personal income tax liability, employer's corporate tax liability and visa and social security obligations for employees and business travellers
- Internal coordination – possible differences between parent company and subsidiary with regard to existing posting agreements and cost allocations under the changed framework conditions; reduced availability of resources and support

Business strategy

Current challenges

- High level of pandemic-related uncertainty with significant market influences
- Unexpected operational disruptions and changes in the business model (e.g. towards digital models)
- Significant changes in sales and customer needs
- Significant decline in (long-term) economic growth in certain regions and markets

Our support

- Monitoring the specific guidelines and requirements of the responsible authorities with regard to workplace hygiene, cleaning measures and other standards
- Clarification of the legal minimum standards using the worldwide PwC network for employment law
- Maintaining regular communication with relevant unions and providing support in negotiations on social benefits through our Swiss and Chinese lawyers
- Advice on “employer liability” and “duty of care” in Switzerland and worldwide, development of minimum standards and avoidance of security-related incidents

Our support

- Advice on effects related to business travel, postings, taxes and social security contributions etc., with corresponding handling of declaration obligations in Switzerland and China
- Worldwide emergency support (e.g. in the case of expiry/renewal/extension of residence permits) with the help of the global PwC network
- Review of the global posting guidelines in the company for the identification of risks and improvement in view of the special circumstances
- Support through PwC technology (e.g. myMobility, myCalendar etc.) to identify the location of employees and business travellers and to minimise the potential tax and regulatory risks for the parent company, their subsidiaries and employees

Our support

- Review of the medium and long-term strategy, taking into account the competition of longer-term market conditions
- Strategic review of the resilience of companies and the handling of major systemic changes (e.g. disruptions due to technology, epidemics and political events)
- Redefinition of corporate goals and strategic repositioning to determine investment priorities for accelerated growth (e.g. markets and business areas); development of scenarios for analysis of the financial and operational effects
- Review M&A strategy to identify potential acquisitions, divestitures, partnerships and other opportunities; due diligence with special requirements (i.e. focus on liquidity and susceptibility to external disruptive factors)



Operational activity

Current challenges

- Interruption of supply chains - disruptions in procurement, production and logistics due to factory closures, delays in the return of workers, suspension of freight flights, delays in delivery and shortages of delivery personnel
- Shortage of stocks - disruptions in the supply chain lead to insufficient stocks
- Unusual demand behaviour - demand in certain areas can decrease (e.g. in consumer-driven sectors) while increasing in other areas (e.g. healthcare); possible shift to another sales channel (e.g. e-commerce)

Finances

Current challenges

- Liquidity bottlenecks due to changes in demand behaviour and restrictions in the movement of people and goods with the risk of company closures
- Cash restrictions could result in suspension of interest payments to lenders and credit facilities
- Changes and bottlenecks in the supply chain can affect working capital
- Impending maturities and capital repayments with the need to schedule repayments and develop alternative financing

Technologie

Current challenges

- Unexpected need for network capacity and high access volume via VPN due to flexible choice of workplaces puts strain on the IT infrastructure of companies
- Lack of transparency in the case of business or staff problems as well as inadequate information impair the ability to make operational decisions
- Accelerate the technological transformation of traditional industries, e.g. automation when reducing the workforce, using artificial intelligence to reduce human interaction, etc.

Our support

- Support in strategies for dealing with interruptions and cancellations in the supply chain – identification of critical bottleneck factors, also for Tier 1/Tier 2 suppliers, and communication with them
- Adjustment of supply chains, taking into account short-term changes, e.g. alternative suppliers or production-planning adjustments to take into account factory closures/delays in the return of the workforce
- Optimisation and stabilisation of medium to long-term supply chains in order to minimise threats and disruptions (e.g. diversification, omni-channel solutions by switching to e-commerce, network optimisation) and to ensure resilience in the future
- Review of short to medium-term demand planning, taking into account possibly unusual demand peaks

Our support

- Review of the business plan and update of the key performance indicators (KPI) for a critical evaluation of necessary measures, analysis of company liquidity and planning of liquidity reserves to avoid bottlenecks due to falling sales
- Critical review of debt service obligations for early identification of default events (e.g. missed interest payments), assessment of probable consequences and formulation of suitable counter strategies
- Review of insurance policies to assess recovery potential and to clarify coverage
- Check whether the company qualifies for newly created subsidies

Our support

- Review, evaluation and support in the adaptation of the current IT disaster plan, support in the implementation (e.g. data collection) and analysis of data and tools for assessing the immediate business impact
- Assessment of the company's ability to ensure a stable network connection for remote access to the company network
- Assessment of the impact of increased remote access volume and the current performance of the IT system; recommend effective solutions (e.g. in collaboration, workflow and ERP solutions)
- Evaluation of business data analyses, automation of data and reports, and establishment of business intelligence systems



Taxes & Controlling

Current challenges

- Real-time access to the business processes of the subsidiaries (including financial and tax data, and liquidity) to ensure decision-making capability
- Flexible liquidity and resource planning to supply all regions of the world
- Overview of short-term available subsidies and tax breaks in the current situation, e.g. reduced tax prepayments or reimbursement of payments already made

Our support

- Advice on financial and tax subsidies for certain industries and companies in Switzerland and China
- Build a global, digital tax-management system for real-time monitoring of tax functions around the world, reducing compliance risk and improving global tax efficiency
- Use of PwC technology to develop a professional tax support protocol that notifies local management of relevant innovations and subsidies
- Streamlining and optimising the global value chain and tax efficiency, as well as designing and setting up global or regional treasury centres for liquidity transfer

Corporate law

Current challenges

- Identification of contracts with performance risks
- Finding measures in the event of underperformance of contracts, negotiation and legal action against the contract partner if the negotiations fail
- Need for local expertise in the jurisdictions of various countries and strategies for increasing trade regulation and impairment of regional supply chains

Our support

- Supporting Swiss and Chinese management in determining the applicable contract law, interpreting “force majeure” with qualified notification of the other party and limitation of damage
- Assistance in the formulation of comprehensive response strategies for contracts with likely reductions as well as strategies for litigation and arbitration
- Advice and assistance with measures in the event of non-performance of contracts (including preparation of documents, compilation and securing of evidence, negotiation and preparation of legal steps)
- Legal and commercial advice on alternative sources of supply, including local import and export restrictions, benefits of free trade agreements, impact of tariffs and risks of trade barriers



Trade policy & customs

Current challenges

- The need for timely monitoring of political initiatives and measures in Switzerland, China and other countries
- Necessity of special regulations to support Chinese companies with foreign activities, e.g. in the treatment of foreign income and losses
- Increasing support needs of foreign subsidiaries for the global procurement of medical goods and imports into the countries affected by COVID-19
- Understanding of local customs supervision and formalities in Switzerland and China when importing medical goods

Our support

- Supporting Swiss and Chinese management in communicating with the responsible authorities
- Monitoring of the financial and tax policy and compilation of the relevant regulations both at the state and provincial level with regular updates (cf. QR code below for China with the last update of March 4, 2020, in Chinese only)
- Supporting the import of medical goods into Switzerland and China by using PwC's global World Trade Management network
- Customs-optimised solutions in the event of supply chain interruptions in order to mitigate the implications and to minimise costs



Your experts

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Please also see our regularly updated home page on COVID-19 at www.pwc.ch/covid-19

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