

Company No: GL 12  
# 04-01, West Block  
World Trade Center, Echelon Square  
Colombo 00100, Sri Lanka.  
info@cse.lk  
www.cse.lk

09<sup>th</sup> May 2020

**TO: Chief Executive Officers of All Listed Companies**  
**Company Secretaries and Registrars of All Listed Companies**

**CIRCULAR NO: 04-05-2020**

Dear Sir/Madam,

**'CORPORATE DISCLOSURE GUIDANCE NOTE' ON DISCLOSURE TO BE MADE ON THE IMPACT OF COVID - 19**

We write further to our Circular dated 20<sup>th</sup> April 2020 (Circular No. 06-04-2020) regarding the disclosures to be made by the Listed Companies on the impact of COVID -19.

CA Sri Lanka has established a Task Force to address the impact of COVID - 19. The CSE is also represented in the said Task Force. Pursuant to several inquiries received by CA Sri Lanka and Audit Firms from Listed Companies/regarding the disclosure to be made on the impact of COVID – 19, the above Task Force, in consultation with the CSE, has developed a 'Corporate Disclosure Guidance Note' ('Guidance Note'), setting out the key aspects of the disclosure to be made by the Listed Companies as required by the CSE.

The 'Guidance Note' (attached) is issued jointly by CSE and CA Sri Lanka with the objective of providing the investing public with meaningful and accurate information through the aforesaid disclosures.

Listed Companies that have not yet made a disclosure on the impact of COVID-19 to the CSE could use the 'Guidance Note' when making the disclosures. Listed Companies that have already made the disclosure are also encouraged to make a further disclosure in line with the 'Guidance Note' if they are of the view that a further disclosure would be appropriate in the future.

Yours faithfully,



**Renuke Wijayawardhane**  
**Chief Regulatory Officer**

A member of  
 **WORLD FEDERATION OF EXCHANGES**

Voice: +94 11 2356456

Fax: Clearing & Settlement: +94 11 2440396  
Finance & Administration: +94 11 2448921  
Trading & Market Surveillance: +94 11 2448925  
Market Development: +94 11 2445279  
Listings & Corporate Affairs: +94 11 2391128  
Legal: +94 11 2440539  
Human Resources: +94 11 2440163  
Research & New Products: +94 11 2445279  
Broker Supervision: +94 11 2440541  
Enterprise Risk Management: +94 11 2448363

# Corporate Disclosure Guidance

## Introduction

The impact of COVID-19 on companies is evolving rapidly and its future effects are uncertain. As the national accounting body, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is providing this guidance to assist companies in its monitoring and reporting of the effects and risks of COVID-19 on their businesses, financial condition, and results of operations.

Regulators encourage timely reporting while recognizing that it may be difficult to assess or predict with precision the broad effects of COVID-19 on industries or individual companies. There is a need to recognize that the actual impact will depend on many factors beyond a company's control and knowledge. Nevertheless, the effects COVID-19 has had on a company, management's assessment of its future impact based on the currently available information, how management is responding to evolving events, and how they are planning for COVID-19-related uncertainties can be material to investment decisions.

Companies should consider the need for COVID-19-related disclosures within the context of the existing regulations issued by the respective regulators. The cornerstone of this system is disclosure of material information that is widely disseminated. It is only with this type of disclosure that all investors can make informed decisions.

## Assessing and Disclosing the Evolving Impact of COVID-19

Assessing the evolving effects of COVID-19 and related risks will be a facts and circumstances analysis. Disclosure about these risks and effects, including how the company and management are responding to them, should be specific to the company's situation. As companies assess COVID-19-related effects and consider their disclosure obligations, questions to consider with respect to their present and future operations include:

### The impact of COVID-19 pandemic on the business/operations of the Company

<p><i>Overall Impact</i></p> <ul style="list-style-type: none"> <li>• How has COVID-19 impacted your financial condition and results of operations?</li> </ul>
<p><i>Funding and Liquidity</i></p> <ul style="list-style-type: none"> <li>• How has COVID-19 impacted your capital and financial resources, including your overall liquidity position and outlook?</li> <li>• Has your cost of or access to capital and funding sources, such as revolving credit facilities or other sources changed, or is it reasonably likely to change?</li> <li>• Have your sources or uses of cash otherwise been materially impacted?</li> <li>• Is there a material uncertainty about your ongoing ability to meet the covenants of your credit agreements?</li> <li>• If a material liquidity deficiency has been identified, what course of action has the company taken or propose to take to remedy the deficiency?</li> <li>• Consider the requirement to disclose known trends and uncertainties as it relates to your ability to service your debt or other financial obligations, access the debt markets, including commercial paper or other short-term financing arrangements, maturity mismatches between borrowing sources and the assets funded by those sources, changes in terms requested by counterparties, changes in the valuation of collateral, and counterparty or customer risk.</li> </ul>

<ul style="list-style-type: none"> <li>Do you expect to disclose or incur any material COVID-19-related contingencies?</li> <li>Do you expect to recover dues from your customers in the short and medium term? Especially in instances where the government/government agencies are your customer. The impact of this on the company.</li> </ul>
<p><i>Impact on Assets</i></p> <ul style="list-style-type: none"> <li>How do you expect COVID-19 to affect assets on your balance sheet and your ability to timely account for those assets? For example, will there be significant changes in judgments in determining the fair-value of assets measured in accordance with SLFRS?</li> </ul>
<p><i>Impairment Provisioning</i></p> <ul style="list-style-type: none"> <li>Do you anticipate any material impairments (e.g., with respect to goodwill, intangible assets, long-lived assets, right of use assets, investment securities), increases in allowances for credit losses, restructuring charges, other expenses, or changes in accounting judgments that have had or are reasonably likely to have a material impact on your financial statements?</li> </ul>
<p><i>Impact on Internal Operations</i></p> <ul style="list-style-type: none"> <li>Have COVID-19-related circumstances such as remote work arrangements adversely affected your ability to maintain operations, including financial reporting systems, internal controls over financial reporting, and financial statement close process?</li> <li>If so, what changes in your controls have occurred during the current period that materially affect or are reasonably likely to materially affect your internal controls over financial reporting?</li> <li>What challenges do you anticipate in your ability to maintain these systems and controls?</li> <li>Would travel restrictions, area closures, closure of international airports and restrictions on ports have a material impact on your ability to operate and achieve your business goals?</li> </ul>
<p><i>Business Continuity</i></p> <ul style="list-style-type: none"> <li>Have you experienced challenges in implementing your business continuity plans or do you foresee requiring material expenditures to do so?</li> <li>Do you face any material resource constraints in implementing these plans?</li> </ul>
<p><i>Impact on Supply Chain Management</i></p> <ul style="list-style-type: none"> <li>Do you expect COVID-19 to materially affect the demand for your products or services?</li> <li>Do you anticipate a material adverse impact of COVID-19 on your supply chain or the methods used to distribute your products or services?</li> <li>Do you expect the anticipated impact of COVID-19 to materially change the relationship between costs and revenues?</li> </ul>
<p><i>Impact on Human Capital</i></p> <ul style="list-style-type: none"> <li>Will your operations be materially impacted by any constraints or other impacts on your human capital resources and productivity?</li> </ul>

### The Company's response to the impact of the COVID – 19 pandemic

<ul style="list-style-type: none"> <li>Details of Actions taken by the company in respect of operations, employees, corporate responsibilities, etc., during the COVID – 19 pandemic.</li> </ul>
<ul style="list-style-type: none"> <li>Details of how the board is monitoring the situation, the operations of the company and discharging its governance role.</li> </ul>

<ul style="list-style-type: none"> <li>Information of the nature of any government-backed support, by country and any conditions that attach to this.</li> </ul>
<ul style="list-style-type: none"> <li>Information about any stress testing/reverse stress testing carried out and how the viability of different parts of the group are being affected.</li> </ul>
<ul style="list-style-type: none"> <li>Approach adopted to support employees WFH to discharge their duties, implementing additional controls to maintain an accepted level of supervision and internal controls.</li> </ul>
<ul style="list-style-type: none"> <li>Information about how the company is managing commitments with customers where services are delayed.</li> </ul>
<ul style="list-style-type: none"> <li>Information about how the company might adapt its business model and strategy in the short/medium term.</li> </ul>

**The Company’s expectation of the future impact of COVID – 19 on the company’s future operations and the financial condition**

<ul style="list-style-type: none"> <li>In light of changing trends and the overall economic outlook, how do you expect COVID-19 to impact your future operating results and near-and-long-term financial condition?</li> </ul>
<ul style="list-style-type: none"> <li>Do you expect that COVID-19 will impact future operations differently than how it affected the current period?</li> </ul>
<ul style="list-style-type: none"> <li>Possible scenarios on revenue and costs over the short-term and into a longer transition period.</li> </ul>
<ul style="list-style-type: none"> <li>Details of the likely impact of shorter-term decisions on the company's key assets and longer-term drivers of value, e.g. people, brands, licenses.</li> </ul>

Capital markets rely on timely accurate information for investment decisions and monitoring. The above list is illustrative but not exhaustive and each company will need to carefully assess and determine the COVID-19 potential impact and related material disclosures that would be useful.

Companies are encouraged to tailor the disclosure and provide material information about the impact of COVID-19 to investors and market participants. Companies are also encouraged to provide disclosures that allow investors to evaluate the current and expected impact of COVID-19 through the eyes of management, and that companies proactively revise and update disclosures as facts and circumstances change.

Companies may also warn the investors that much of the disclosure that would address the types of considerations noted above would involve forward looking information that may be based on assumptions and expectations regarding future events.