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Q1 2020 – Special edition on the impacts of the Coronavirus disease (COVID-19)

27 March 2020

Contents

Crisis Management

The heart of resilient leadership: Responding to COVID-19

CEOs must display five fundamental qualities of resilient leadership

In the midst of the COVID-19 crisis, business leaders are rightly concerned about how their companies will be affected and what they have to do next. In the heat of the moment, there are a number of lessons from history that can be applied now.

We have pooled the insights of Deloitte leaders in affected areas around the world to provide practical insights for chief executives and their leadership teams in taking appropriate action.

There are five fundamental qualities of resilient leadership that distinguish successful CEOs as they guide their enterprises through the COVID-19 crisis:

1) Design from the heart...and the head
2) Put the mission first
3) Aim for speed over elegance
4) Own the narrative
5) Embrace the long view

Resilient leaders can take specific tactical steps to elevate these qualities during the current crisis, blunting its impact and helping their organisations emerge stronger. With the right approach, this crisis can become an opportunity to move forward and create even more value and positive societal impact, rather than just bouncing back to the status quo.

Five fundamental qualities of resilient leadership

We recognise that companies are in different phases of dealing with the outbreak, and therefore the impacts vary by geography and sector.

Regardless of the extent of the virus' impact on an organisation, we believe there are five fundamental qualities of resilient leadership that distinguish successful CEOs as they guide their enterprises through the COVID-19 crisis:

1. **Design from the heart ... and the head**. In a crisis, the hardest things can be the softest things. Resilient leaders are genuinely, sincerely empathetic, walking compassionately in the shoes of employees, customers, and their broader ecosystems. Yet, resilient leaders must simultaneously take a hard, rational line to protect financial performance from the invariable softness that accompanies such disruptions.
2. **Put the mission first.** Resilient leaders are skilled at triage, able to stabilise their organisations to meet the crisis at hand while finding opportunities amid difficult constraints.
3. **Aim for speed over elegance.** Resilient leaders take decisive action — with courage — based on imperfect information, knowing that expediency is essential.
4. **Own the narrative.** Resilient leaders seize the narrative at the outset, being transparent about current realities — including what they don't know — while also painting a compelling picture of the future that inspires others to persevere.
5. **Embrace the long view.** Resilient leaders stay focused on the horizon, anticipating the new business models that are likely to emerge and sparking the innovations that will define tomorrow.

Source: Deloitte, The heart of resilient leadership: Responding to COVID-19: A guide for senior executives, March 2020

The heart of resilient leadership: Responding to COVID-19, continued

Case study: Key learnings from leading companies in the Chinese market

There are key learnings from leading companies in the Chinese market related to:

1) Command centre
2) Talent and strategy
3) Business continuity and financing
4) Supply chain
5) Customer engagement
6) Digital capabilities

Case study: Key learnings from leading companies in the Chinese market

Command centre

Leading companies in China established emergency response teams right away in order to assess the risks and formulate response strategies after conducting robust scenario planning, which significantly improved epidemic response mechanisms and toolkits.

Talent and strategy

After the initial outbreak, companies began implementing flexible work arrangements for middle- and back-office staff in order to minimise onsite work while meeting basic operational requirements. With remote work capabilities being stress-tested, overall opportunities for improvement were identified and addressed. A digital employee health declaration system was also launched by some companies in order to track employee well-being and to comply with administrative reporting requirements.

Business continuity and financing

Companies immediately began to update/develop business continuity plans to understand contractual obligations, evaluate financial impacts and liquidity requirements, formulate debt restructuring plans, and optimise assets to help restore financial viability. Another core focus was to understand financial impacts across the entire value chain.

Supply chain

Companies in China accelerated investment in digital trading solutions to combat supply chain interruptions, overcome logistics and labour shortages, and get better visibility into local access limitations in order to ensure product supply for the domestic market. Operational agility and data quality were critical in supply chain scenario planning.

Customer engagement

Companies quickly moved to maintain open and ongoing lines of communication with their customers on the impacts of COVID-19 to the business and the emergency actions implemented. This approach of working in partnership has built confidence amid the uncertainty.

Digital capabilities

Companies are revisiting the current e-commerce landscape and developing digital road maps for the short, medium, and long term. Companies realised that digital capabilities needed to be implemented across the entire organisation in order to embed resilience.

Source: Deloitte, The heart of resilient leadership: Responding to COVID-19: A guide for senior executives, March 2020

Crisis management related to COVID-19 will be a marathon not a sprint

Boards and executive leadership must develop scenario analyses in order to navigate the unprecedented uncertainty

COVID-19 has spread all over the world, with some countries slowly returning to business as usual, others currently being impacted, and those that are only just in the beginning stages.

Denmark has been 'shut down' with a countrywide lockdown for at least four weeks up to and including 13 April 2020.

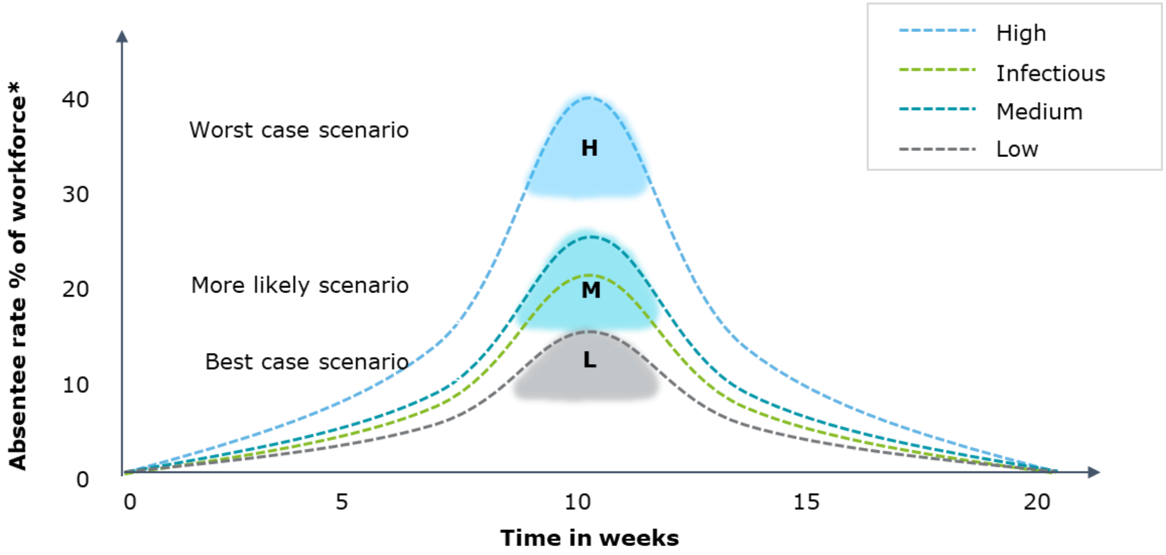
Just keeping up with the information flow is extremely time consuming. The government is continuously working to offer support through new policy initiatives and economic stimuli, which also impact companies' strategic crisis response.

These are extraordinary circumstances that we have not experienced before. Most companies are currently doing everything possible to stabilise the situation – knowing that the actions taken now are critical and will define the recovery effort once the crisis fades.

Uncertainty will continue for several weeks

Even though we have been in crisis mode for quite some time, the model below illustrates that we are only in the initial stages of COVID-19:

- We do not know to what extent the workforce will be affected
- We do not know the additional measures the government will take to fight the virus. We also do not know the impact of such measures, or for how long those impacts will be felt.
- We have not yet seen the full spectrum of measures to support the Danish economy.



Some estimates suggest a nine-week epidemic period. However, 'delay' measures to reduce the peak infection rate may prolong the epidemic to 15-20 weeks, thereby dampening the curve.

Ensure situational awareness

To navigate the crisis it is key to ensure situational awareness.

- What initiatives are authorities making?
- How are suppliers affected by vulnerabilities or disruptions?
- How are competitors responding?
- What are the changes in customer behaviours and/or channels?

Ongoing risk assessment

Most organisations are struggling to have a continuously updated assessment of risks. Some are doing traditional risk exercises while others are implementing cognitive risk sensing to ensure intelligence on key competitors, clients and suppliers. Common for all is the need to develop different crisis scenarios, assess risks against them and decide on mitigating actions.

Source: Deloitte, Krisehåndtering: Disse faser går danske virksomheder igennem under Corona-krisen

Crisis management related to COVID-19 will be a marathon not a sprint, continued

Boards and executive leadership must look ahead and adapt business strategies to the 'new normal'

In the initial phases of a crisis, it is necessary to prioritise speed over elegance and take decisive action – with courage. It is, however, key to remember the long-term view once the initial sense of urgency has passed, ensuring both a strategic and operational crisis response.

Source: Deloitte, Krisehåndtering: Disse faser går danske virksomheder igennem under Corona-krisen

Crisis management timing – Different phases will require different responses

We believe that a typical crisis plays out over three time frames: Respond, in which a company deals with the present situation and manages continuity; recover, during which a company learns and emerges stronger; and thrive, where the company prepares for and shapes the "next normal." CEOs have the substantial and added responsibility to nimbly consider all three time frames concurrently and allocate resources accordingly.

Companies are responding with urgency. After the initial crisis response, it is important to look — and plan — ahead.

What to do:

Respond

- Review consolidated information about the latest developments, travel advisories and actions taken by authorities and peer organisations — and act accordingly
- Mobilise the crisis team, establish a command centre and define work streams
- Prioritise speed over elegance and have the courage to take decisive action.

Continue

- Keep up the pace after the initial crisis response phase
- Consider the future reputation of the organisation: How will your crisis response be remembered?
- Consider the strategic impact: How does this affect your long-term vision?
- Keep in close contact with all stakeholders
- Ensure that all needed adjustments are made, while still in crisis mode.

Emerge stronger

- Evaluate and create closure
- Analyse and adapt to the new market
- Use the opportunity to accelerate planned transformations such as digitalisation and/or automation
- Remember your stakeholders.

How to do it right:

Enable agility

Due to the overwhelming scale and speed of this crisis, the response will – to some extent – be improvised. Success in this initial phase is thus dependent upon behaviours and mind-sets. Ensure flexible team compositions, enable information flows across the organisation, be aware of 'corner office blind spots,' plan for frequent check-ins and enable digital collaboration.

Be creative

Unprecedented situations call for unprecedented solutions. Think creatively and reconsider the entire business model when ensuring continuity and planning for the future. Reach out to employees, partners, suppliers, clients and peers to co-create solutions whether it be new business models, cost reductions or pricing agreements.

Demonstrate crisis leadership

Crisis leadership is key to emerging stronger after the crisis. An important focus in that regard is balancing the initial need to make fast and bold decisions with the long-term need of staying focused on the horizon and instilling confidence and steadiness across the ecosystem. Ensure to communicate the greater purpose, and the path towards it, both during and after the crisis.

Addressing the financial impact of COVID-19

Credit solutions are needed now for companies with urgent cash needs

Public policy measures put in place to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and create serious issues for companies across a far wider range of sectors than anticipated.

A number of companies now face weeks, if not months, of exceptionally poor trading conditions. For most, the revenue lost in this period represents a permanent loss rather than a timing difference and is putting sudden, unanticipated pressure on working capital lines and liquidity.

Some companies are able to maintain adequate headroom by making unseasonal drawdowns on their revolving credit facilities (RCFs). Others are finding that they need to approach their banks to arrange temporarily larger facilities or covenant resets/waivers. In certain cases, the scale and urgency of the funding requirement has taken management teams and their bankers aback.

Questions you should ask yourself to address the financial impact of COVID-19

How much money do we need? For how long?

- Reforecast trading and cash flows. Revised assumptions, forecasts and cash flows will be required, and likely also some downside scenarios, given the current number of unknowns, to help your prospective funders understand actual/potential financing needs.
- Take rapid action around working capital. Prospective funders will expect you to have already done what you can to improve cash flow by optimising working capital and identifying 'quick win' self-help measures to deliver rapid, tangible cash flow benefits.
- Cost-out measures. Similarly, prospective funders will expect you to have identified and be implementing urgent actions to preserve cash in the short and medium term.

How do we slot this new money into our existing capital structure?

- Review existing facility/intercreditor documentation. Analyse borrowing capacity within existing baskets etc.
- Identify potential sources of collateral for additional borrowing. Property, inventory, other unencumbered assets, unrestricted subsidiaries.
- Value transfer. Explore innovative ways of carving out collateral to support new financing.
- Seek consent ASAP if needed. If your current financing arrangements prohibit super-senior financing or the offering of collateral or second liens on pledged assets, you may need to prepare a consent request.

Who could we borrow from? What terms can we expect?

- Incumbent lenders. For most companies, this will be the best starting point. Deloitte can help you to quickly formulate a request for support from your existing stakeholders, using our experience to accelerate the process and maximise the chances of success.
- Special situation funds. Using our knowledge of your business and the fund community, we can match your particular needs to one or more specialist funds who are well known to us and can deploy capital flexibly and creatively at short notice.
- The Danish government's aid packages and guaranteed loans. We are ready to assist with structured considerations needed, support for the application process, development of supporting materials, including liquidity forecasting, modelling scenarios and assurance by auditors.

Suggested approach

What is needed

- Expertise in structuring collateralised and unsecured loans, and focused teams experienced in driving liquidity/cost-out initiatives and working capital improvements.

Lean on trusted advisors

- Boards and lenders need assurance that the financing requirements/downsides have been independently tested, challenged and are well understood.

Bespoke solutions

- COVID-19-related financing solutions are urgent; the financings may not be standard and require expert market guidance and knowledge of the special situations market.

Source: Deloitte, Accomplish an effective restructuring

Economic outlook and COVID-19-related impacts on Global and Danish markets

The COVID-19 health crisis has hit the Danish economy with major drops in economic activity and increased unemployment

The number of confirmed COVID-19 cases in Denmark rose rapidly within the past three weeks from only 8 cases on 4 March 2020 to 1,591 cases as of 26 March 2020. However, the number of cases is understated as COVID-19 testing has not been initiated from the start of the outbreak. The latest projections from the Danish Health Authority show that respirator capacity will be sufficient when COVID-19 is expected to peak in Denmark in late April 2020.

COVID-19 has caused severe damage to the world economy. Equity markets have suffered major losses and equity market volatility has spiked to levels not seen since the 2008 global financial crisis. Supply chain disruptions and negative demand shocks have spread from China to the rest of the world.

However, governments all over the world, including Denmark, are introducing major aid packages to help companies and employees through the crisis. This has stabilised the equity markets and interest rates on government bonds and mortgage bonds. Deloitte Economics will continue monitoring the impact of the Coronavirus in Denmark and globally.

Severe slowdown of the world economy throughout 2020

- According to the OECD, the global economy in 2020 is expected to grow by 2.4% instead of the initially estimated 2.9%, while European growth slows down from 1.1% to 0.8%. In Denmark, bank estimates from Nordea Markets project a decrease in economic growth rates from 1.5% to 1.0% or even 0.5% in the worst-case scenario.
- Nevertheless, projections for 2021 for global and European economic growth by the OECD remain optimistic and are subject to an upward adjustment to 3.3% and 1.2%, respectively, in response to the slowdown in 2020.
- Deloitte's latest survey among 3,000 colleagues and clients from all over the World on 26 March 2020 reveals an increase in the proportion of respondents who believe that the economy will recover by the end of 2020, compared to the previous survey on 19 March 2020. Over the same period, belief in the available policy tools has increased significantly. This positive development comes after a significant drop in expectations of the economy from 12 March 2020 to 19 March 2020.

Government has introduced an aid package of DKK 100bn

- Consumer spending is falling and unemployment rates are increasing pushing the economy into unknown territory.
- As a response, the Danish government introduced an aid package to the tune of DKK 100bn. The government has announced that they are willing to provide more aid if required (up to DKK 287bn).
- You can also visit our Danish COVID-19 website here
- Please do not hesitate to reach out to us if you have questions relating to the business aspect of the COVID-19 situation, including how to apply for aid packages.

Short-term outlook across selected sectors in Denmark

Sector	Denmark	
	Short-term	Outlook
Transport	High impact	Slow recovery
Consumer	High impact	Moderate recovery
Financials	High impact	Moderate recovery
Energy & Resources	High impact	Moderate recovery
Technology, Media & Telco	Moderate impact	Moderate recovery
Real Estate	High impact	Moderate recovery
Life Science & Health Care	Neutral/Low impact	Growth opportunities
Industry	High impact	Moderate recovery

Source: Deloitte, Coronavirus impact monitor

Corporate Governance

The Board's active oversight role related to COVID-19

Boards must take on a highly active oversight role as companies work through the global pandemic

When the stakes are high and scrutiny is intense, the board has a unique and demanding role. Stepping in may be uncomfortable but stepping aside is not an option. Boards are right now challenged to monitor, discuss and support Management's risk assessments, business continuity plans and crisis management and organisational responses.

Expectations for board oversight were already increasing as new risks continue to evolve rapidly and unpredictably. This has been strongly evidenced by the risks related to (COVID-19), which have now risen to the very top of board agendas.

Boards should play an active oversight role related to crisis management, and engage and discuss:

- Management's risk assessments
- Business continuity plans
- Organisational resilience
- Developing new digital strategies
- Enabling the digital workforce
- Communication plans
- Going-concern

The Board's active oversight role in crisis management

Boards are responsible for safeguarding the governance and viability of the organisation. Therefore, crisis management should be a central focus for boards of every organisation, small or large, local or global.

These days, we see boards actively participating in overseeing and assuring crisis management in ways many have never had to do before, such as:

- Management's risk assessments
- Business continuity plans
- Organisational resilience
- Developing new digital strategies
- Enabling the digital workforce
- Communication plans
- Going-concern

A good crisis response is about fixing what can be fixed to the extent possible — but it is also about being externally focused for the Board, communicating to key stakeholders; i.e., shareholders, clients, and regulators, and about making big decisions that have significant impact on the future of the organisation.

The board can ask key questions related to, but not limited to:

1. Exposure and potential financial, operational, and strategic impacts
2. Crisis-response roles and responsibilities
3. Effective management reporting to the board during times of crisis
4. Management's internal communications strategy
5. Accurate information to external stakeholders as the crisis evolves.

Source: NACD Resource Center: Responding to the COVID-19 Crisis

Boards should also maintain focus on the long-term strategy

The board has a crucial role in supporting a forward-looking agenda and in making sure that the company aligns strategically with the new normal that will follow after this high-impact event.

Please visit our global COVID-19 website here for additional resources.

The Audit Committee’s role related to the impacts of COVID-19

Audit committees must get involved in accounting analyses and the impacts of COVID-19 on financial reporting and communication to the market

As COVID-19 continues to spread, CFOs and Audit Committees are considering its impact on accounting conclusions and disclosures and the resulting impact on financial reporting and communication to the market.

The Audit Committee should also look behind the numbers, including the basis of preparation, key assumptions, significant estimates and judgements. This involves active oversight and challenge of Management’s risk assessments, including business continuity plans, scenario planning, likelihoods of financial impact and the expected duration of the COVID-19 crisis.

We recommend that the CFO and the Audit Committee Chair consider the need for an extraordinary Audit Committee virtual meeting in April 2020 and get involved in accounting analyses and the impacts of COVID-19 on financial reporting and communication to the market.

The Audit Committee’s active oversight role in crisis management and resilience

Companies need to provide investors with insights regarding their assessment of, and plans for, addressing material risks to their business and operations resulting from COVID-19 to the fullest extent practicable to keep investors and markets informed of material developments.

Companies must work with their audit committees and auditors to ensure that their financial reporting, auditing and review processes are as robust as practicable in light of the circumstances in meeting the applicable requirements, including also maintaining the level of internal controls over financial reporting during a period with absences.

CFOs and audit committees are looking into the impact of COVID-19 on accounting conclusions and disclosures related to, but not limited to:

- Impairment of non-financial assets (including goodwill)
- Valuation of inventories
- Allowance for expected credit losses
- Fair value measurements
- Onerous contracts provisions
- Restructuring plans etc.
- Tax considerations (in particular recoverability of deferred tax assets).

Audit committees, depending on their mandate, may also be charged with additional risk oversight tasks—which will also be impacted by COVID-19, including but not limited to:

- Monitoring and discussing Management’s risk assessments, risk capacity and risk appetite
- Monitoring Management's ongoing reporting to the Board of Directors related to risks
- Monitoring the Company's liquidity and capital resources
- Monitoring the completion of stress tests on essential areas

Key relationships and alignment of expectations

Managing relationships and ensuring alignment of expectations of key stakeholders are critical elements of planning and communication strategies right now.

Supporting evidence for auditing accounting estimates and related disclosures

Audit committees must understand and request more detailed documentation on methods, data and assumptions used for accounting estimates

With the revised International Standard on Auditing (ISA 540), audit committees can expect to have an enhanced dialogue on accounting estimates with management and the auditors. Especially, focus will be on significant judgments that are subjective as they impact the complexity of the estimates made by management.

This enhanced dialogue will focus on the auditor's views and assessment of significant qualitative aspects of accounting practices, management bias, appropriateness of methods, assumptions and data used and significant deficiencies in internal controls around accounting estimates.

Therefore, we recommend that the Audit Committee plans ahead with the CFO and the auditors, in order to understand the impact on the audit. It will most likely require Management to prepare more detailed documentation on methods, data and assumptions used for accounting estimates. Additional audit efforts to comply with the revised ISA 540 should be expected for the 2020 audit.

Auditing accounting estimates and related disclosures

The International Auditing and Assurance Standards Board (IAASB) has released a revised version of International Standard on Auditing (ISA) 540 (Revised) for the audit of accounting estimates and related disclosures. It becomes effective for financial statement audits for periods beginning on or after 15 December 2019, i.e., the 2020 calendar financial statements.

This standard addresses the fundamental elements of an audit, and is an important part of the IAASB's efforts to improve audit quality globally.

For audit committees, this enhanced dialogue on accounting estimates will focus on the auditor's views and assessment of:

- significant qualitative aspects of the entity's accounting practices
- indicators of management bias
- management's methods, assumptions and data used
- significant deficiencies in internal controls.

Therefore, CFOs can expect:

- greater focus in assessing how management understands the nature and extent of, and the risks associated with, accounting estimates
- greater focus in understanding processes and controls around accounting estimates
- varying procedures to drive work efforts based on assessed risk levels, including auditing approach
- more interaction between management's experts and the auditors
- requests to provide more specific written management representations.

The revisions to ISA 540 (Revised) include:

1 Enhanced risk assessment procedures and focus on understanding the degree of estimation, complexity and subjectivity of accounting estimates. Include focused risk assessment on management bias

2 Require enhanced understanding of the entity and its environment, the processes and controls that are in place relative to accounting estimates

3 Expand and scale efforts in the design and execution of control and substantive procedures to address different accounting estimates, their assessed risks related to the models, methods, and significant assumptions used

4 Being deliberate in evaluating management bias, assessing potential fraud risks, performing robust and balanced assessment of corroborative and contradictory evidence

5 Increase effort to identify and assess the sufficiency and appropriateness of audit evidence obtained from external information sources and management experts

Considerations for the Remuneration Committee in relation to COVID-19

Companies must consider the impact of business performance on rewards across the organisation

While workforce health and wellbeing is of paramount focus during the COVID-19 crisis, companies are also considering the impact of business performance on rewards across the organisation, with a number of 'hard hit' organisations issuing a public response around workforce policies such as reduced working hours, pay reductions and unpaid leave as well as applications for government aid packages to compensate for salaries and fixed costs etc.

In the context of wider business impact, more than ever remuneration committees will be expected to use judgement and discretion to make appropriate decisions around the implementation of senior executive reward policies. Discussions and views on this topic will certainly evolve, as the full scale of the impact becomes clearer.

At Deloitte, we are ready to help with advice and assistance on the immediate challenges that companies are facing, what actions are being taken to respond to COVID-19, and the views investors have shared in this area.

Consider the impact of COVID-19 on workforce policies, corporate governance, valuation, accounting, and legal, employment law and taxation

Workforce policies
Companies are considering the impact of COVID-19 on total remuneration strategies, including the impact of business performance on rewards across the organisation and how it will affect workforce policies over the coming weeks and months.

Corporate Governance
Remuneration committees are considering salary freezes/cuts, deferrals of share awards and whether to cancel/modify share-based incentive programmes for senior executives etc. due to financial distress and the declining and highly volatile stock market. Remuneration committees must also react to the views of investors and employees.

Valuation
Equity market volatility is at the highest level since the global financial crisis. Lower share prices will impact share-based incentive programmes, including determining the number of shares at grant, the valuation of new grants and on ongoing valuations of cash-settled programmes for accounting and reporting purposes.

Accounting
IFRS 2 has accounting requirements for modifications, cancellations and settlements of existing share-based incentive programmes, which could result in an additional expense in the income statement if not considered carefully. For example, the cancellation or settlement of equity instruments is accounted for as an acceleration of the vesting period and therefore any amount unrecognised that would otherwise have been charged must be recognised immediately in the income statement.

Legal, employment law and taxation
It is also important to consider any legal, employment law and tax implications of any changes to share-based inventive programmes and to other parts of pay. These include pay reductions, unpaid leave, salary compensation from the Danish government and redundancies. Detailed consequence analyses need to be prepared before decisions are made. Granting share-based payment programmes for all or certain key employees may be worth considering to reduce cash outflows and ensure retention of key employees for certain companies.

Remuneration committees are considering senior executive rewards in the context of fairness, keeping in mind employees, government support, and the shareholder experience.

Detailed considerations include, but are not limited to:

- Salary freezes/cuts
- Earned bonuses
- Deferred share awards
- Vesting of long-term incentive programmes
- Policy changes or reductions
- Assessing performance
- Deferral/waiver of awards
- Determining the number of shares at grant
- Target setting
- Use of discretion
- Annual general meeting approvals

Financial Reporting

COVID-19 and its impact on annual reports

COVID-19 should be taken into consideration when preparing the annual report – at a minimum, detailed descriptions in the management commentary are needed

As the outbreak continues to evolve, it is challenging to predict the full extent and duration of its business and economic impact. Consequently, these circumstances present entities with challenges when preparing annual IFRS consolidated financial statements.

Annual financial reporting issues could relate to, but are not limited to, the following:

- Events after the reporting period
- Impairment
- Fair value measurement
- Going concern
- Expected credit loss assessment
- Accounting estimates
- Disclosures

Going concern assessments need to be performed up to the date on which the financial statements are authorised for issue.

Companies need to revisit significant judgements and continuously update their assessments as the outbreak evolves.

Coronavirus timeline

IN LATE 2019

First cluster of unknown cases were identified in China

31 December 2019

China alerted the World Health Organisation (WHO) of this new virus

30 January 2020

The WHO declared the outbreak a "Public Health Emergency of International Concern"

CURRENT SITUATION

The virus has travelled across the globe, disrupting the global economy, and all industries

Events after the reporting period

Events after the reporting period are those events that occur between the end of the reporting period and when the financial statements are authorised for issue. Below we have listed a non-exhaustive listing of examples of events that companies could consider including in the annual report:

- An order from public authorities, or a decision, not to carry out specific activities
- Reduced employee capacity due to quarantines, illness, child care, etc.
- Order, or decision, to shut down production facilities, sales locations, etc.
- Deliveries of goods from suppliers are significantly delayed
- Impairment in markets for financial instruments and other assets
- Generally declining revenue, productivity or earnings
- Breach of terms in loan agreements (covenants)

Companies in reporting classes C and D will have to disclose specific assumptions and uncertain factors related to the description of the company's expected development in the management report. In addition, there is still a requirement for companies to disclose the specific risks by which the company may be affected, and how they seek to address them. These disclosure requirements apply regardless of whether the annual and consolidated financial statements are presented in accordance with the Danish Financial Statements Act or IFRS.

Going concern

The degree of consideration required, the conclusion reached, and the required level of disclosure will depend on the facts and circumstances on a entity-by-entity basis, because all companies will also be affected differently by COVID-19. Significant judgements and continual updates to the assessments up to the date of issuance of the financial statements may be required given the evolving nature of the outbreak and the uncertainties involved.

COVID-19 and its impact on interim financial reporting

Companies need to implement processes to ensure that the impact of COVID-19 is appropriately recognised in interim financial reporting

The possible accounting effects of events related to COVID-19 that occurred prior to the interim balance sheet date must be calculated and recognised when preparing interim financial reports under IAS 34. Example: if authorities prohibited certain activities of the company etc.

Companies and groups have to implement internal processes and supporting tools to ensure sufficient resources and capabilities, on an ongoing basis, to revisit considerations, significant judgements, and continually update their assessments as the COVID-19 crisis continues to evolve.

Interim financial reporting issues could relate to, but are not limited to, the following:

- Impairment
- Fair value measurement
- Going concerns
- Expected credit loss assessment
- Accounting estimates
- Disclosures
- Government grants and assistance
- Events after the reporting period

Read more in our global IFRS newsletter here and in subsequent communications on the IAS Plus COVID-19 Resource page.

Consider the impact of COVID-19 on accounting and disclosures related to, but not limited to:

- Impairment of non-financial assets (incl. goodwill)
- Valuation of inventories
- Allowance for expected credit losses
- Fair value measurements
- Onerous contracts provisions
- Restructuring plans
- Breach of loan covenants (incl. impact on classification of liabilities as current vs non-current)
- Going concerns
- Liquidity risk management
- Events after the end of the reporting period
- Hedging relationships
- Insurance recoveries related to business interruptions
- Employment termination benefits
- Share-based compensation performance conditions and modifications
- Contingent consideration in contractual arrangements
- Modifications of contractual arrangements
- Government grants
- Tax considerations (in particular recoverability of deferred tax assets)

Government grants

IAS 20 prescribes accounting for, and disclosure of, government grants and other forms of government assistance. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate. A government grant is accounted for in the same manner whether it is received in cash or as a reduction of a liability to the government, or in the form of non-monetary assets. Specific rules apply for forgivable loans from government and government loans at below-market rates of interest. Therefore, the accounting treatment can vary from subsidiary to subsidiary in a group due to different countries' different government aid packages.

Impairment assessment

As a result of the impact of COVID-19, certain entities may need to perform an impairment assessment of assets (in addition to the requirement to at least annually perform an impairment test of goodwill and intangible assets with an indefinite useful life).

Liquidity risk management

Entities should consider how they use working capital techniques. Entities should also consider the specific disclosure requirements for transfers of financial assets as required by IFRS 7 in the case where financial assets are sold to fund working capital needs, and the accounting policies and judgements applied in determining the balance sheet and cash flow statement presentation of amounts due and paid where supplier finance and reverse factoring arrangements are used.

Ongoing considerations

Looking ahead, the impact of COVID-19 on the global economy and financial markets is expected to continue to evolve. Entities should evaluate the related accounting issues and disclosure considerations discussed above as facts and circumstances change.

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