



British Columbia
Securities Commission

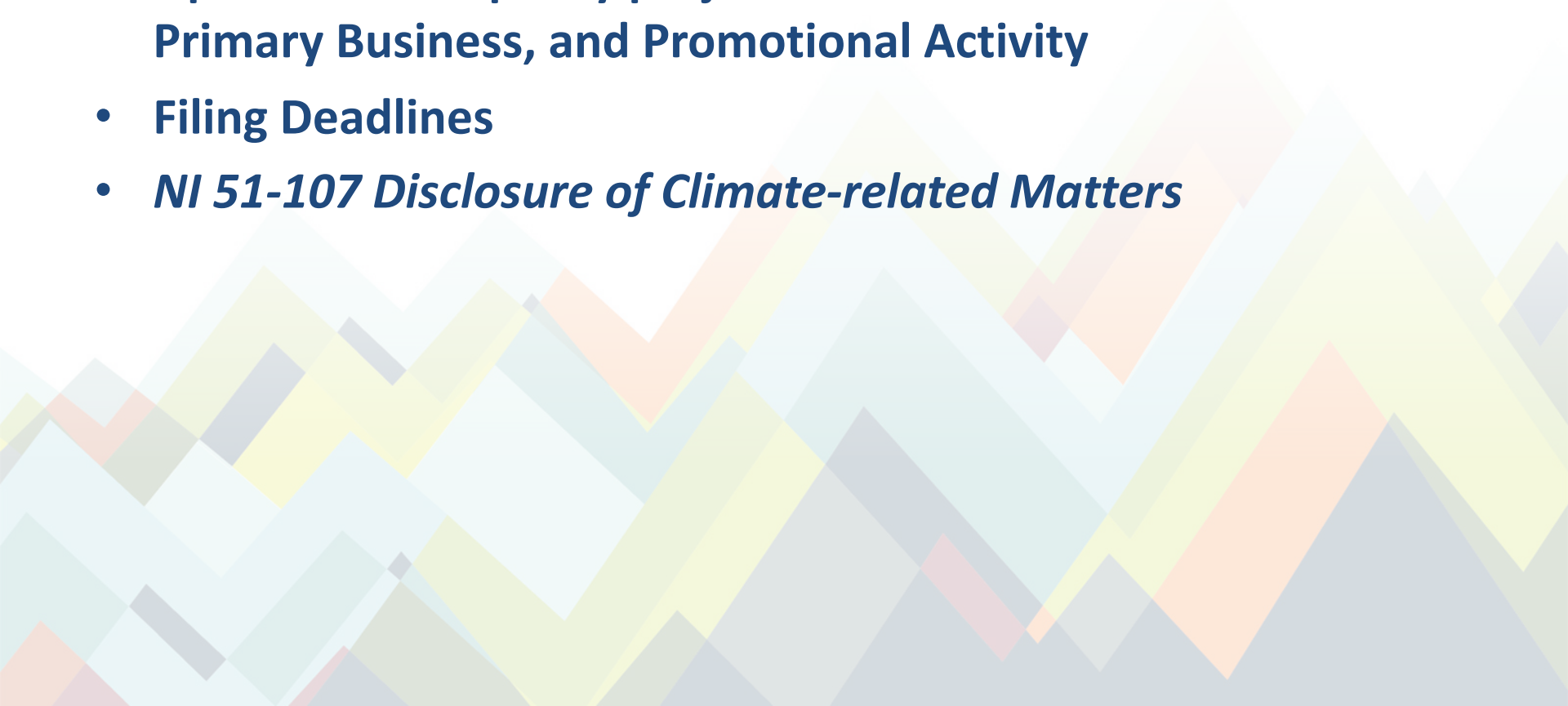
Regulatory Update – January 12, 2022

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Agenda

- **NI 52-112 *Non-GAAP and Other Financial Measures Disclosure***
 - **NI 52-108 *Amendments***
 - **Update on two policy projects discussed October 28 2021 – Primary Business, and Promotional Activity**
 - **Filing Deadlines**
 - ***NI 51-107 Disclosure of Climate-related Matters***
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NI 52-112 *Non-GAAP & Other Financial Measures Disclosure*

Reporting issuers

- except: Investment funds, SEC foreign issuers, Designated foreign issuers
- applies to documents filed for financial year ending on/after Oct. 15, 2021

Non-reporting issuers

- documents for offerings or certain transactions: NI 41-101, section 2.9 of NI 45-106, or listing application, qualifying transaction, reverse takeover or other similar transactions
- applies on/after Dec. 31, 2021

Documents include: AIF, earnings release, OM, marketing materials, MD&A, news release, prospectus, social media, website

Exceptions include: technical disclosure, “third-party” reports, transcripts of oral statements, pro forma f/s, material contracts or documents, required by law or SRO, registered firm disclosure provided to clients

NI 52-112 *Non-GAAP & Other Financial Measures Disclosure*

Non-GAAP Financial Measure e.g. adjusted net income

Non-GAAP Ratio e.g. adjusted NI per share

Supplementary Financial Measure e.g. same-store sales

Total of Segments Measure e.g. total of segments EBITDA

Capital Management Measure e.g. net debt



NI 52-112 Disclosure Snapshot (slide from: CPA Canada Oct. 2021 webinar)

			NON-GAAP MEASURE			OTHER FINANCIAL MEASURE		
	Attributes	Disclosures	Historical	Forward-Looking	Ratio	Total of Segments	Capital Management	Suppl. Financial
1	Labelling	Label appropriately	X	X	X			X
2	Identification	Identify as such	X					
		Disclose the non-GAAP financial measure		X ^A	X ^B		X ^B	
3	Relationship	Disclose most directly comparable primary FS measure	X			X		
4	Prominence	Present with no more prominence	X	X	X	X	X	
5	Cautionary	Explain does not have a standardized meaning and may not be comparable	X		X			
6	Comparative	Include comparative period	X ^C		X ^C	X ^C	X ^C	
7	Composition	Explain the composition	X ^D		X ^D		X ^{D, G, H}	X ^D
8	Usefulness	Explain how the measure is useful and the additional purposes, if any, for which mgmt. includes it	X ^D		X ^D		X ^{D, H}	
9	Reconciliation	Provide a reconciliation to the primary FS measure	X ^{D, E}	X ^{D, E} ^F		X ^{D, E}	X ^{D, E, G, H}	
10	Changes	Explain reasons for changes	X ^D		X ^D			
Notes	A	Disclose the equivalent historical non-GAAP financial measure *	E Cannot incorporate by reference in an earnings release					
	B	Disclose each non-GAAP financial measure that is used as a component in the non-GAAP ratio or capital management measure (CMM) *	F Disclose description of significant differences					
	C	Comparative information required in MD&A or in earnings release, subject to certain exceptions	G <ul style="list-style-type: none"> Composition is only required if the CMM <u>IS</u> a ratio Reconciliation is only required if the CMM <u>is NOT</u> a ratio 					
	D	Ability to incorporate by reference to MD&A	H Disclosure requirement does not apply if included in the notes to the FS					

* Comply with disclosure requirements for each non-GAAP financial measure disclosed

Simplified Illustration Only

Amendments to NI 52-108 *Auditor Oversight*

- **Significant component auditor (SCA)**
 - performs audit work involving financial info relating to a component
 - meets significance thresholds – audit hours, fees % assets/revenues
- **Reporting Issuer (RI) must give written notice it permits SCA to provide access** to the SCA's working papers if CPAB requests access
- If a SCA fails to voluntarily provide access to CPAB, CPAB may issue a **CPAB access-limitation notice** to a RI's auditor (Participating audit firm, or PAF) who must deliver the notice to the RI, its audit committee and the securities regulator

Amendments to NI 52-108 *Auditor Oversight*

cont.

- A RI who receives a CPAB access-limitation notice, must give written notice to permit the SCA to enter into an **Access Agreement with CPAB**
- If a SCA does not enter into an Access Agreement, and CPAB delivers a **No-Access Notice** to a PAF, the PAF:
 - must deliver a copy of the notice to the RI, its audit committee and the securities regulator
 - is **prohibited from using the SCA**
 - may use another SCA that undertakes to provide CPAB access or has entered into an Access Agreement with CPAB

Primary Business

Proposed changes to 41-101 Companion Policy CP

- published Aug. 2021, comment period closed Oct. 2021
- interpretation of primary business in an IPO
- clarifies when acquisition of mining assets is not a business
- financial statement requirements (triggers, periods)
- circumstances when we may require additional information (full, true and plain disclosure)
- comments received and next steps

Promotional Activity Disclosure

Proposed BC Instrument 51-519 *Promotional Activity Disclosure Requirements*

- published in May/21, comment period closed July/21
- Four components of framework for disclosure:
 - **News release** if VI retains/compensates promoter – contact info, platforms for promo, compensation
 - **Disclosure by all issuers upon enquiry** (info per news release)
 - **Person conducting promo activity must disclose** engagement, compensation, interest in securities, platforms, facts that interfere with objectivity
 - VI must disclose in MD&A **expenditures on promo activity** if >10% of total operating expenses
- comments received and next steps

Filing Deadlines

NP 12-203 Management Cease Trade Orders –eligibility criteria:

- outstanding filings – in most cases expect filed within 2 months
- issuer is generating revenue or actively pursuing development of products/property
- issuer has financial and human resources to remedy the default
- issuer's securities are listed on a Canadian exchange, with active liquid market for those securities
- the issuer is not (for another reason) on the defaulting reporting issuer list in any CSA jurisdiction

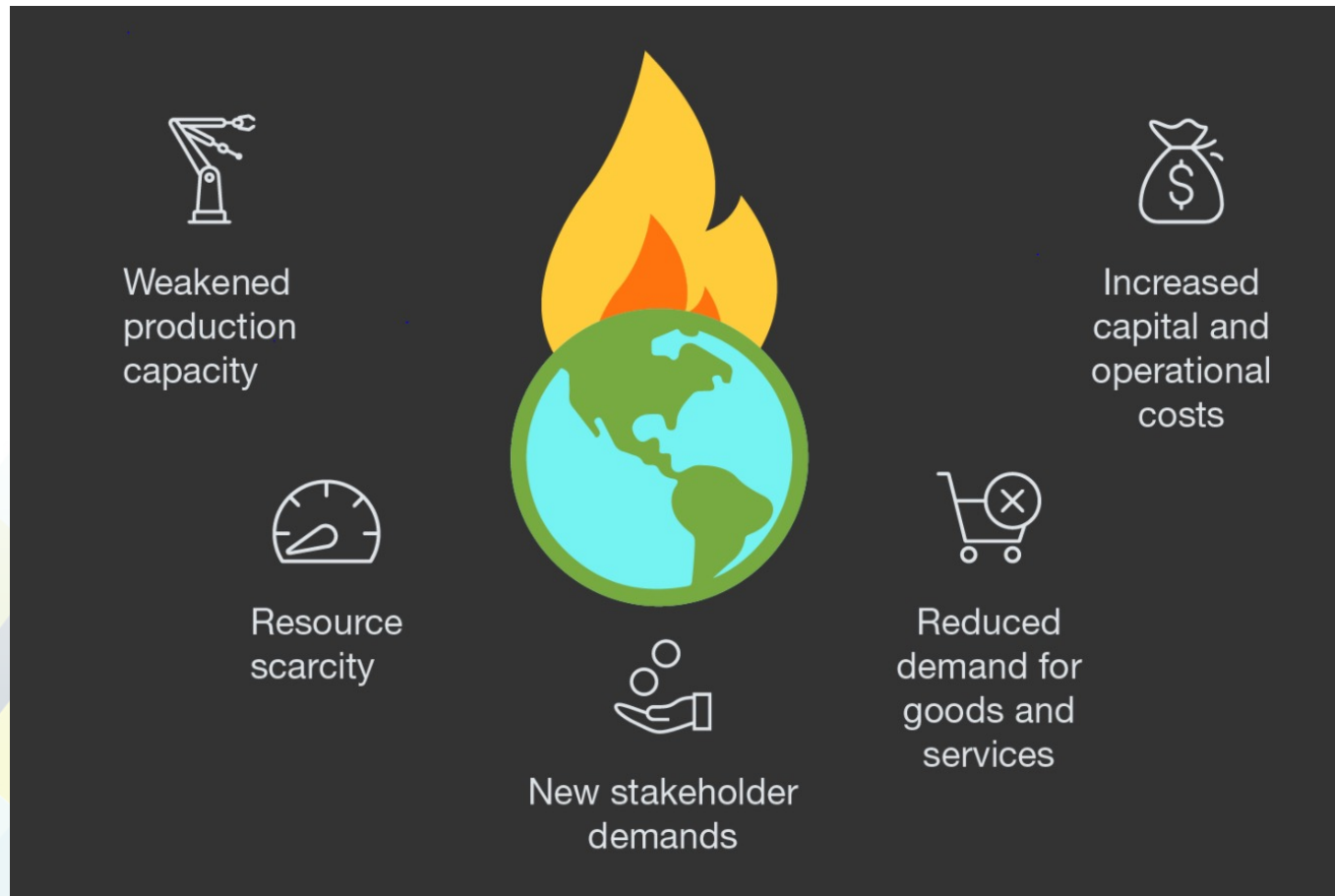
If you expect a filing delay, review criteria, apply early, pay application fee

Climate-related disclosure – context

- **Investors are increasingly focused on climate-related risks**
- The CSA has expressed support for the IFRS Foundation's establishment of the **International Sustainability Standards Board (ISSB)**
- CSA participants involved in **IOSCO's Sustainable Finance Task Force**
 - Technical Experts Group working on prototype climate measurement and presentation standards
 - work includes considering connectivity with financial statements and audit and assurance issues
- Proposed creation of a **Canadian Sustainability Standards Board**
- **Proposed NI 51-107:**
 - disclosure in AIF or annual MD&A
 - does not contemplate assurance (e.g. audit of GHG emissions)

Climate-related disclosure project

Types of climate risks impacting issuers:
physical risks vs. transition risks



Climate-related disclosure project

CSA guidance on materiality and climate risk disclosures

- Environmental guidance (2010); CSA disclosure review project (2017-2018)
- CSAN 51-358 *Reporting of Climate Change-related Risks* (August 2019)
 - Key message: climate-related risks and their potential financial impacts are **mainstream business issues**, and issuers should consider these risks as part of their risk management processes and disclose any material climate change-related risks to their business.

Various concerns about current state of disclosures

- Lack of comparability, consistency, completeness
- Limited quantitative information
- Cherry-picking of standards and frameworks
- Sustainability reporting not integrated into securities filings

Voluntary reporting standards to fill the regulatory disclosure gap



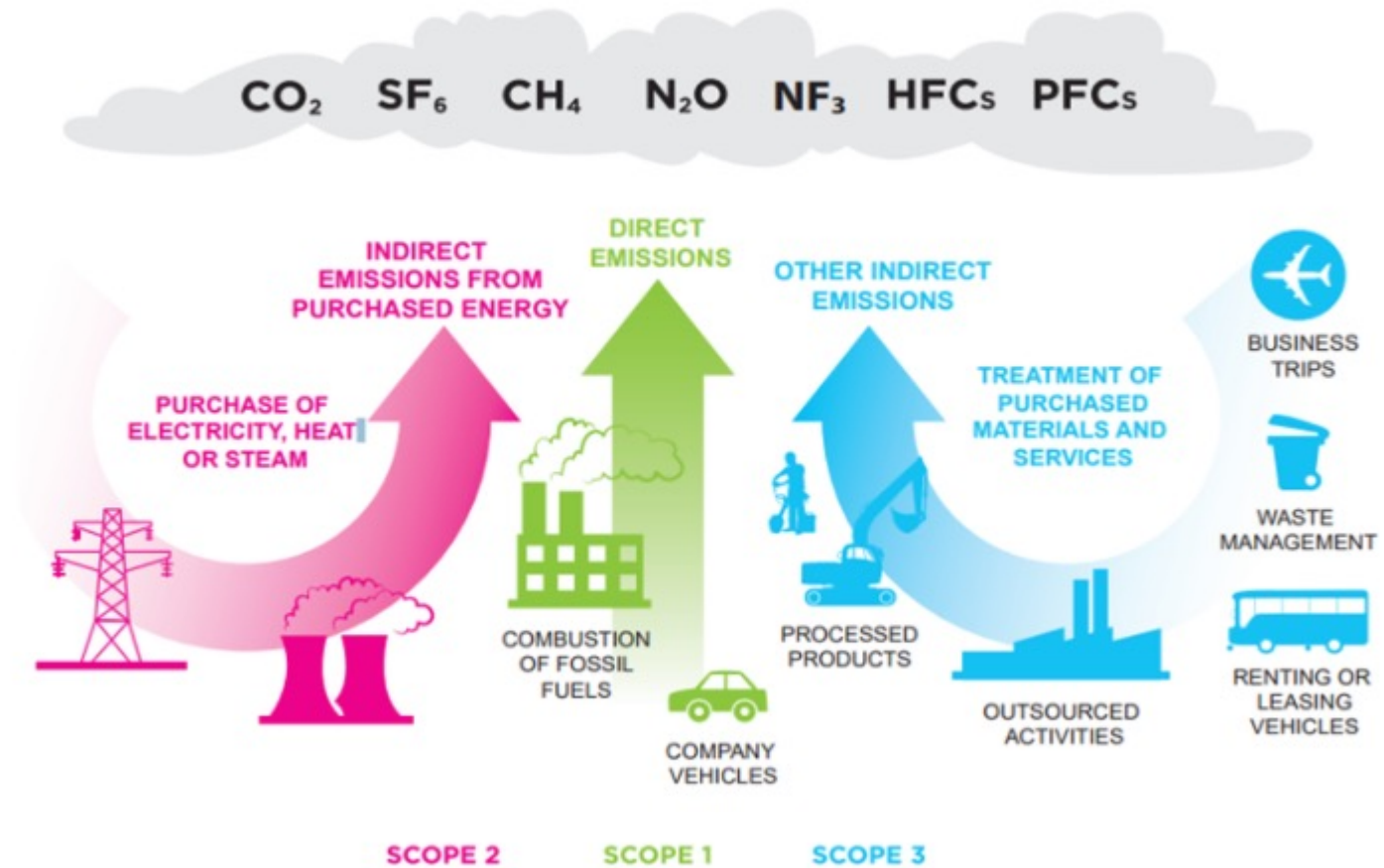
Climate-related disclosure project

TCFD: emerging global framework

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the potential impact of different scenarios, including a 2° c scenario, on the organization's businesses, strategy, and financial planning.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Climate-related disclosure project

Side bar and sticking point: Scope 1, 2 and 3 emissions



Climate-related disclosure project

Proposed NI 51-107 *Disclosure of Climate-related Matters* (October 18, 2021)

- Intended to provide investors with improved transparency about issuers' consideration and quantification of the risks of climate change by making TCFD-aligned disclosures mandatory
- Two modifications to TCFD recommendations to address “pain points”:
 - scenario analysis: not required
 - GHG emissions reporting: comply-or-explain or mandatory Scope 1 only
- Would eventually apply uniformly to **all** reporting issuers as follows:
 - non-venture issuers: one-year transition period
 - venture issuers: three-year transition period
- CSA monitoring international developments, including:
 - SEC anticipated issuance of climate-related disclosure requirements
 - newly announced International Sustainability Standards Board and development of new standard

Important for CSA to have range of feedback - **Get your comments in by Feb. 16, 2022!**

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