


June 2022

SUMMARY OF OVERSIGHT AND REGULATORY ACTIVITIES

Direction principale du financement des sociétés



6	PROFILE
18	EDUCATING
30	INFORMING

(Original version in French)

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NOTE: For ease of reading, the full names of regulations (including forms), policy statements and notices are listed in Appendix A.

MESSAGE FROM THE SENIOR DIRECTOR, CORPORATE FINANCE

We are pleased to present capital market participants with our summary of the oversight and regulatory activities of the AMF's Direction principale du financement des sociétés (AMF Corporate Finance) for the year ended December 31, 2021.

AMF Corporate Finance is responsible for ensuring that investors are protected and markets operate efficiently. Part of its mandate is to oversee compliance with continuous disclosure, securities distribution, bid and insider reporting requirements.

This is the fifth edition of the summary. Since the publication of the last edition in September 2020, and in the wake of a protracted pandemic that has placed significant pressure on our resources, we have decided to present information on the basis of the calendar year rather than the AMF's fiscal year of April 1 to March 31.

In 2021, capital raising in Québec continued to grow at a rapid pace, causing the AMF to issue a news release on May 3, 2021 reminding issuers of best practices when filing a prospectus and underscoring the possibility of review delays due to high prospectus volumes. I am happy to report that, as a result of the hard work of AMF Corporate Finance staff, all filings were reviewed within the usual times frames.

The “**PROFILE**” section provides statistics on Québec companies, the distributions completed by them, and the key outcomes of our prospectus and continuous disclosure reviews.

The “**EDUCATING**” and “**INFORMING**” sections spotlight some regulatory issues. We have commented several times in the past to the issuers some of the topics discussed and we reiterate them in order to emphasize their importance and help issuers and their advisors improve the level of disclosure in distribution and continuous disclosure documents.

You will notice that the “**INFORMING**” section covers our various regulatory initiatives, which include both projects to reduce regulatory burden and those to address current issues such as disclosure of climate-related matters and the diversity of corporate boards and senior management.

Over the coming year, we will continue working on and investing in digital transformation and data access and analytics so that we can achieve a more fine-grained understanding of our market to better target our supervisory activities.

Finally, I would like to extend my heartfelt thanks to all the members of AMF Corporate Finance, who, despite difficult circumstances caused by the COVID-19 pandemic and an extremely high volume of work, performed remarkably and remained fully engaged throughout 2020 and 2021.

We hope you find this summary an informative and interesting read.

Benoît Gascon

Senior Director, Corporate Finance

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ABBREVIATIONS AND ACRONYMS USED IN THIS SUMMARY

AMF:	Autorité des marchés financiers
CDR Program:	Harmonized Continuous Disclosure Review Program
CPC:	Capital pool company
CSA:	Canadian Securities Administrators
CSE:	Canadian Securities Exchange
GAAP:	Generally accepted accounting principles
GDP:	Gross domestic product
IAASB:	International Auditing and Assurance Standards Board
IAS:	International accounting standards
IASB:	International Accounting Standards Board
IFRS:	International Financial Reporting Standards
IOSCO:	International Organization of Securities Commissions
IPO:	Initial public offering
ISSB:	International Sustainability Standards Board
NASDAQ:	National Association of Securities Dealers Automated Quotations
SEDAR:	System for Electronic Document Analysis and Retrieval
SPAC:	Special purpose acquisition corporation
TMX:	TMX Group
TSX:	Toronto Stock Exchange
TSXV:	TSX Venture Exchange

PROFILE¹



¹ Unless otherwise indicated, the figures in this summary are as at December 31, 2021.

1 Companies

A) In figures!

1,216² reporting issuers in Québec

266³ reporting issuers for which the AMF is the principal regulator

53% venture issuers



47% other issuers

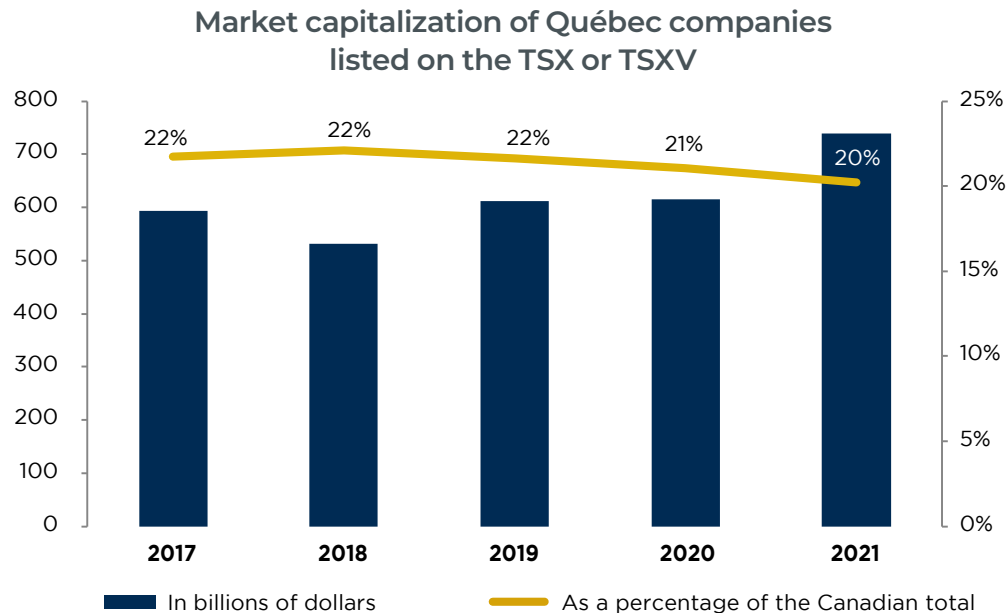


2 Does not include the 213 Desjardins caisses (credit unions) that are exempt reporting issuers and the 566 issuers that have been subject to a cease trade order for more than 12 months.

3 Does not include the 213 Desjardins caisses (credit unions) that are exempt reporting issuers and the 165 issuers that have been subject to a cease trade order for more than 12 months.

B) Profile of Québec companies⁴ listed on the TSX or TSXV

The following graph shows the changes in the total market capitalization of Québec companies whose securities are listed on the TSX or TSXV. It also shows the total market capitalization of Québec companies as a percentage of the total market capitalization of companies in Canada from 2017 to 2021.



Sources: TMX Group and the AMF

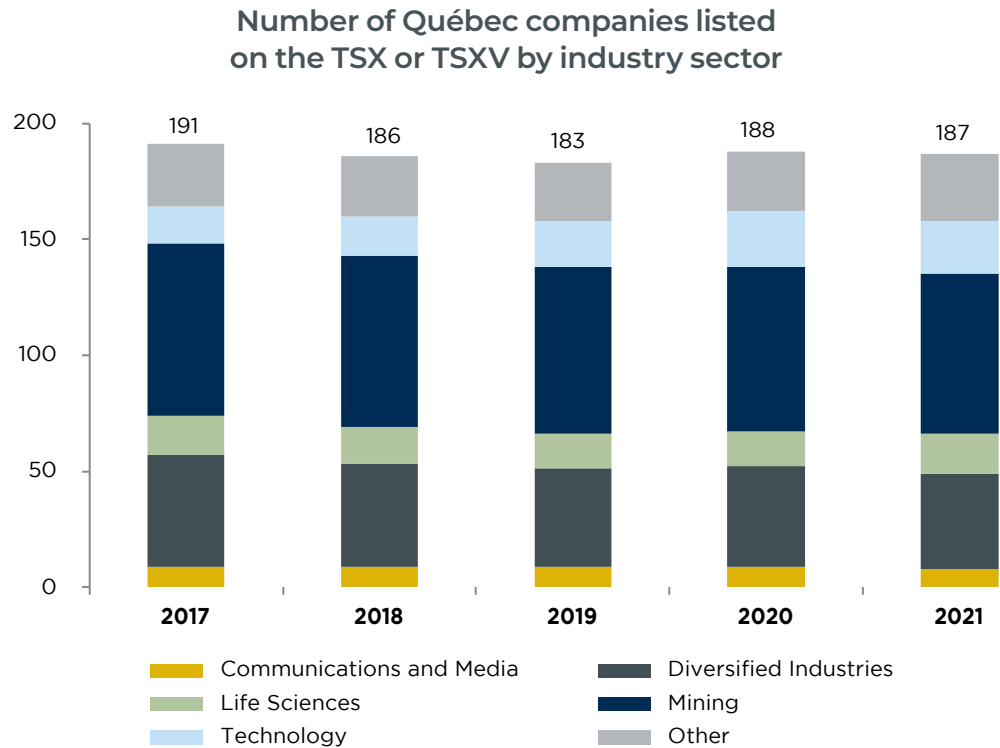
In the past year, the total market capitalization of Québec companies increased nearly 20%, from \$622 billion in 2020 to \$744.8 billion in 2021. In 2020 and 2021, it represented respectively 21% and 20% of Canadian market capitalization. The total market capitalization of companies in the rest of Canada experienced slightly more sustained growth, rising 26% from \$2.3 trillion in 2020 to \$2.9 trillion in 2021. For 2021, Québec companies' share of the total market capitalization of all companies in Canada (20%) is in line with Québec's share of Canada's GDP (20%).⁵

The number of Québec companies listed on the TSX or TSXV changed only negligibly in 2021, decreasing from 188 to 187. In the rest of Canada, the change was more significant, with the number of Canadian companies based outside Québec listed on the TSX or TSXV decreasing to 1,910 in 2021 from 1,957 in 2020.

⁴ Companies for which the AMF is the principal regulator within the meaning of [Regulation 11-102](#).

⁵ Sources: Statistics Canada and Institut de la statistique du Québec. Gross domestic product by income account – seasonally adjusted at annual rates.

The following graph shows the number of Québec companies listed on the TSX or TSXV by industry sector.



CSE and NASDAQ

In addition to the Québec companies listed on the TSX or TSXV, 10 Québec companies were listed on the CSE and 13 on the NASDAQ in 2021, down from 11 and 14, respectively, in 2020.

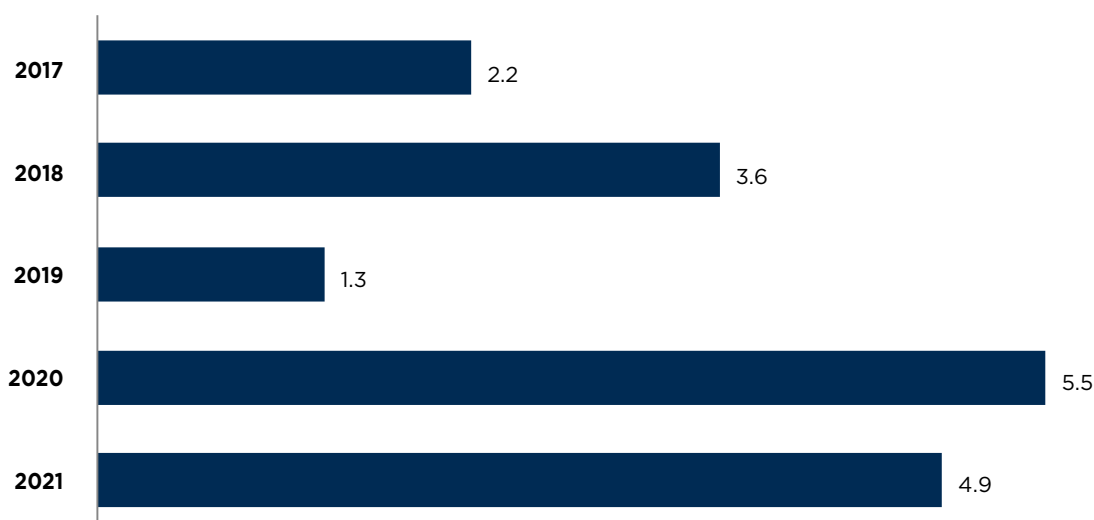
C) Distributions by Québec companies in the public markets

In 2021, 655 prospectuses were filed in Canada, including 251 in all provinces (38%), 201 in all provinces except Québec (31%) and 203 in some provinces (31%), including Québec, in certain cases.

In 2021, the number of IPOs⁶ conducted on the TSX or TSXV was up sharply from 2020, at 43, five of them with the AMF as principal regulator,⁷ from 16,⁸ two of them with the AMF as principal regulator.⁹ In 2021, the value of all IPOs carried out in Canada totalled approximately \$8.7 billion,¹⁰ up 123% from \$3.9 billion in 2020.

As shown in the graph below, Québec companies raised \$4.9 billion¹¹ in the public markets in 2021, 11% less than the \$5.5 billion¹² raised the previous year. This decline follows a year when public distributions by Québec companies, in a turnaround from the substantial decrease observed in 2019, reached a record high. Most of the public distributions were by companies listed on the TSX.

Amounts raised by Québec companies on the public markets
(in billions of dollars)¹³



Sources: TMX Group and the AMF

⁶ Does not include IPOs by CPCs and SPACs and IPOs for which the securities are listed on the CSE.

⁷ Three other Québec companies filed prospectuses for IPOs in 2021, but those IPOs have not been completed.

⁸ Source: TMX Group.

⁹ A receipt was issued by the AMF for one other Québec company IPO in 2020; however, the securities offered under the prospectus were listed on NASDAQ.

¹⁰ Source: TMX Group. This figure does not include the value of the IPOs of CPCs, SPACs and companies listed on the CSE.

¹¹ Source: TMX Group. Does not include public distributions by CPCs and SPACs listed on the TSX or TSXV.

¹² Idem Note 11.

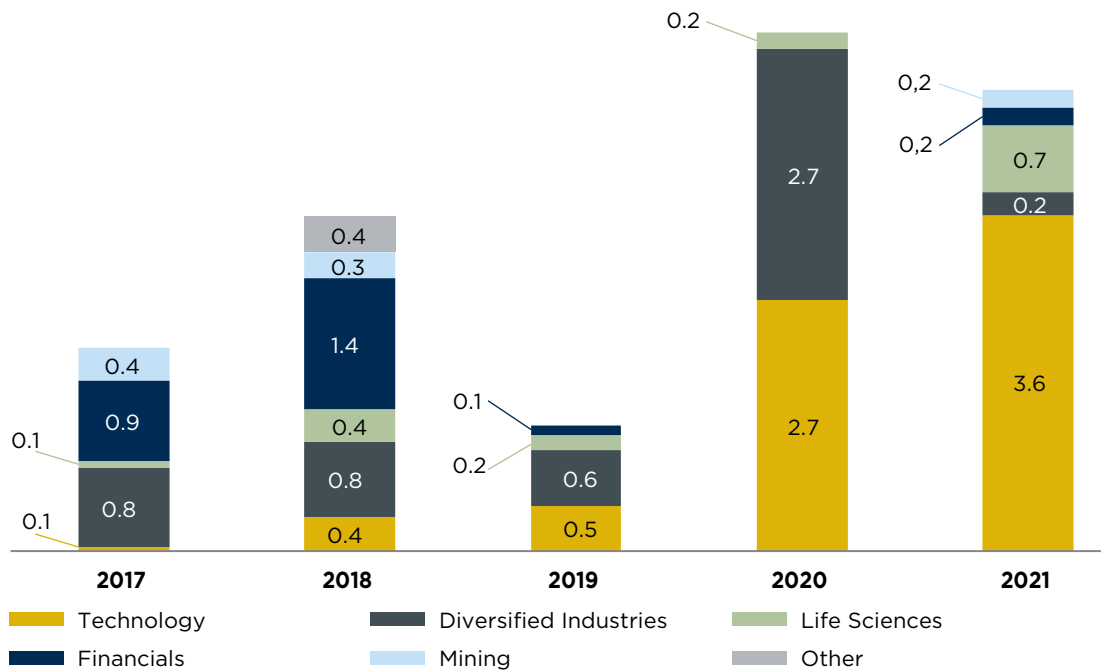
¹³ Does not include distributions of linked notes carried out by way of a prospectus by banks.

Distributions by Québec companies in the Technology sector accounted for the largest share of total capital raised in 2021, at 73% (48% in 2020).

Distributions by Québec companies in Diversified Industries¹⁴ experienced a steep 91% decline, from \$2.7 billion in 2020 to \$0.2 billion in 2021.

Funds raised by Québec companies in Life Sciences almost quadrupled, from \$0.2 billion in 2020 to \$0.7 billion in 2021. The following graph shows the breakdown of Québec company distributions by industry sector for the years 2017 to 2021.

Breakdown of distributions by Québec companies listed on the TSX or TSXV
(in billions of dollars)¹⁵



Sources: TMX Group and the AMF

¹⁴ The TMX sector classification is used for the purpose of this summary. Diversified Industries includes Consumer Products and Services, Industrial Products and Services and Real Estate.

¹⁵ Does not include distributions of linked notes conducted by way of a prospectus by banks headquartered in Québec for which the AMF is principal regulator.

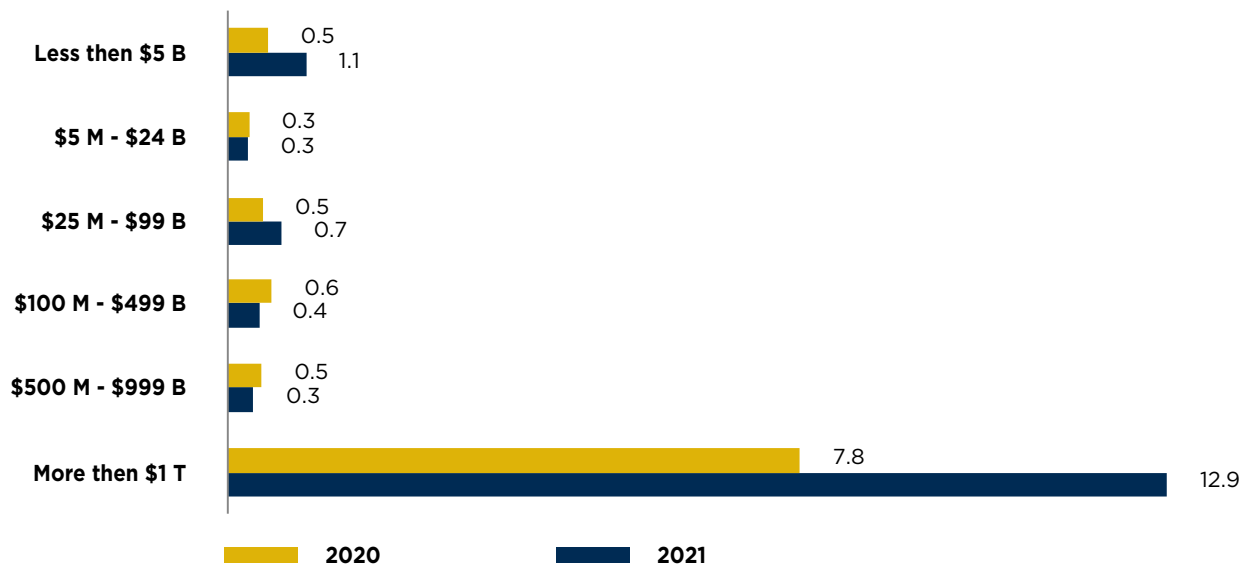
D) Distributions by Québec companies in the exempt market¹⁶

In addition to raising capital in the public markets, Québec companies raised \$15.66 billion in the exempt market in 2021,¹⁷ 54% more than the \$10.15 billion raised in 2020.

In 2021, 187 Québec companies filed a total of 615 reports of exempt distribution, whereas, in 2020, 185 companies filed a total of 565 reports. As in 2020, approximately 73% of the amounts distributed by Québec companies in 2021 were distributed by reporting issuers.

Québec companies with total assets in excess of \$1 billion attracted more than 82% of the funds raised in 2021, compared to 77% in 2020. The following chart shows the breakdown of distributions conducted in 2021 and 2020 by size of company assets.

Breakdown of Québec company distributions by size of company assets
(in billions of dollars)



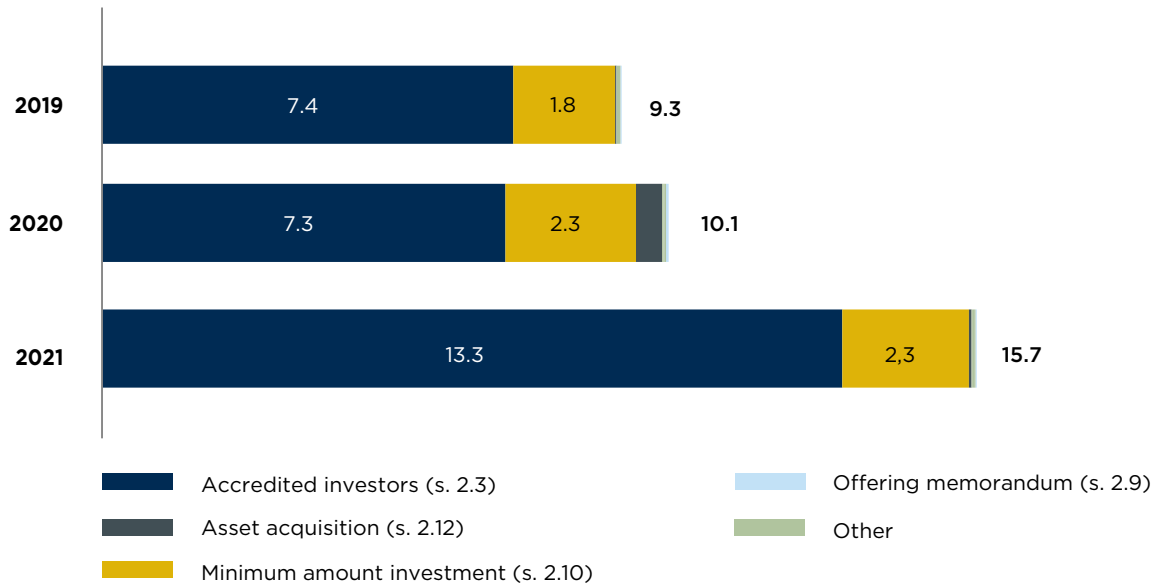
In 2021, the exemption most frequently relied upon by Québec companies was the accredited investor prospectus exemption (section 2.3 of [Regulation 45-106](#)), followed by the minimum amount investment exemption (\$150,000) (section 2.10 of [Regulation 45-106](#)). The following graph shows the changes in distributions by Québec companies from 2019¹⁸ to 2021.

¹⁶ The figures provided include distributions conducted by Québec companies under the prospectus exemptions in [Regulation 45-106](#) requiring a report of exempt distribution (45-106F1) that was filed in 2021. Amendments filed for those reports after January 15, 2022 are not included.

¹⁷ Source: AMF calculations.

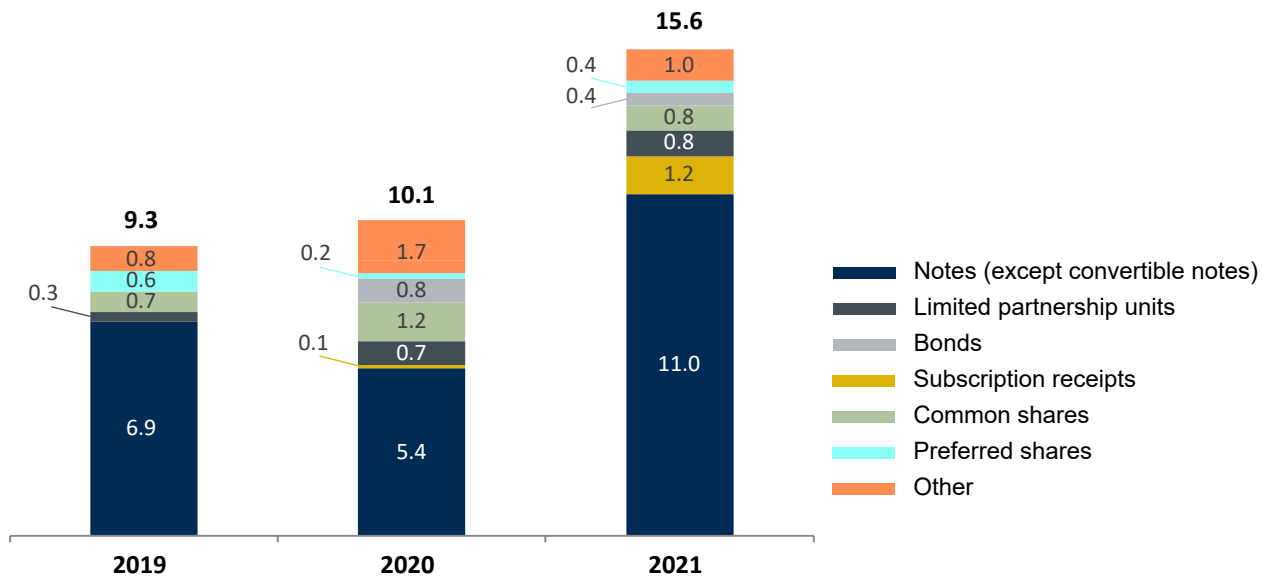
¹⁸ The figures for 2019 have been restated to include the amounts distributed in 2019 and disclosed by Québec companies in their 45-106F1 reports filed in 2020 and 2021.

Changes in exempt market distributions by Québec companies from 2019 to 2021 (in billions of dollars)¹⁹



In consideration of the amounts raised, Québec companies issued mainly debt securities in the exempt market in 2021. Notes (other than convertible notes) continued to account for the lion's share of distributions in 2021, followed by subscription receipts. Shares represented a smaller percentage of the total amount distributed in 2021 than in 2020. The following figure shows the breakdown of the amounts distributed between 2019 and 2021 by class of securities.

Changes in Québec company distributions from 2019 to 2021 broken down by class of securities issued (in billions of dollars)



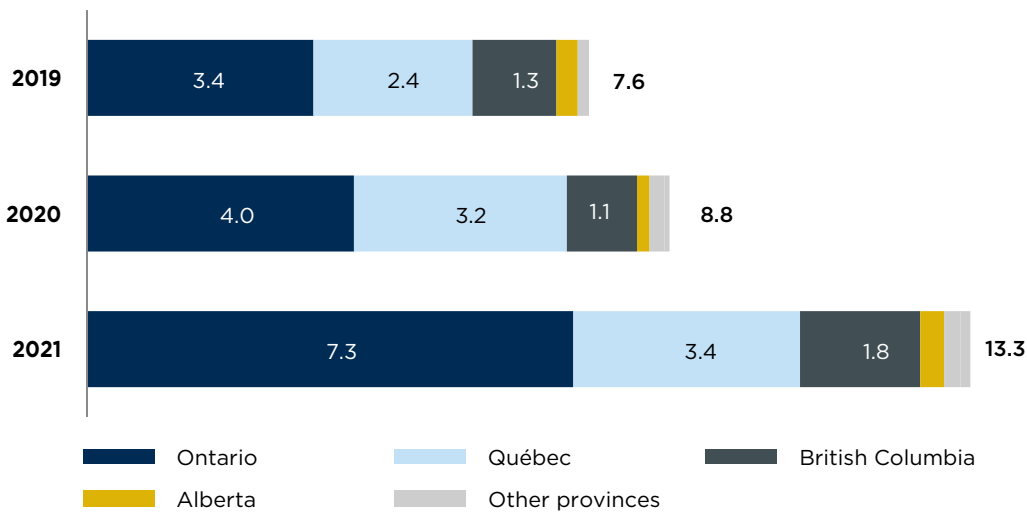
¹⁹ The section references in this legend are to [Regulation 45-106](#).

Québec companies distributed most of their securities to purchasers residing in Canada, with those purchases accounting for 85% of the amounts raised, or a total of \$13.3 billion, in 2021, compared with \$8.8 billion, or 87% of the amounts raised, in 2020. Purchases by U.S. investors in 2021 accounted for 6% of the amounts raised by Québec companies, up from less than 1% in 2020.

Purchases by Ontario residents in 2021 accounted for close to 55% of the amounts raised in Canada by Québec companies in the exempt market, up from 45% in 2020. Québec investors purchased approximately 26% of distributions by Québec companies in 2021, down from 37% in 2020.

The following graph shows the breakdown of exempt distributions made to Canadian purchasers by province of residence from 2019 to 2021.

**Breakdown of Québec company distributions to Canadian investors
by province of residence
(in billions of dollars)**



In addition to their investments in Québec companies, Québec purchasers invested \$22.5 billion in foreign companies and Canadian companies outside Québec. All told, Québec investors invested close to \$25.9 billion in the exempt market in 2021. Of that amount, approximately 57% was invested in companies headquartered outside Canada and 29% in Canadian companies headquartered outside Québec. Nearly 98% of the amount invested in the exempt market by Québec purchasers was raised through distributions relying on the accredited investor exemption.

In 2021, the AMF agreed to allow Québec companies (under section 12 of the [Securities Act](#)) to make distributions outside Québec (by way of a prospectus or a prospectus exemption) 20 times, for the following total amounts:²⁰

- CA\$75 million
- US\$105.3 billion

DID YOU KNOW?

Québec companies raised a total of \$20.6 billion in both the public and exempt markets in 2021, up 31% from the total of \$15.7 billion distributed in 2020.

²⁰ The raised amounts may differ from the authorized amounts.

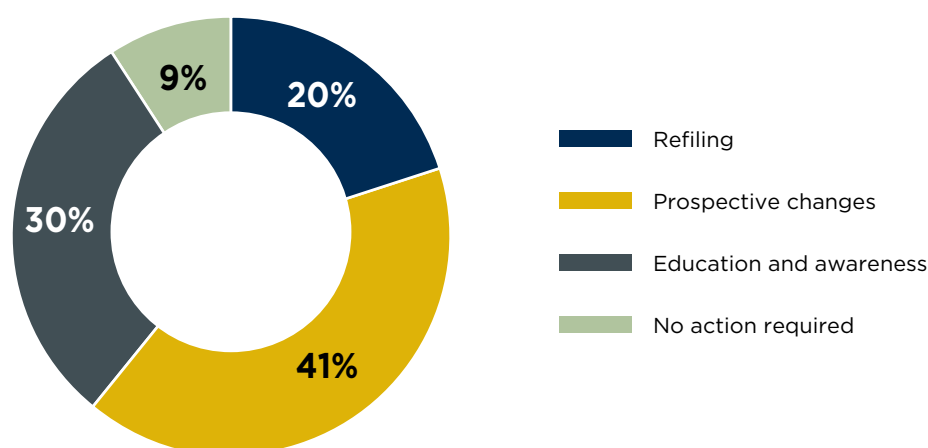
2

Outcomes of Continuous Disclosure Reviews

The continuous disclosure regulations are intended to ensure that companies provide investors with a high level of disclosure. The CDR Program²¹, established by us helps us ensure that companies understand and comply with their obligations under those regulations.

The outcomes of our full and issue-oriented reviews under the CDR Program, presented below, are divided into four categories: refile, prospective changes, education and awareness and no action required.²² Some reviews may generate more than one category of outcome. For example, we may require a company to refile certain documents and also make prospective changes to others. The following are the outcomes from the sample for the fiscal year ended March 31, 2022.

Outcomes of CDR Program reviews



In 61% of cases, we advised the company to take specific actions to improve or make changes to the continuous disclosure provided.

In 30% of cases, our outcomes addressed education and awareness, including as part of a study on disclosure of climate-related matters.

In 9% of cases, no action was required and we were satisfied with the companies' implementation of our past recommendations.

The most common recommendations made to companies addressed:

- Financial statements: compliance with IFRS (e.g. disclosure of financial instruments and impairment of assets)
- Management's Discussion and Analysis: compliance with [Form 51-102F1](#) (e.g. liquidity and capital resources) or compliance with [CSA Staff Notice 52-306 \(Revised\)](#) or [Regulation 52-112](#) when presenting adjusted financial measures
- Technical reports and websites: compliance with [Regulation 43-101](#)

For more information and guidance on the information to be disclosed on these important topics, please refer to the "Educating" section of this summary.

²¹ To learn more about the CDR Program, refer to [CSA Staff Notice 51-312 \(Revised\)](#).

²² For a description of the categories, refer to [CSA Staff Notice 51-355](#).

3 Outcomes of Prospectus Reviews

Under the [Securities Act](#), every person intending to make a distribution of securities must prepare a prospectus subject to a receipt issued by the AMF. The application for a receipt must be accompanied by the documents prescribed by regulation.

As part of our activities, we oversee the application of regulatory requirements governing preliminary and final prospectuses filed by Québec companies for which the AMF is principal regulator. One of the aspects that we give particular focus to during our reviews is companies' obligation to ensure that prospectuses and the documents incorporated by reference provide full, true and plain disclosure of all material facts relating to securities issued or proposed to be distributed. In 2021, the most common observations covered the following:

- Prospectuses and annual information forms: compliance with regard to the disclosure of risk factors (Item 21 of [Form 41-101F1](#) Information Required in a Prospectus, Item 17 of [Form 44-101F1](#) Short Form Prospectus and Item 5.2 of [Form 51-102F2](#) Annual Information Form)
- Prospectuses: disclosure regarding the use of proceeds and consolidated capitalization (Items 6 and 11 of [Form 41-101F1](#) Information Required in a Prospectus and Items 3 and 4 of [Form 44-101F1](#) Short Form Prospectus)
- Marketing materials and continuous disclosure documents incorporated by reference: compliance with [CSA Staff Notice 52-306 \(Revised\)](#) or with [Regulation 52-112](#) when disclosing adjusted financial measures

For more information and guidance on the information to be disclosed on these important topics, please refer to the “Educating” section of this summary.

EDUCATING



Read this section to learn about the various deficiencies we observed in the course of our oversight activities. The section also includes good practices stemming from applicable regulations to address the observed deficiencies, along with practical advice, to help you prepare distribution and continuous disclosure documents that are in compliance with securities regulations.



NOTE: THE AMF MAY INTERVENE WHEN A FILING DOES NOT COMPLY WITH APPLICABLE REGULATIONS!

Companies that fail to comply with their obligations under securities legislation may:

- Be required to correct and refile the document in question
- Be required to make changes to subsequent filings
- Be placed on a public list of defaulting companies
- Be issued a cease trade order
- Be refused a receipt for prospectus financings
- Be subject to administrative penalties
- Be required to delay a meeting of securityholders
- Be required to change the composition of their board of directors

1

Disclosure and Description of Risk Factors in Distribution and Continuous Disclosure Documents

Finding relating to Item 21 of [Form 41-101F1](#), Item 17 of [Form 44-101F1](#) or Item 5.2 of [Form 51-102F2](#)

We found that the risk factors disclosed by companies in their prospectuses and annual information forms are often stated in general terms, without being put in order of seriousness. We even found that some material risk factors were omitted.

How to satisfy the requirements in Item 21 of [Form 41-101F1](#), Item 17 of [Form 44-101F1](#) or Item 5.2 of [Form 51-102F2](#)

Companies are reminded that risk factors must be assessed based on their particular circumstances and that they must accordingly disclose the risks inherent in their business. Using risk factors that are too vague or not based on factual circumstances specific to the company prevents investors from assessing the challenges and restrictions faced by the company when seeking financing by way of a prospectus and thereby circumvents the intent of the description of the risk factors in the company's prospectus.

Furthermore, the risk factors must be disclosed in order of most serious to least serious. When applicable, we ask companies to provide complete information on the following risk factors:

- Negative operating cash flows
- History of net losses
- Economic dependency on one or a small number of customers
- Political or geopolitical risks, where a significant portion of the company's business is exposed to them
- Impact of COVID-19 on the company's operations

2

Disclosure Regarding the use of Distribution Proceeds

Finding relating to Item 6 of [Form 41-101F1](#) or Item 4 of [Form 44-101F1](#)

In the past year, we found on several occasions that companies did not describe how they intend to use the funds raised by way of a prospectus in sufficient detail.

How to satisfy the requirements in Item 6 of [Form 41-101F1](#) or Item 4 of [Form 44-101F1](#)

The AMF expects companies to provide an appropriate breakdown of the funds they expect to raise in the proper section of the prospectus, as clearly set out in the applicable regulations. Companies must be as precise as possible when explaining how they intend to use the funds and avoid stating that the funds will be used only, or mostly, for general corporate purposes.

We realize that due to the nature of at-the-market distributions, it can be difficult for a company to know how the proceeds from this type of financing will be used at the time it files its prospectus supplement. However, we expect companies to provide an indication of how they intend to use the raised funds. A company could, for example, indicate the next phase of its research and development program it intends to reach using a portion of the raised funds or indicate the principal purpose for which it expects to allocate the funds. It is also our opinion that the company should inform investors as to the use of the raised funds either when it determines how the funds will be allocated or once the funds have been spent. In such circumstances, we consider it a good practice to include this information in the company's subsequent MD&As.

Some companies also indicated to us in relation to their IPOs that they do not necessarily have an immediate need for the proceeds from the financing they were preparing to carry out, as they have no significant debt (no used line of credit or existing bank debt). It was therefore difficult for them to provide sufficiently detailed information about each principal purpose for which they were going to allocate the net proceeds of the distribution. Notwithstanding this situation, we remind companies that the use of the distribution proceeds must be specified in the prospectus by, for example, indicating that the amounts raised will be invested temporarily in short-term investments. Once the amounts raised have been spent, we ask that companies specify, in their subsequent MD&As, how the amounts were actually used. Note that this information may be verified as part of our oversight activities.

3 New Disclosure Trends for IPOs

Finding relating to the disclosure of external information

During the past year, many companies filed long form prospectuses for IPOs. We noted some new trends in disclosure, particularly information from external sources or case studies being disclosed without the sources being named or without there being a reasonable basis for their inclusion.

How to satisfy the external information disclosure requirements

We remind companies that they must provide full, true and plain disclosure of all information disclosed in their prospectuses. The AMF is not against the disclosure of information from external sources or case studies. However, we wish to bring to your attention some standard good practices for companies wishing to include this type of information in their prospectuses.

Data from external sources:

Any externally sourced data in a prospectus must include a verifiable source reference to enable the information to be validated. In short, purchasers must be able to verify the data a company is relying on in its prospectus. We will ask companies to remove any data for which they are unable to provide a source reference.

Case studies:

The case studies included in the prospectuses that we analyzed generally disclosed the level of satisfaction of certain clients of the company or a positive assessment by them of the company's products and services. While we are not against such disclosure, we expect the clients or entities referred to in the study to be named when a company includes a case study in its prospectus. Accordingly, companies should ensure that they have obtained the consent of the clients or entities involved before mentioning them in their prospectus. In general, we will not accept a situation where a company refers to a client or entity that is part of a benchmark without the client or entity being explicitly named.

We understand there may be situations where a company does not want to provide the names of its clients for business reasons. In such cases, we expect the company to indicate how it collected the client data (e.g. data extracted from platforms used by its clients, estimates by the company, client inputs) and to assume responsibility for the disclosed data. The company should also consider adding a risk factor indicating that the validity of the disclosure depends to a significant degree on the internal controls it has put in place.

4 Consolidated Capitalization

Finding relating to Item 11 of [Form 41-101F1](#) or Item 3 of [Form 44-101F1](#)

In our prospectus reviews, we found that a number of companies described material changes in their consolidated capitalization solely in terms of the number of securities issued in share capital, without providing the dollar amount of the issued securities.

How to satisfy the requirements in Item 11 of [Form 41-101F1](#) or Item 3 of [Form 44-101F1](#)

Companies must describe any material change in, and the effect of the material change on, share capital, in dollars and in number of securities issued, since the date of the company's financial statements for its most recently completed financial period included in the prospectus, including any material change that will result from the issuance of the securities being distributed under the prospectus. Companies must also describe any material change in the loan capital on a consolidated basis.²³

We expect companies to use as their starting point the dollar amounts of share and loan capital, on a consolidated basis, from the financial statements for their most recently completed financial period included in the prospectus and to then add the effect of any material amount since then, to enable investors to easily understand the effect on the share and loan capital as at the date of the prospectus.

²³ As required by Item 11 of [Form 41-101F1](#) or Item 3 of [Form 44-101F1](#).

5 Non-GAAP Financial Measures

Finding relating to [Regulation 52-112](#) or [CSA Staff Notice 52-306 \(Revised\)](#)

Again this year, there were too many cases of companies disclosing non-GAAP measures (NGFMs) without the information set out in [Regulation 52-112](#) or [CSA Staff Notice 52-306 \(Revised\)](#). For example, we noted in several instances that certain companies focus more on their “adjusted profit or loss” or their “adjusted EBITDA” to explain their financial performance. Companies are reminded that these NGFMs reflect adjustments made by company management and that they do not constitute standardized financial measures under the financial reporting framework used to prepare the financial statements.

Consequently, an NGFM may mislead investors if it is not accompanied by such information as:

- The most directly comparable financial measure that is disclosed in the company’s primary financial statements, with the most directly comparable financial measure being presented with equal or greater prominence than the NGFM
- Labelling of the NGFM using a term that reflects its composition and distinguishes it from totals and subtotals disclosed in the company’s primary financial statements
- A quantitative reconciliation of the NGFM and the most directly comparable financial measure disclosed in the company’s primary financial statements
- An explanation of how the NGFM provides useful information to an investor and an explanation of the additional purposes, if any, for which management uses the NGFM

How to satisfy the requirements of [Regulation 52-112](#) or [CSA Staff Notice 52-306 \(Revised\)](#)

A company must ensure that the information provided in its press releases, MD&As, prospectus filings, marketing materials and website complies with the requirements of [Regulation 52-112](#) or the guidance provided in [CSA Staff Notice 52-306 \(Revised\)](#).

Companies are reminded that, in May 2021, the CSA published [Regulation 52-112](#) (the final rule), which introduces requirements for the disclosure of NGFMs, non-GAAP ratios, and other financial measures. These requirements apply to companies in respect of documents filed for a financial year ending after October 15, 2021 and after December 31, 2021 for companies that are not reporting issuers. Companies with a fiscal year not yet subject to [Regulation 52-112](#) should continue to refer to [CSA Staff Notice 52-306 \(Revised\)](#). At the time of final transition to [Regulation 52-112](#), [CSA Staff Notice 52-306 \(Revised\)](#) will be withdrawn.

The CSA now has the necessary tools to intervene and require documents to be refiled or website content to be corrected if information could be misleading or confusing for investors because it does not comply with the provisions of [Regulation 52-112](#). Note that AMF Corporate Finance plans to conduct reviews in respect of this matter within the next year.

6 Management's Discussion and Analysis

Finding relating to Items 1.6 and 1.7 of [Form 51-102F1](#)

Some companies with material liquidity risks did not provide sufficient disclosure about their liquidity and capital resources. It is important for companies to provide a comprehensive discussion of their initiatives to manage current and expected liquidity and funding risks. More detailed disclosure of trends or expected fluctuations in their liquidity and available capital resources in view of special situations or uncertainties, such as those related to the COVID-19 pandemic, is relevant to investors so that they can make informed investment decisions.

How to satisfy the requirements in Items 1.6 and 1.7 of [Form 51-102F1](#)

Companies must provide an analysis of their liquidity, including their ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain their capacity to meet their planned growth or to fund their development activities. Disclosure of liquidity must provide a clear picture of the company's working capital, working capital requirements and how those requirements align with the company's plans. Companies must also provide a detailed statement of liquidity risks, including risk of defaults or arrears on distributions, lease payments and payments on debt.

Companies must also provide an analysis of their commitments for investment expenditures as of the date of their financial statements and expenditures not yet committed but required to maintain their capacity to meet their planned growth or to fund development activities. Known trends or expected fluctuations in their capital resources, and sources of financing that the company has arranged but not yet used must also be disclosed. Companies should discuss how financing sources will meet their immediate and longer-term liquidity needs.

For reference purposes, we encourage companies to refer to the CSA Staff Notices that provide guidance on liquidity and capital resource disclosures. Companies that continue to be impacted by the COVID-19 pandemic, or that have short-term liquidity concerns and intend to raise capital through a prospectus offering, would benefit from reviewing the following notices:

- [CSA Staff Notice 51-362](#);
- [CSA Staff Notice 41-307 \(Revised\)](#)

Finding relating to Item 1.4 (d) of [Form 51-102F1](#)

Several companies with significant projects that have not yet generated revenue did not disclose sufficient information regarding those projects in their MD&As. Such information is especially relevant for companies that may not have sufficient short-term liquidity to complete the next phase of, or a key step in advancing, their significant project.

How to satisfy the requirement in Item 1.4 (d) of [Form 51-102F1](#)

The analysis of each significant project must include:

- The company's plan for the project
- The status of the project relative to that plan
- Expenditures made and how they relate to anticipated timing
- Costs to take the project to the next stage of the project plan

It is important to recall that these obligations apply to all the companies concerned, not just the venture issuers. This is particularly relevant for companies in the pharmaceutical or mining sectors, as they often have significant projects that have not yet generated revenue.

7 Accounting Issues

Finding relating to IFRS 7 Financial Instruments: Disclosures (IFRS 7)

We found that disclosure on financial instrument credit risk was sometimes incomplete. For example, some companies did not define default, while others did not describe how they determined that financial assets are credit-impaired assets or describe the estimation techniques, inputs and assumptions used, as required by IFRS 7.

How to satisfy the requirements in subparagraphs 35F and 35G of IFRS 7

Companies must disclose information that enables users of the financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows, including information about their credit risk management practices and how they relate to the recognition and measurement of expected credit losses.

Finding relating to IAS 36 Impairment of Assets (IAS 36)

We found that disclosures for the impairment of assets are often incomplete, specifically those for each cash-generating unit, or group of cash-generating units, for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit or group of units is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. For example, if the unit's or group of units' recoverable amount is based on the value in use, a number of companies failed to disclose:

- Each key assumption on which management has based its cash flow projections
- A description of management's approach to determining the value(s) assigned to each key assumption
- The period over which management has projected cash flows
- The growth rate used to extrapolate cash flow projections
- The discount rate(s) applied to the cash flow projections

How to satisfy the requirements of paragraph 134 of IAS 36

Companies must disclose the information required under IAS 36 to enable users to understand how management determined the recoverable amount of assets, including the key assumptions used.

8

Filing of an Expert Consent in Connection with a Prospectus

Finding relating to the requirements of [Regulation 43-101](#) in connection with a prospectus

We found that companies sometimes refer to potentially outdated economic projections or technical reports without properly describing the current context and including cautionary language.

How to satisfy the requirements of [Regulation 43-101](#) and the prospectus

Take the example of a company that files a preliminary short form prospectus that incorporates by reference the results of a preliminary economic assessment based on a technical report filed three years earlier. The qualified person who prepared the technical report must file an expert consent that includes a statement that he or she has no reasonable grounds to believe that the information contained in the prospectus is false or misleading.

Primary responsibility for disclosure in the prospectus remains with the company. Among other things, the company must ensure that there is no new material scientific or technical information about the subject property that is not included in the previously filed technical report.

The qualified person who prepared the technical report must, for example, verify the following before filing his or her consent:

- Is there, at the prospectus filing date, any new material scientific or technical information about the subject property that is not included in the technical report?
- Are the economic assumptions and projections in the technical report, such as commodity prices, metal prices and capital costs, still reasonable at the prospectus filing date?
- At the prospectus filing date, does the prospectus contain appropriate context and cautionary language in order to avoid any misrepresentation in connection with the use of the technical report?

Note that referring to outdated technical reports or economic projections in a prospectus without appropriate context and disclaimers could result in misleading disclosure. In certain circumstances, securities legislation provides investors with a statutory right of action against a qualified person for a misrepresentation in disclosure that is based upon the qualified person's technical report.

9

Use of the Exemptions Under [Regulation 61-101](#)

Finding relating to [Regulation 61-101](#)

We found that the information disclosed by the companies using the exemptions under [Regulation 61-101](#) is often insufficient. In the past year, the financial hardship exemption in paragraph (g) of section 5.5 and paragraph (e) of section 5.7 of [Regulation 61-101](#) has been used by some companies. We found that, in several cases where this exemption is relied upon, the information disclosed is insufficient.

How to satisfy the requirements of [Regulation 61-101](#)

Companies that complete a transaction with a related party referred to in [Regulation 61-101](#) and file a material change report are reminded that they must disclose the information set out in subsection 5.2(1) of [Regulation 61-101](#). This disclosure must include the formal valuation and minority approval exemptions, if applicable, on which the company is relying under sections 5.5 and 5.7 of [Regulation 61-101](#) and the facts supporting such reliance.

For example, the formal valuation exemption for a company that is insolvent or in serious financial difficulty requires, in particular, that the transaction be designed to improve the financial position of the company and that the terms of the transaction be reasonable in the company's circumstances, as determined by the board of directors and at least two-thirds of the independent directors.

We expect the material change report filed for the transaction to clearly explain how it satisfies the aforementioned conditions.

We review the continuous disclosure documents filed by companies relying on the formal valuation or minority approval exemption when they are in serious financial difficulty to ensure compliance with the conditions under which the exemptions were granted. If the disclosure is deemed insufficient or incomplete for the purpose of demonstrating compliance with the conditions of the exemptions, we may intervene to obtain additional details about the transaction and will take all such steps as are within our power to ensure that all security holders are treated fairly.

INFORMING



We encourage you to read this section carefully as it provides essential information about specific oversight activities and recent initiatives.

1

Women on Boards and in Executive Officer Positions

The representation of women on boards and in executive officer positions continues to be a priority for the AMF.

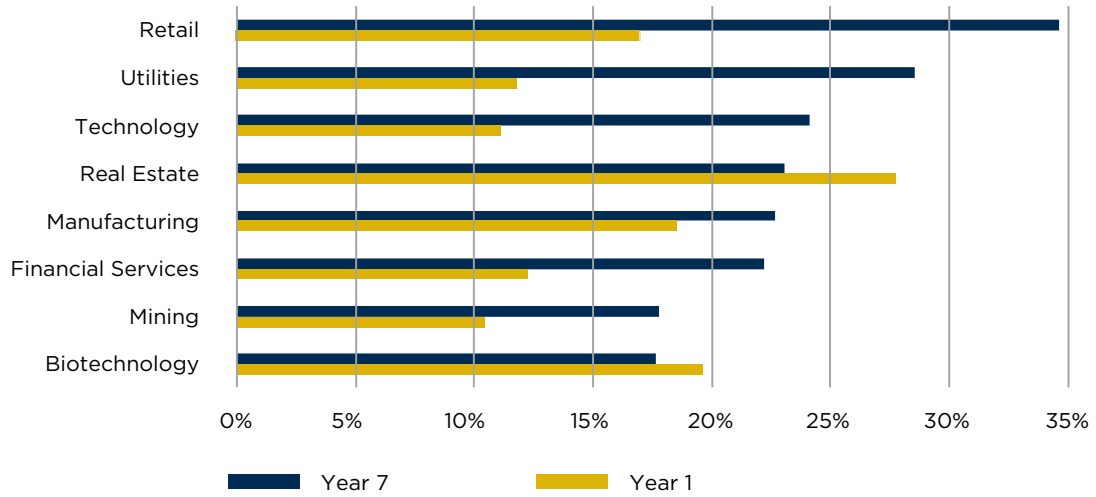
On November 4, 2021, the findings of a seventh annual review of disclosure regarding women on boards and in executive officer positions from a selection of Canadian companies listed on the TSX were published in [CSA Multilateral Staff Notice 58-313](#).

For information purposes, the tables below present data compiled by the AMF since the coming into force of the disclosure requirements regarding the representation of women for Québec companies listed on the TSX.

	2015 (64 companies)	2016 (66 companies)	2017 (64 companies)	2018 (59 companies)	2019 (60 companies)	2020 (55 companies)	2021 (56 companies)
Board seats occupied by women within the companies reviewed	18%	18%	20%	21%	23%	24%	27%
Companies with at least one woman on their board	80%	80%	81%	88%	92%	95%	98%
Companies with at least three women on their board	20%	24%	27%	29%	30%	36%	46%

For the purposes of this table, companies listed on the TSX that had year-ends between December 31 of the previous year and March 31 of the current year that filed information circulars by July 31 of the current year.

Board seats occupied by women within the companies reviewed



On May 19, 2021, the CSA announced further research and consultations with issuers, investors and other industry stakeholders on its consideration of broader diversity on boards and in executive officer positions. Through consultations conducted during the summer and fall of 2021, the CSA gathered a wide range of perspectives to inform further policy-making in this area.

2

Update on Automatic Securities Disposition Plans (ASDPS)

Typically, an ASDP is an arrangement between an insider and a dealer or a plan administrator that involves the sale of securities of a company over a predetermined period and in accordance with a predetermined set of instructions.

Important concerns with respect to ASDPs have been raised in recent years, both in terms of good corporate governance and in terms of public confidence in the fairness of our capital markets.

The AMF reminds companies and insiders that, in response to these concerns, [CSA Staff Notice 55-317](#) was published on December 10, 2020. The notice sets out the practices recommended by CSA staff for companies and insiders in relation to the establishment, administration and disclosure of ASDPs to reduce the potential for improper insider trades under these plans. Staff also provides guidance to assist companies and insiders in managing market perception of insider trades under ASDPs.

Since the publication of this notice, we have been closely monitoring the establishment of new ASDPs to determine compliance with the recommendations provided in [CSA Staff Notice 55-317](#).

On December 15, 2021, the SEC published proposed regulatory amendments to enhance the regulation of the United States' equivalent of ASDPs, after similar concerns were raised by various stakeholders, including members of the U.S. Congress. We are monitoring SEC developments in this regard.

3 Update on Prospectus Pre-filing

On March 5, 2020, the CSA published [CSA Staff Notice 43-310](#) relating to confidential pre-file reviews of prospectuses. The notice implements a harmonized process for full reviews of prospectuses on a confidential pre-file basis while standardizing the procedure and the documents required to be provided to securities regulators.

We note that the process has been greeted positively by the market. In 2021, 12 prospectuses were filed using this process and were reviewed by AMF staff on a confidential basis.

During the review period, discussions were held between the AMF and the companies via e-mail. When the preliminary prospectus is formally filed, we ask companies to file all communications exchanged in connection with the pre-file process on SEDAR as if they had taken place in connection with the usual formal filing. Specifically, companies should file comment letters sent by the AMF, their response letters and any other documents sent as part of the discussions that took place during the confidential period, while taking care to propose a description for these documents. For example, this also includes Excel spreadsheets, preliminary versions of certain documents that are important for security holders and any other document sent to support a response to a comment made by the AMF.

Filing all such communications in the SEDAR project for the prospectus enables designated staff and other securities commissions with which the prospectus is filed to access all the AMF's comments, thereby making it easier to track the file. If there are any questions about which documents should be filed, do not hesitate to contact the staff responsible for pre-filing.

4 Update on Virtual Shareholder Meetings

On February 25, 2022, the CSA published a news release providing non-investment fund reporting issuers with guidance on virtual shareholder meetings. The news release was issued following informal consultations with market participants and other stakeholders in the fall of 2021 that were held to better understand their experience with virtual meetings during the COVID-19 pandemic.

Although the conduct of virtual meetings is primarily governed by applicable corporate law and the reporting issuer's incorporation documents, the CSA considers shareholder participation at these meetings to be fundamental to, and to enhance the quality and integrity of, the capital markets. The news release provides general guidance to assist reporting issuers in fulfilling their obligations under securities legislation and in facilitating shareholder participation at virtual meetings.

Specifically, the CSA recommends that reporting issuers provide clear disclosure in the proxy-related materials concerning the logistics for accessing, participating and voting at a virtual meeting. Reporting issuers are also encouraged to do everything necessary to ensure that meetings are run in a manner that recreates the experience for the shareholders of attending an in-person meeting. It is recommended that reporting issuers monitor developments in this area and in governance good practices.

CSA Staff continues to monitor the potential impact of the practice of virtual meetings on the capital markets and may issue further guidance and updates as required.

5

Document Delivery: Access Equals Delivery Model

On April 7, 2022, the CSA published for comment proposed amendments to implement an access equals delivery model for non-investment fund reporting issuers. This regulatory initiative is in line with the work being done to reduce regulatory burden for companies without compromising investor protection and capital market efficiency.

The proposed model applies to prospectuses generally, financial statements and MD&As. Under the proposed amendments, companies would comply with their delivery requirements under securities legislation by making the documents available in electronic form on SEDAR and issuing a news release indicating that the document has been filed.

The proposed model has been adapted to the particularities of different types of prospectuses, i.e., long form prospectuses, short form prospectuses, shelf prospectuses and post-receipt pricing prospectuses. It is also well suited for the delivery of financial statements and MD&As because investors are generally aware that the documents will be available on SEDAR according to prescribed filing deadlines.

This regulatory initiative is intended to modernize the way certain documents are made available to investors and reduce the costs associated with the printing and mailing of documents. Note that investors will continue to be able to request and receive a paper copy of the documents.

6

Disclosures Regarding Environmental, Social and Governance (ESG) factors

Investors' consideration of ESG factors in their investment decisions has become increasingly important in recent years.

Consequently, companies are encouraged to provide the most complete, reliable and comparable information possible with respect to the ESG issues affecting them. Generally speaking, any "material fact" or "material change" must be disclosed. In addition to these general principles, current regulations also require that companies disclose information that is detailed and specific about a range of ESG issues. The table below lists the applicable regulatory provisions. We encourage companies to refer to it to ensure that they disclose all the information to which the market is entitled.

Companies are reminded that all such information must be included in their continuous disclosure documents. Voluntary reports ("social and environmental responsibility", "sustainability" or other similar reports), whichever standards they claim to meet, are not a substitute for continuous disclosure documents that satisfy regulatory requirements. We have found that some of these reports can be overly promotional in tone and only provide positive information about the topics they cover. Generally, they are also not certified by senior management and the information disclosed is not subject to the same controls as other disclosure documents.

The following table summarizes the specific **ESG information** companies are required to disclose in their continuous disclosure documents.

Required disclosure	Where to find the disclosure	Regulatory reference and applicable guidelines
Facteurs environnementaux (E)		
<p>Known commitments, events, risks or uncertainties that may have a material effect on the company's performance (these may be environmental in nature)</p> <p>Risk factors relating to the company and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the company, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be likely to influence an investor's decision to purchase securities of the company</p>	<p>MD&A Annual information form</p>	<p>Regulation 51-102, Form 51-102F1, s. 1.4(g) and Form 51-102F2, s. 5.2</p> <p>CSA Staff Notice 51-333 CSA Staff Notice 51-358 (see text box below)</p>

Required disclosure	Where to find the disclosure	Regulatory reference and applicable guidelines
The effects of environmental protection requirements on the capital expenditures, profit or loss and competitive position of the company in the current year and in future years (applicable to non-venture issuers only)	Annual information form	Regulation 51-102 , Form 51-102F2, s. 5.1(1)(k)
The environmental policies implemented by the company and that are fundamental to its operations (applicable to non-venture issuers only)	Annual information form	Regulation 51-102 , Form 51-102F2, s. 5.1(4)
The environmental aspects of mineral projects	Annual information form Technical report	Regulation 51-102 , Form 51-102F2, s. 5.4 Regulation 43-101
Disclosure of climate-related matters (governance, strategy, risk management, measures and targets)	Information circular Annual information form or MD&A	Draft Regulation 51-107 (not yet in force – see text box below)
Social factors (S)		
Known commitments, events, risks or uncertainties that may have a material effect on the company's performance (these may be social in nature) Risk factors relating to the company and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the company, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be likely to influence an investor's decision to purchase securities of the company	MD&A Annual information form	Regulation 51-102 , Form 51-102F1, s. 1.4(g) and Form 51-102F2, s. 5.2 Notice relating to modern slavery disclosure requirements
The social policies implemented by the company and that are fundamental to its operations (applicable to non-venture issuers only)	Annual information form	Regulation 51-102 , Form 51-102F2, s. 5.1(4)

Required disclosure	Where to find the disclosure	Regulatory reference and applicable guidelines
<p>Representation of women on the board and in executive officer positions (number of women, policies, targets, etc.) (applicable to non-venture issuers only)</p>	<p>Information circular or annual information form</p>	<p>Regulation 58-101 CSA Multilateral Staff Notice 58-313</p>
<p>The social aspects of mineral projects</p>	<p>Annual information form Technical report</p>	<p>Regulation 51-102, Form 51-102F2, s. 5.4 Regulation 43-101</p>
<p>Payments made to certain governments, municipalities and Native nations in relation to exploration for or development of mineral substances or hydrocarbons, e.g., royalties and production entitlements</p>	<p>Statements under the Act respecting transparency measures in the mining, oil and gas industries</p>	<p>Act respecting transparency measures in the mining, oil and gas industries</p>
<p>Governance factors (G)</p>		
<p>Corporate governance practices (including matters such as the independence of directors, compensation, ethical business conduct, etc.)</p>	<p>Information circular or annual information form or annual MD&A</p>	<p>Regulation 58-101 Policy Statement 58-201</p>
<p>Executive compensation</p>	<p>Information circular or separate document</p>	<p>Regulation 51-102, Form 51-102F6 Form 51-102F6V</p>
<p>The representation of women on the board and in executive officer positions (number of women, policies, targets, etc.) (applicable to non-venture issuers only)</p>	<p>Information circular or annual information form</p>	<p>Regulation 58-101 CSA Multilateral Staff Notice 58-313</p>

Also, when a security is issued, a prospectus must contain full, true and plain disclosure of all material facts relating to the security. For example, when a “green bond” is issued (i.e., a bond whose proceeds are used to fund environmentally friendly projects), we expect the prospectus to clearly indicate how the funds obtained will be used.

Lastly, the ISSB was established in November 2021 to develop international sustainability disclosure standards, starting with a climate disclosure standard, that are as stringent as the accounting standards published by its sister organization, the IASB. We will keep you informed of any developments in this area.

CLIMATE CHANGE – THE FOCUS OF THE CSA’s CONCERNS

To make informed investment and voting decisions, investors, particularly institutional investors, are seeking improved disclosure on risks, opportunities, financial impacts and governance processes relating to climate change. As a result, climate change has been a major focus of the CSA in recent years.

- On August 1, 2019, the CSA published [CSA Staff Notice 51-358](#). The key objective of this notice is to provide companies, particularly those with smaller capitalizations, with guidance as to how they might approach preparing disclosures of material climate-related risks in light of current regulations.
- On October 18, 2021, the CSA published for comment [Draft Regulation 51-107](#), which would impose specific climate change-related disclosure requirements on companies, based on the recommendations of the TCFD.²⁴ This draft regulation makes the members of the CSA among the first securities regulators in the world to propose regulations in this area.

The CSA received more than 130 comment letters on the draft regulation, showing how important change-related issues are to the market. We are currently reviewing the comments to determine whether changes need to be made to the draft regulation.

²⁴ Task Force on Climate Related Financial Disclosures. The TCFD was established in December 2015 by the G20’s [Financial Stability Forum](#).

7 Other Reminders

Interpretation of the primary business requirements

Are you preparing to file a long form prospectus for an IPO? Make sure you know exactly what the disclosure requirements are for the inclusion in the prospectus of the financial statements of businesses you have acquired or propose to acquire.

On April 14, 2022, the CSA published amendments to [Policy Statement to Regulation 41-101](#) to harmonize the interpretation of the primary business requirements and provide additional clarification regarding those requirements. The purpose of the primary business requirements is to provide investors with the financial history of the company's business, even if the financial history spanned multiple legal entities over the relevant time period.

When one or more businesses are acquired within the three years²⁵ before the date of a prospectus related to an IPO, the company must calculate significance tests for each business. If, based on its calculation, it determines that one of the thresholds for the significance tests has exceeded 100%, financial statements of the acquired business are required, in addition to the company's own statements, in accordance with the same requirements as those that apply to the company.

AMF staff's interpretation of the financial statement disclosure requirements for prospectuses is being finalized and is now reflected in these recent amendments.

Base shelf prospectus for qualifying well-known seasoned issuers

Are you planning to file a base shelf prospectus in the near future? Find out about the new regime offering accelerated access to the market!

On December 6, 2021, the CSA published [CSA Staff Notice 44-306](#) in order to exempt well-known seasoned issuers (WKSIs) from certain prospectus requirements. Since January 4, 2022, these temporary exemptions have allowed qualifying issuers that meet certain conditions to file a final base shelf prospectus with their principal regulator and obtain a receipt for that prospectus on an accelerated basis without first filing a preliminary base shelf prospectus. These exemptions also allow WKSIs to omit some information from a base shelf prospectus.

This pilot project will assist the CSA in evaluating the appropriateness of the eligibility criteria and conditions, and identifying any potential public interest concerns that should be addressed in any future rule amendments to implement a Canadian WSKI regime. Any future rule amendment will be adopted by the CSA through the usual regulatory development process.

²⁵ Two years, if it is a venture issuer.

Time frame for including the annual financial statements and interim financial report in the prospectus for an IPO venture issuer

Are you planning to file a long form prospectus in connection with an IPO? Ensure that you are fully aware of the time frame requirements for including financial statements.

The annual financial statements to be included in the prospectus under Item 32.2 of [Form 41-101F1](#) are those for financial years ended more than 90 days before the date of the prospectus, or more than 120 days before the date of the prospectus, if the issuer is a venture issuer. The issuer must also include the interim financial report for the most recent interim period, if any, ended more than 45 days before the date of the prospectus, or more than 60 days before the date of the prospectus if the issuer is a venture issuer, under Item 32.3 of [Form 41-101F1](#).

However, companies are reminded that the extended time frames applicable to venture issuers do not apply to an *IPO venture issuer*.²⁶ During an IPO, an issuer must include in its prospectus the annual financial statements for the financial years ended more than 90 days before the date of the prospectus. The AMF considers it important for investors to obtain all recent financial information in order to make an informed investment decision in connection with an IPO. This also applies when a venture issuer completes a reverse takeover and it must include the financial statements of the company concerned.

Concurrent filing of a final base shelf prospectus and a supplement

Over the past year, a number of companies have concurrently filed a base shelf prospectus (or an amendment to a base shelf prospectus) and a related prospectus supplement with the AMF. The AMF has no objections to this. However, in such cases, the AMF considers the base shelf prospectus and the prospectus supplement as a single document and will analyze all such materials, including the disclosure of the use of proceeds described in the prospectus supplement. The analysis will be similar to the analysis for a simplified prospectus. To prevent the filing analysis from being delayed, the draft supplement will have to be sent to the AMF with the base shelf prospectus. Companies may also use the pre-file system if they are working within tight time lines, provided that the filing meets the criteria set out in [CSA Staff Notice 43-310](#).

²⁶ As these terms are defined in Regulation 41-101.

Streamlining and clarification of continuous disclosure requirements

Are you aware that we are proposing amendments to the continuous disclosure requirements for reporting issuers?

On May 20, 2021, the CSA launched a consultation on draft amendments to streamline and clarify certain continuous disclosure requirements for non-investment fund reporting issuers.

The proposed amendments aim to streamline current disclosure requirements by eliminating, combining and clarifying certain requirements in the MD&A and annual information form. The proposed amendments will also address gaps in disclosure by specifying the CSA's expectations.

The proposed amendments would change the annual and interim filing requirements. The annual financial statements, annual MD&A and annual information form of a reporting issuer that is not a venture issuer will be combined in a single annual disclosure statement. For venture issuers, preparing an annual information form will continue to be optional. For venture issuers, the annual disclosure statement would combine the annual financial statements and the annual MD&A.

To better understand how certain continuous disclosure requirements for reporting issuers could change as a result of the Draft [Regulation to amend Regulation 51-102](#), we encourage you to refer to the [annotated version of Form 51-102F1](#).

Requirement to prepare certain documents in French

Over the past year, we have noted an increase in the number of companies that fail to file a French version of all the documents incorporated by reference in a preliminary prospectus when they file the prospectus. Companies are reminded that, pursuant to section 40.1 of the [Securities Act](#), prospectuses filed in Québec must be in French. Any company that wishes to obtain a temporary or permanent exemption from this requirement must apply for one from the AMF and obtain a decision **before** filing its preliminary prospectus in Québec. We also remind companies that the AMF does not have the power to grant a retroactive exemption in order to remedy a failure. Consequently, when the AMF grants an exemption from the requirement set out in section 40.1 of the [Securities Act](#) following the filing of a preliminary prospectus, the exemption is only valid from the date of the decision and does not remedy an irregularity committed prior to that date.

8

Act respecting transparency measures in the mining, oil and gas industries

Under the [Act respecting transparency measures in the mining, oil and gas industries](#) (the “Act”), certain enterprises operating in the mining, oil and gas industries are required to provide an annual statement declaring certain payments equal to or greater than \$100,000 made to payees specified in the [Act](#) (primarily government entities). The purpose of the [Act](#) is to discourage and detect corruption and foster the social acceptability of projects.

While the Ministère de l'Énergie et des Ressources naturelles (Québec Ministry of Energy and Natural Resources) is responsible for implementing the [Act](#), the AMF is responsible for administering it.

SIGNIFICANT PENALTIES FOR NON-COMPLIANCE

The [Act](#) sets out significant penalties for non-compliance. The AMF may impose an administrative penalty of \$1,000 a day for each day an entity is late in filing a statement. For more information, see the [General framework for the application of monetary administrative penalties](#).

STATEMENTS RECEIVED BY THE AMF

From April 1, 2020 to March 31, 2021, the AMF received 56 statements under the Act (compared to 51 during the previous period). The list of companies subject to the [Act](#) that filed statements is available on the AMF's website.²⁷

For these 56 statements, the total value of payments made in Canada was \$3 billion, \$95 million of which was paid to Native payees in Canada. The total value of payments for all classes made in Québec was \$554.2 million, including \$510 million in taxes and \$19 million in royalties.

²⁷ <https://lautorite.qc.ca/en/general-public/registers/register-transparency-measures>

9

The AMF in Canada and on the International Stage

Our comments on the Discussion Paper *Business Combinations – Disclosures, Goodwill and Impairment* published by the IASB

In December 2020, the AMF, together with certain other CSA members, [commented](#) on the discussion paper published by the IASB.

The Discussion Paper was published in response to concerns raised by stakeholders, including:

- The impairment of goodwill is not always recognized in a timely fashion
- The goodwill impairment test is costly and complex
- The disclosures required by IFRS standards do not provide enough information

Our comments

We believe that the requirement to perform an annual impairment test should be maintained in order to ensure the test remains robust. A reduction in the robustness of impairment testing would not justify any potential reduction in cost.

We believe that introducing the *chief operating decision maker* concept in the context of requiring disclosures about management's objectives for an acquisition and its subsequent performance may cause issues similar to those observed with the application of IFRS 8 *Operating Segments*.

We believe that, contrary to the view expressed in the document, information about certain metrics for measuring the progress of objectives and targets for an acquisition is forward-looking information and would therefore be subject to the requirements in Parts 4A and 4B and section 5.8 of [Regulation 51-102](#).

Our comments on the Discussion Paper *Fraud and Going Concern in an Audit of Financial Statements* published by the IAASB

In February 2021, the AMF, together with certain other CSA members, [commented](#) on the discussion paper published by the IAASB.

The purpose of the discussion paper is to gather perspectives from all stakeholders about the role of the auditor in relation to fraud and going concern in an audit of financial statements, and to obtain input about whether the auditing standards related to fraud and going concern remain fit-for-purpose in the current environment.

Our comments

Fraud

We think users of financial statements expect the auditor to more rigorously identify, assess and carry out audit procedures responsive to the risks of material misstatement due to fraud. The IAASB should consider expanding requirements targeted at the identification of risks relating to fraud for better detection of fraud. The costs to implement and apply any new requirements should not outweigh the benefits.

Furthermore, we agree that the current wording prescribed for an auditor's report does not clearly explain the nature, extent and limitations of the auditor's responsibilities in relation to fraud.

Going concern

The auditor's report does not make a positive assessment of going concern. To close the knowledge gap relating to going concern, we think the IAASB could require communications of the auditor's responsibilities relating to going concern. We think that the IASB should revise IAS 1 - *Presentation of financial statements* to explicitly require "close call" significant judgements disclosure.

Our comments on the Discussion Paper *Business Combinations under Common Control* published by the IASB

In September 2021, the AMF, together with certain other CSA members, [commented](#) on the discussion paper published by the IASB.

There is currently a lack of a specifically applicable IFRS Standard for business combinations under common control, which has resulted in diversity in practice.

The discussion paper proposes requirements to improve comparability in and transparency of reporting businesses combinations under common control.

Our comments

In our opinion, the preliminary views in the discussion paper appear to allow opportunities for accounting arbitrage, whereby entities can achieve certain accounting outcomes based on the structure of the transaction(s) alone.

We are concerned with the proposal that the acquisition method should be applied if the business combination under common control affects non-controlling shareholders of the receiving company.

While we agree that effects on the non-controlling shareholders is relevant for determining whether the acquisition method is appropriate, in our view, it should not be the sole determinative factor.

We think that the method to account for businesses under common control should not depend on whether the shares of the receiving entity are traded in a public market.

We disagree with the preliminary view that restating pre-combination information is prohibited when applying a book-value method to a business combination under common control. We are of the view that pre-combination information may be useful for users of financial statements. In addition, in many jurisdictions, including ours, pre-combination information may be required for IPOs.

Our comments on the *Consultation Paper on Sustainability Reporting of the IFRS Foundation*

In December 2020, the AMF, together with certain other CSA members, [commented](#) on the consultation paper published by the IFRS Foundation.

The discussion paper assesses, in particular:

- Whether there is a need for a global set of internationally recognized sustainability reporting standards
- Whether the IFRS Foundation should play a role in setting those standards
- What the IFRS Foundation could contribute

Our comments

We think the creation of the ISSB under the umbrella of the IFRS Foundation could be an important and timely first step in promoting the completeness, consistency and comparability of sustainability disclosures.

We think a key requirement for success is the need to achieve a sufficient level of global support from public authorities, global regulators and market stakeholders, particularly in principal capital markets, to promote widespread adoption and regulatory alignment.

We recommend that the ISSB consider the needs and capabilities of companies of different sizes, in diverse markets and across industries. To foster widespread adoption, any sustainability standards should prioritize flexibility and scalability in their development.

IOSCO

The AMF is a member and active participant in the work of IOSCO, which develops, implements and promotes adherence to internationally recognized standards for securities regulation. This year, IOSCO published two key reports addressing ESG topics of interest to companies:

- **Report on Sustainability-related Issuer Disclosures** (published on June 28, 2021).
This report showed there is proven investor demand for high quality, comparable and reliable sustainability-related information and that this demand is not currently being properly met by companies. It also addresses the need for improvements in the current landscape of sustainability standard-setting and suggests possible solutions.
- **Environmental, Social and Governance (ESG) Ratings and Data Products Providers** (published on November 23, 2021).
This report proposes that, given the growing importance of ESG ratings and data, regulators could consider focusing greater attention on the use of ESG ratings and data products and the activities of ESG ratings and data products providers. It also provides a set of recommendations addressed to ESG ratings and data product providers and users and to entities subject to assessment by ESG ratings and data products providers.

In addition, IOSCO welcomed the publication by the IFRS Foundation on November 3, 2021 of the prototype climate disclosure standard and intends to continue working with the ISSB toward the publication of a final standard. In this context, the AMF has been entrusted to lead an IOSCO task force mandated to assess the ISSB's digital strategy.

10 Regulatory Initiatives

The following is an overview of recent and ongoing policy initiatives relating to company financing and continuous disclosure requirements and CSA staff notices published during the year.

Projects	Summary	Important date
<u>Draft Amendments to Introduce an Access Equals Delivery Model for Non-Investment Fund Reporting Issuers</u>	<p>The CSA published for comment draft amendments that implement an access equals delivery model applicable to prospectuses generally, financial statements and MD&As. The purpose of the draft amendments is to modernize the way documents are made available to investors and reduce regulatory burden for non-investment fund reporting issuers.</p>	<p>The comment period ends on July 6, 2022.</p>
<u>Amendments to Policy Statement to Regulation 41-101 respecting General Prospectus Requirements</u>	<p>The CSA published in final form the Amendment to the Policy Statement which provides a harmonized interpretation of an issuer's primary business requirements and additional clarification regarding about the historical financial information to be included in the IPO prospectus. The purpose of the amendment is to reduce regulatory burden for issuers without compromising investor protection by reducing the time and cost of pre-file applications in connection with the primary business requirements.</p>	<p>Published on April 14, 2022 and coming into force on that same day.</p>
<u>CSA Consultation Paper 43-401 - Consultation on Regulation 43-101 respecting Standards of Disclosure for Mineral Projects</u>	<p>The CSA published the consultation paper to obtain comments from stakeholders about the efficacy of the key provisions of Regulation 43-101 and whether regulatory changes would address concerns expressed by certain stakeholders. The CSA will consider the comments as it reflects on ways to update and enhance the current mineral disclosure requirements for the benefit of investors and mining issuers.</p>	<p>The comment period ends on July 13, 2022.</p>

Projects	Summary	Important date
<u>Draft Regulation to amend Regulation 45-106 respecting Prospectus Exemptions (listed issuer exemption)</u>	<p>The CSA published for comment a new prospectus exemption intended to provide a more efficient method of capital raising for reporting issuers that have securities listed on a Canadian stock exchange. The proposed exemption relies on the issuer's continuous disclosure record, as supplemented with a short offering document and supported by certification requirements, and would allow smaller investments for investors on the public markets.</p>	<p>The comment period ended on October 26, 2021.</p>
<u>Regulation to amend Regulation 45-106 respecting Prospectus Exemptions (exemption for the distribution of syndicated mortgages)</u>	<p>The CSA published in final form the amendments relating to syndicated mortgages to harmonize the prospectus and registration exemptions across Canada, introduce additional requirements to the offering memorandum prospectus and remove the private issuer exemption for their distribution.</p>	<p>Published on June 17, 2021 and coming into force on July 1, 2021.</p>
<u>Regulation respecting the distribution of syndicated mortgages (Local Matters (Québec))</u>	<p>The AMF published this regulation to exempt the distribution of qualified syndicated mortgages and the distribution of syndicated mortgages to permitted clients exempt from the prospectus requirement in Québec. The regulation recognizes the unique features of the Québec syndicated mortgage market without compromising investor protection.</p>	<p>Published on June 17, 2021 and coming into force on July 1, 2021.</p>
<u>Regulation 45-110 respecting Start-up Crowdfunding Registration and Prospectus Exemptions</u>	<p>The CSA published in final form Regulation 45-110, which provides a harmonized national framework to facilitate securities crowdfunding for start-ups and early-stage issuers. The Regulation provides a prospectus exemption that allows an issuer to distribute eligible securities through an on-line funding portal and an exemption from the dealer registration requirement for funding portals.</p>	<p>Published on June 25, 2021 and coming into force on September 21, 2021.</p>

Projects	Summary	Important date
<p><u>Draft Regulation to amend Regulation 51-102 respecting Continuous Disclosure Obligations and Other Draft Amendments Relating to Annual and Interim Filings of Non-Investment Fund Reporting Issuers</u></p>	<p>The CSA published for comment draft amendments that change the annual and interim filing requirements of reporting issuers. The proposed amends include:</p> <ul style="list-style-type: none"> ■ Streamlining and clarifying certain disclosure requirements in the MD&A and the annual information form ■ Combining the financial statements, MD&A and, where applicable, AIF into one reporting document (the annual disclosure statement and the interim disclosure statement) ■ Addressing gaps in disclosure <p>The purpose of the proposed amendments is to further reduce regulatory burden for reporting issuers and increase the quality and usefulness of the information investors receive. The CSA requested comments on a Proposed Framework for Semi-Annual Reporting – Venture Issuers on a Voluntary Basis.</p>	<p>Comment period ended on September 17, 2021.</p>
<p><u>Draft Regulation 51-107 respecting Disclosure of Climate-related Matters</u></p>	<p>The CSA published for comment Draft Regulation 51-107, which imposes climate-related disclosure requirements on non-investment fund reporting issuers. The Draft Regulation is intended to provide clarity to issuers on the information required to be disclosed so as to improve information quality, consistency and comparability for investors.</p>	<p>The comment period ended on February 16, 2022.</p>
<p><u>Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure</u></p>	<p>The CSA published in final form Regulation 52-112, which introduces disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures. The purpose of the Regulation is to improve the quality of information provided to investors about such financial measures.</p>	<p>Published on May 27, 2021 and coming into force on August 25, 2021.</p>

Notices	Summary	Important date
<p><u>CSA Staff Notice 41-307 (Revised) – Concerns regarding an issuer’s financial condition and the sufficiency of proceeds from a prospectus offering</u></p>	<p>The CSA published a revised version of its staff notice to alert issuers (other than investment funds) and their advisors about its approach where there are concerns regarding the financial condition of an issuer and/or the sufficiency of proceeds in the context of a prospectus offering. The notice describes the issues that have arisen in the past and explains the types of comments made by CSA staff to issuers that have short-term liquidity concerns and/or offerings that do not appear to be raising sufficient proceeds.</p>	<p>Published on March 25, 2021.</p>
<p><u>CSA Staff Notice 44-306 – Blanket Order Exempting Well-known Seasoned Issuers from Certain Prospectus Requirements</u></p>	<p>The CSA published temporary exemptions from certain base shelf prospectus requirements for qualifying well-known seasoned issuers. The temporary exemptions, which are implemented through Blanket Orders, are intended to reduce regulatory burden for issuers that are well-known reporting issuers, have a solid market following, complete public disclosure record and sufficient public float.</p>	<p>Published on December 6, 2021 and coming into force of the Blanket Orders on January 4, 2022.</p>
<p><u>CSA Staff Notice 45-329 – Guidance for using the start-up crowdfunding registration and prospectus exemptions</u></p>	<p>The CSA published a staff notice in regard to Regulation 45-110. The notice includes guidance to assist issuers with raising capital using the prospectus exemption in a crowdfunding context and businesses proposing to operate a funding portal to facilitate the use of the prospectus exemption.</p>	<p>Published on June 23, 2021.</p>
<p><u>CSA Staff Notice 51-362 – Staff Review of COVID-19 Disclosures and Guide for Disclosure Improvements</u></p>	<p>The CSA published a staff notice to report the outcomes of its continuous disclosure reviews of the disclosures provided by reporting issuers on the impact of COVID-19 to their business. The notice also includes some disclosure examples and guidance to assist reporting issuers with disclosing relevant information on this topic so that investors can make informed investment decisions.</p>	<p>Published on February 25, 2021.</p>

Notices	Summary	Important date
<u>CSA Staff Notice 51-363 – Observations on Disclosure by Crypto Assets Reporting Issuers</u>	<p>The CSA published a staff notice to outline disclosure observations based on the first annual filings of reporting issuers (other than investment funds) that engage materially with crypto assets via mining and/or the holding/trading of those assets. The notice also provides a snapshot of Canadian crypto asset reporting issuers and guidance to assist these issuers in meeting their ongoing continuous disclosure obligations.</p>	<p>Published on March 11, 2021.</p>
<u>CSA Multilateral Staff Notice 58-312 – Report on Sixth Staff Review of Disclosure Regarding Women on Boards and in Executive Officer Positions</u>	<p>Certain CSA members published a report that outlines key trends from the sixth review of public disclosure regarding women on boards and in executive officer positions. The CSA published the underlying data for the review on May 18, 2021.</p>	<p>Published on March 10, 2021.</p>
<u>CSA Multilateral Staff Notice 58-313 – Review of Disclosure Regarding Women on Boards and in Executive Officer Positions – Year 7 Report</u>	<p>Certain CSA members published a report that outlines key trends from the seventh review of public disclosure regarding women on boards and in executive officer positions. The CSA published the underlying data for the review on January 20, 2022.</p>	<p>Published on November 4, 2021.</p>

APPENDIX



LIST OF CERTAIN REGULATIONS, POLICY STATEMENTS AND NOTICES PRESCRIBED FOR COMPANIES

This appendix lists and provides hyperlinks to the regulations, policy statements and notices referred to in this Summary.

All regulations and other texts are published on the [AMF's website](#) under Securities and derivatives – [Laws and regulations](#).

NUMBER OF REGULATION OR POLICY STATEMENT	NAME OF REGULATION OR POLICY STATEMENT
Regulation 11-102	respecting Passport System
Regulation 41-101	respecting General Prospectus Requirements
Form 41-101F1	Information required in a prospectus
Regulation 43-101	respecting Standards of Disclosure for Mineral Projects
CSA Consultation Paper 43-401	Consultation on Regulation 43-101 respecting Standards of Disclosure for Mineral Projects
Regulation 44-101	respecting Short Form Prospectus Distributions
Form 44-101F1	Short Form Prospectus
Regulation 45-106	respecting Prospectus Exemptions
Regulation 45-110	respecting Start-up Crowdfunding Registration and Prospectus Exemptions
Regulation 51-102	respecting Continuous Disclosure Obligations
Form 51-102F1	Management's discussion and analysis
Form 51-102F2	Annual information form
Form 51-102F6	Statement of Executive Compensation
Form 51-102F6V	Statement of Executive Compensation – Venture Issuers
Regulation 52-112	respecting Non-GAAP and Other Financial Measures Disclosure
Regulation 58-101	respecting Disclosure of Corporate Governance Practices
Policy Statement 58-201	to Corporate Governance Guidelines
Regulation 61-101	respecting Protection of Minority Security Holders in Special Transactions

NOTICE NUMBER	NAME OF NOTICE
AMF notice (without number)	Notice relating to modern slavery disclosure requirements
CSA Staff Notice 41-307 (Revised)	Concerns regarding an issuer's financial condition and the sufficiency of proceeds from a prospectus offering
CSA Staff Notice 43-310	Confidential Pre-File Review of Prospectuses (for non-investment fund issuers)
CSA Staff Notice 44-306	Blanket Order Exempting Well-known Seasoned Issuers from Certain Prospectus Requirements
CSA Staff Notice 45-329	Guidance for using the start-up crowdfunding registration and prospectus exemptions
CSA Staff Notice 51-333	Environmental Reporting Guidance
Multilateral CSA Staff Notice 51-338	Continuous Disclosure and Prospectus Requirements Relating to Documents Prepared Under the U.S. <i>Securities and Exchange Act of 1934</i>
CSA Staff Notice 51-358	Reporting of Climate Change-related Risks
CSA Staff Notice 51-362	Staff Review of COVID-19 Disclosures and Guide for Disclosure Improvements
CSA Staff Notice 51-363	Observations on Disclosure by Crypto Assets Reporting Issuers
CSA Staff Notice 52-306 (Revised)	Non-GAAP Financial Measures
CSA Staff Notice 55-317	Automatic Securities Disposition Plans
CSA Multilateral Staff Notice 58-312	Report on Sixth Staff Review of Disclosure Regarding Women on Boards and in Executive Officer Positions
CSA Multilateral Staff Notice 58-313	Review of Disclosure Regarding Women on Boards and in Executive Officer Positions – Year 7 Report

Contact Information

We welcome comments and suggestions on how to improve this Summary of Oversight and Regulatory Activities. For more information, or to provide us with your comments, please contact any of the following people:

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