CSA/ACVM Canadian Securities Administrators Autorités canadiennes en valeurs mobilières

CSA Staff Notice 51-364 *Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2022 and March 31, 2021*

November 3, 2022

INTRODUCTION

Staff of the Canadian Securities Administrators (**CSA**) have prepared this Staff Notice (**Notice**) to report on the results of the reviews conducted by CSA staff (**staff** or **we**) within the scope of its Continuous Disclosure Review Program (**CD Review Program**). The goal of the program is to improve the completeness, quality and timeliness of Continuous Disclosure (**CD**) provided by reporting issuers[1] (**issuers**) in Canada. It assesses the compliance of CD documents with CD-related securities legislation, and helps issuers understand and comply with their obligations under the CD rules so that investors receive high quality disclosure to assist them in making informed investment decisions.

In this Notice, we summarize the key findings and outcomes of the CD Review Program for the fiscal year ended March 31, 2022 (**fiscal 2022**) and the fiscal year ended March 31, 2021 (**fiscal 2021**). Appendix A - *Financial Statement, MD&A and Other Regulatory Deficiencies* (**Appendix A**) describes common deficiencies and includes some illustrative examples to help issuers address these deficiencies and understand our expectations.

Our CD reviews primarily focus on issuers' disclosure requirements, including those under *Regulation 51-102 respecting Continuous Disclosure Obligations* (**Regulation 51-102**). We also assess compliance with the recognition, measurement, presentation, classification and disclosure requirements in International Financial Reporting Standards (**IFRS**). For further details on the CD Review Program, see CSA Staff Notice 51-312 (revised) *Harmonized Continuous Disclosure Review Program*.

In addition, Appendix B – *Staff Review of Non-GAAP and Other Financial Measures Disclosure* (**Appendix B**) includes the results of recently completed reviews to assess compliance with certain aspects of *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (**Regulation 52-112**). Appendix B also describes the common deficiencies noted in the reviews and provides guidance for meeting the requirements of Regulation 52-112.

Financial Reporting and Disclosure during Economic Uncertainty

While this Notice focuses on common deficiencies that we have noted over the past two years, it is important to identify and highlight the potential impacts of the current economic environment on financial reporting and other disclosures. Supply chain issues, the COVID-19 pandemic, labour shortages, high energy costs, inflationary pressures, rising interest rates, the global financial climate and the conflict in Ukraine and surrounding regions are some factors that are affecting current economic conditions and increasing economic uncertainty, which may impact issuers' operating performance, financial position, and future prospects.

We recognize that issuers are preparing disclosure in evolving and uncertain times, resulting in increased estimation uncertainty as the assumptions used to prepare the financial statements may materially change in the near term. Issuers should carefully evaluate and explain how economic uncertainty and changes in assumptions affect their operations and the amounts reported in the financial statements. Further, audit committees and external auditors must be diligent in fulfilling their responsibilities to ensure that investors receive accurate, transparent, and timely information that supports investment decisions. Issuers must also consider how economic uncertainty impacts the application of MD&A and other disclosure requirements.

[1] In this Notice "issuers" means those reporting issuers contemplated in *Regulation 51-102 respecting Continuous Disclosure Obligations*.

Some areas that may be impacted by the current economic environment include known trends, events and uncertainties, liquidity and capital resources, debt covenants, risk factor disclosure, impairment of non-financial assets, going concern, events after the reporting period, significant judgement and measurement uncertainties, expected credit losses, financial instrument risk disclosure, non-GAAP and other financial measures, and material change reporting. For example, we remind issuers that non-GAAP financial measures that attempt to "adjust" for certain aspects of the current environment must, among other things, be entity-specific and clearly explain how such adjustments were attributable to the current environment and/or "non-recurring", "infrequent", or "unusual".

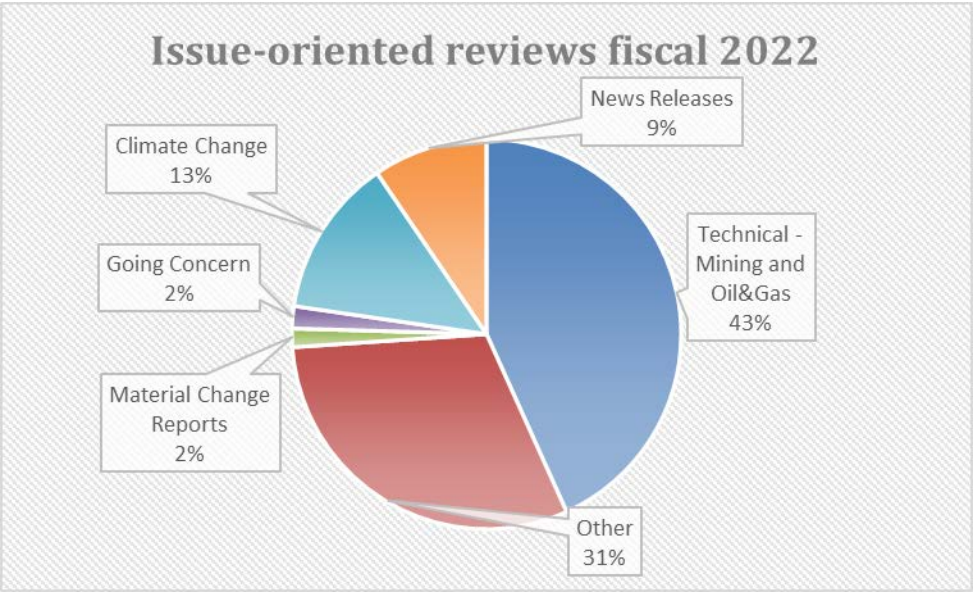
Issuers are encouraged to refer to CSA Staff Notice 51-362 *Staff Review of COVID-19 Disclosures and Guide for Disclosure Improvements*, which highlights existing requirements that may be relevant to issuers in fulfilling their disclosure obligations under securities legislation during times of economic uncertainty relating to COVID-19. Issuers are reminded to consider the factors specific to their circumstances in the current economic environment when complying with their disclosure obligations.

Results for Fiscal 2022 and Fiscal 2021

Issuers selected for a CD review (full or issue-oriented review (**IOR**)) are identified using a risk-based and outcomes-focused approach using both qualitative and quantitative criteria. IORs are focused on a specific accounting, legal or regulatory issue, an emerging issue or industry, implementation of recent rules or areas where we believe there may be a heightened risk of potential investor harm and those that are at higher risk of non-compliance. A review may also stem from general monitoring of issuers through news releases, media articles, public complaints and other sources.

During fiscal 2022, a total of 466 CD reviews (fiscal 2021 – 572 CD reviews) were conducted with IORs consisting of 70% of the total (fiscal 2021 - 74%). The nature of an IOR will impact the time spent and outcome obtained from the review. The fluctuation in the total number of reviews completed is attributable to staff resources being prioritized to core operational areas to address the unprecedented volume of prospectus filings received in Fiscal 2022 and Fiscal 2021. It is important to note, however, that reviews of prospectus filings involve a review of an issuer's financial statements, management's discussion and analysis (**MD&A**) and other documents. The following chart outlines the topics of the IORs conducted:

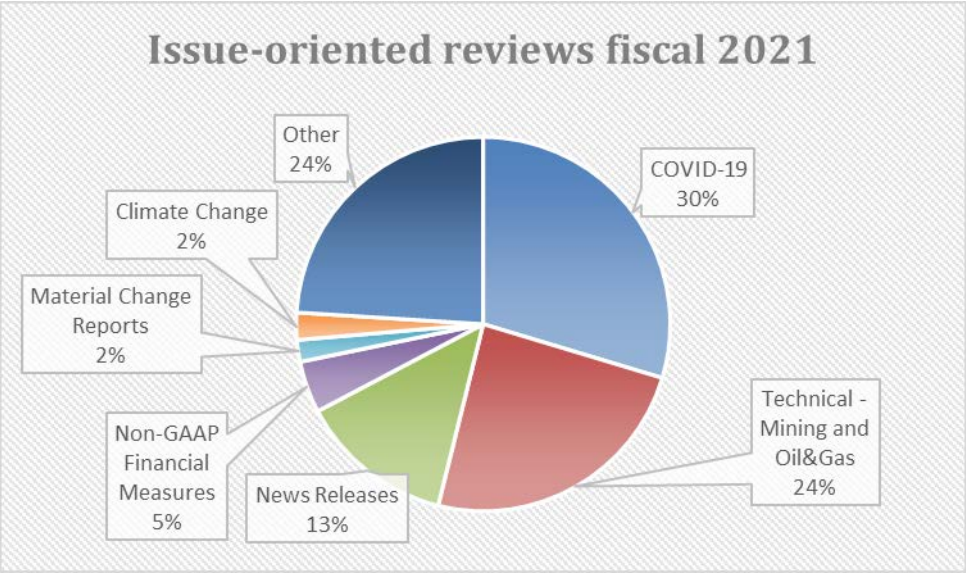
Figure #1



The "Other" category includes, but is not limited to, reviews of:

- COVID-19 disclosures
- Public complaints
- Tied selling

Figure #2



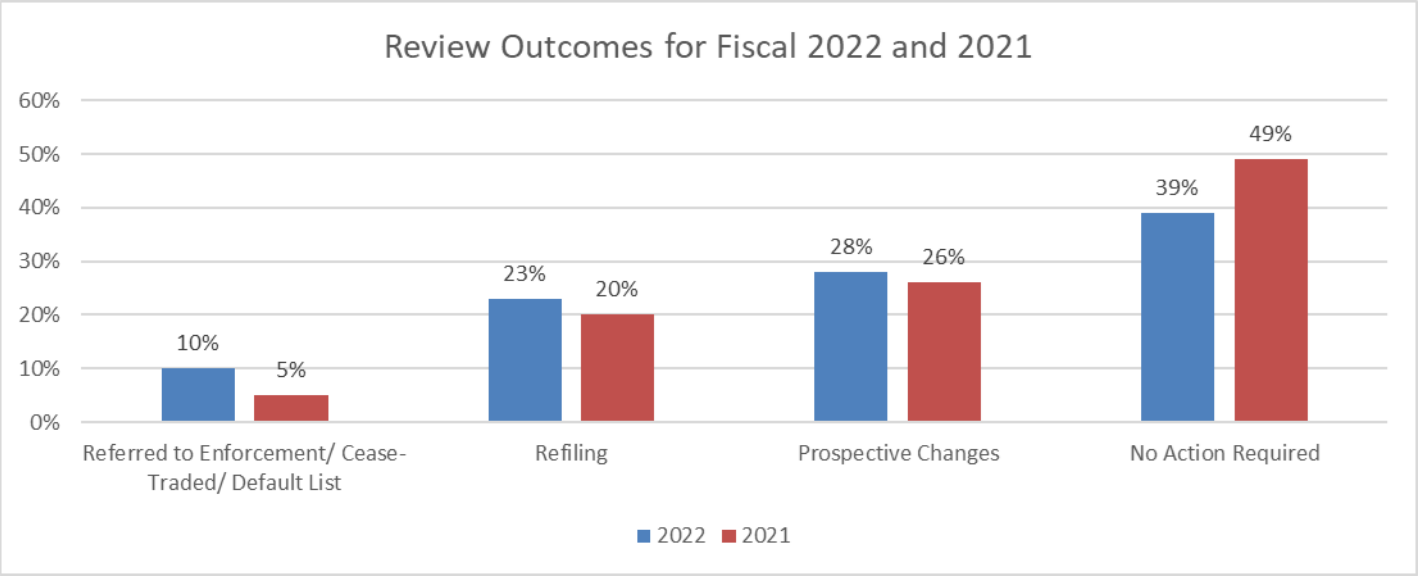
The "Other" category includes, but is not limited to, reviews of:

- Going concern reviews
- Public complaints

CD Outcomes for Fiscal 2022 and Fiscal 2021

We classify the outcomes of the full reviews and IORs into four categories: referred to enforcement/ cease-traded/ default list, refiling, prospective changes and no action required, as further described in Appendix C - *Categories of Outcomes*. In fiscal 2022, 61% (fiscal 2021 – 51%) of our review outcomes required issuers to improve and/or amend their disclosure, refile a previously filed document, or to file unfiled documents. Some of these reviews also resulted in the issuer being referred to enforcement, cease-traded or placed on the default list. The chart below summarizes the key outcomes.

Figure #3



Some CD reviews may generate more than one category of outcome. For example, an issuer may have been required to refile certain documents and also commit to make disclosure enhancements on a prospective basis.

Given our risk-based approach noted above, the outcomes on a year-to-year basis may vary and should not be interpreted as an emerging trend as the issues and issuers reviewed each year are generally different. In fiscal 2022 and fiscal 2021, we continued to see substantive outcomes being obtained as a result of our reviews.

Common Deficiencies

We have highlighted below some of the key areas where common deficiencies were observed during our CD reviews in fiscal 2022 and fiscal 2021. We have discussed these deficiencies in further detail in Appendix A to this Notice.

- **Financial Statements**: compliance with the recognition, measurement, presentation, classification and disclosure requirements in IFRS including revenue recognition, disclosure of expected credit losses, disclosure of business combinations and disclosure of reportable segments.
- **MD&A**: compliance with Form 51-102F1, *Management's Discussion & Analysis*, of Regulation 51-102 including forward-looking information, discussion of operations specific to development and/or early-stage issuers, and non-GAAP and other financial measures.
- **Other Regulatory Requirements**: compliance with other regulatory matters including overly promotional disclosure pertaining to environmental, social and governance (**ESG**) matters, audit committee requirements, inconsistencies throughout CD documents, required disclosures in a reverse takeover transaction and mineral project disclosure.

Results by Jurisdiction

All CSA jurisdictions participate in the CD review program and some local jurisdictions may publish staff notices and reports communicating results and findings of the CD reviews conducted in their jurisdictions. Refer to the individual regulator's website for copies of these notices and reports.

APPENDIX A - FINANCIAL STATEMENT, MD&A AND OTHER REGULATORY DEFICIENCIES

Our CD reviews identified a number of financial statement, MD&A and other disclosure deficiencies that resulted in issuers enhancing their disclosure and/or refiling their CD documents (e.g., by issuing a clarifying news release). To help issuers better understand and comply with their CD obligations, we present the key observations from our reviews. The Hot Topics sections below include observations along with considerations for issuers, including the relevant regulatory guidance. We have also included some examples of deficient disclosure and provided more in-depth explanation of the matters we observed.

Issuers must ensure that their CD record complies with all relevant securities legislation. The responsibility for complying with applicable securities legislation remains with issuers and their advisors. Issuers are also reminded that quantity does not equal quality, and that disclosure should be clear and in plain language.

This is not an exhaustive list and does not represent all the requirements that could apply to a particular issuer's situation.

FINANCIAL STATEMENT DEFICIENCIES

Hot Topics

	OBSERVATIONS	CSA COMMENTS
IFRS 15: Revenue from contracts with customers; variable consideration, remaining performance obligations and disaggregation of revenue	❖ Some issuers do not consider whether the consideration promised includes a variable amount.	❖ Issuers shall consider whether the consideration promised in a contract includes a variable amount. An amount of consideration can vary because of discounts, rebates, refunds, credit, price concessions, incentives, performance bonuses, penalties or other similar items. The variability relating to the consideration may be explicitly stated in the contract and may be contingent on the occurrence or non-occurrence of a future event. Issuers shall consider whether there are valid expectations of some type of price concession, such as through customary business practices, published policies or specific statements an issuer has made, which would lead to a variable consideration component of a contract.[2] ❖ IFRS 15 contains requirements on estimating variable consideration. An issuer shall estimate variable consideration by using one of two methods, depending on which method the entity expects to better predict the amount of consideration to which it will be entitled.[3]
	❖ Some issuers include the amount of estimated variable consideration in the transaction price without assessing whether it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.	❖ Issuers shall only include the estimated variable consideration to the extent that it is highly probable that a significant reversal of cumulative revenue recognised will not occur. To determine this, an issuer shall consider both the likelihood and the magnitude of the revenue reversal. IFRS 15 discusses factors that could increase the likelihood or the magnitude of a revenue reversal. Although the list of factors is not exhaustive, we consider these factors when assessing an issuer's specific

[2] IFRS 15 *Revenue from contracts with customers*, paragraphs 50-52
[3] IFRS 15 *Revenue from contracts with customers*, paragraph 53

	OBSERVATIONS	CSA COMMENTS
		facts and circumstances.[4] Issuers are also reminded to update the estimated transaction price at the end of each reporting period.[5] ❖ Issuers shall provide sufficient disclosure to enable users to understand the variable consideration of a contract. This may include explicit and entity-specific disclosure about the significant payment terms and whether the consideration amount is variable.[6] ❖ Issuers are reminded to disclose information about the methods, inputs and assumptions used for determining the transaction price, including the estimate of variable consideration. Disclosure about the methods, inputs and assumptions should be sufficient to achieve the disclosure objective in the above bullet point. Issuers will need to use judgement to determine the specific disclosures that are both relevant to its business and necessary to meet these disclosure objectives.[7]
	❖ Some issuers do not disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.	❖ Issuers are required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. In addition, issuers shall disclose when the issuer expects to recognise as revenue the remaining amount in either of the following ways[8]: o on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or o by using qualitative information. ❖ Issuers are reminded that performance obligations include those satisfied over time or at a point in time.
	❖ Some issuers do not provide disclosures that disaggregate revenue recognised from contracts with customers into categories.	❖ An issuer is required to disaggregate revenue recognised from contracts with customers into categories to enable investors to understand how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.[9] ❖ The extent to which revenue recognised from contracts with customers is disaggregated depends on the facts and circumstances of an issuer's contracts with customers. In addition, the issuer should consider how revenue is disaggregated in other communications or for the purposes of

[4] IFRS 15 *Revenue from contracts with customers*, paragraphs 56-57
[5] IFRS 15 *Revenue from contracts with customers*, paragraph 59
[6] IFRS 15 *Revenue from contracts with customers*, paragraph 110
[7] IFRS 15 *Revenue from contracts with customers*, paragraph 126
[8] IFRS 15 *Revenue from contracts with customers*, paragraph 120
[9] IFRS 15 *Revenue from contracts with customers*, paragraph 110, 114-115

	OBSERVATIONS	CSA COMMENTS
		evaluating financial performance. Examples of appropriate categories include, but are not limited to, the following: type of good or service (e.g., major product lines), geographical region (e.g., country or region), market or type of customer (e.g., government and non-government customers), type of contract (e.g., fixed-price and time-and-materials contract), contract duration (short-term and long-term contracts) and timing of transfer of goods or services (revenue transferred to customers at a point in time and transferred over time).[10]
IFRS 7: Financial Instruments: disclosures; credit risk exposure	❖ Some issuers do not disclose enough information to enable users to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.	❖ An issuer is required to disclose the nature and extent of risks arising from financial instruments and how it manages those risks. It will need to use judgement to determine the specific disclosures that are both relevant to its business and necessary to meet these disclosure objectives. Examples of specific disclosures include, but are not limited to, the following:[11] o information about an issuer's credit risk management practices and how they relate to the recognition and measurement of expected credit losses (**ECL**), o information about how a company assesses whether there has been a significant increase in credit risk in an individual instrument or collection of instruments that may be impacted by larger macroeconomic considerations (e.g., supply chain challenges, labor shortages, inflationary pressures, etc.), o an explanation of the inputs, assumptions and estimation techniques used to measure ECLs, including: ▪ the basis of inputs and assumptions and the estimation techniques used to measure ECLs, ▪ how it has incorporated forward-looking information (including economic uncertainty) into the determination of ECLs, and ▪ changes in the estimation techniques or significant assumptions made and the reasons for those changes. o quantitative and qualitative information that enables evaluation of the amounts arising from ECLs, which includes a reconciliation from the opening balance

[10] IFRS 15 *Revenue from contracts with customers*, paragraph 114
[11] IFRS 7 *Financial instruments: disclosures*, paragraphs 31-32 and 35A-N

	OBSERVATIONS	CSA COMMENTS
		to the closing balance of the loss allowance, and o the gross carrying amount of financial assets *by credit risk rating grades* to enable users to assess an issuer's credit risk exposure and understand its significant credit risk concentrations. For trade receivables measured under the "simplified approach", such disclosure is most often based on a provision matrix which discloses the fixed provision rates depending on the number of days that a trade receivable is past due within an appropriate grouping depending on the diversity of its customer base (e.g., geographical region, product type, type of customer, such as wholesale or retail). [12]
IFRS 8: Operating Segments	❖ Some issuers do not provide the factors used to identify the entity's reportable segments, the basis of organization and the judgements made by management in applying aggregation criteria.	❖ Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics, and the segments are similar in each of the following respects[13]: o the nature of the products and services, o the nature of the production processes, o the type or class of customer for their products and services, o the methods used to distribute their products or provide their services, and o if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities. ❖ Issuers are reminded that the judgements made by management in applying the aggregation criteria must be disclosed. This includes a brief description of the operating segments that have been aggregated and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.[14] ❖ Issuers are also reminded that their CD documents should provide consistent disclosure about their reportable segments.
IFRS 3: Business Combinations	❖ Some issuers do not disclose certain information related to business combinations which occurred during the reporting period.	❖ To enable investors to evaluate the nature and financial effect of business combinations, issuers are required to disclose the following information[15]: o the amounts of revenue and profit or loss of the acquiree since the acquisition date

[12] IFRS 9 *Financial instruments*, paragraph B5.5.35, IFRS 7 *Financial Instruments: disclosures*, paragraphs 35M-35N
[13] IFRS 8 *Operating segments*, paragraph 12
[14] IFRS 8 *Operating segments*, paragraph 22
[15] IFRS 3 *Business Combinations*, paragraphs 59 and B64(q)

	OBSERVATIONS	CSA COMMENTS
		included in the consolidated statement of comprehensive income for the reporting period, and o the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period.

MD&A DEFICIENCIES

Hot Topics

	OBSERVATIONS	CSA COMMENTS
Venture issuers and early-stage/ development-stage issuers	❖ We continue to see venture and early-stage/ development-stage issuers that announce significant projects but fail to disclose sufficient information to enable users to understand the project, including timing and costs associated with such project.	❖ Issuers should describe each project in sufficient detail, including, but not limited to, the following information[16]: o the issuer's plan for the project and the status of the project relative to that plan. The discussion should include short and long term plans. For research and development (**R&D**) activity, this discussion should be included for each stage, o identification of concrete milestones in the plan and what specific events need to occur to meet each milestone, o for each project/ stage/ milestone, a description of the expenditures made to date and how these relate to anticipated timing and costs to take the project to the next stage of the project plan, o a discussion of license(s) and regulatory approval(s) the issuer must obtain. The discussion should include the anticipated timeline and expenditures associated with obtaining the license and regulatory approval and risks and associated impact if they are not obtained, and o updates on the status of the project in each MD&A, including any delays in the disclosed timeline and/or anticipated cost overruns. In addition, the MD&A must include a discussion of events and circumstances that occurred during the period that are reasonably likely to cause actual results to differ materially from material forward-looking information

[16] *Regulation 51-102 respecting Continuous Disclosure Obligations*, item 1.4(d) of Form 51-102F1 *Management's Discussion & Analysis*

	OBSERVATIONS	CSA COMMENTS
		previously disclosed and the expected differences.
	❖ Some venture issuers that have not yet generated significant revenue from operations do not provide sufficient disclosure about costs incurred in operations and R&D or exploration.	❖ Venture issuers without significant revenue from operations must provide a breakdown of the material components of the following, including the cost incurred:[17] o exploration and evaluation assets or expenditures, o expensed research and development costs, o intangible assets arising from development, and o general and administration expenses. ❖ If the business primarily involves mining exploration and development, the analysis of exploration and evaluation assets or expenditures must be presented on a property-by-property basis.

MD&A DISCLOSURE EXAMPLES

Forward-looking Information (FLI); Future-oriented Financial Information & Financial Outlooks

Backlog/ Order Intake and Future Expected Revenues

An issuer must not disclose FLI unless the issuer has a reasonable basis for the FLI. Any disclosure regarding material FLI should include the material factors or assumptions used to develop the FLI. We have seen instances where backlog, order book or order intake estimates are not based on firm purchase orders, but the basis of the estimate has not been disclosed. As such, any material factors and/or assumptions used to develop backlog or order intake must be disclosed.

For example:

Backlog

XYZ Company has announced that "Our sales activity has improved over the quarter, resulting in a backlog of $25 million as at June 30, 2022, which we expect to support strong revenue and earnings growth in the coming years".

In the above example, it is not clear what "sales activity" refers to, and whether the backlog is based on firm purchase orders. Given that information referred to as "backlog" is typically presented outside of the financial statements and may not be comparable across entities because there is no standardized definition or calculation, issuers should provide clear and transparent disclosure of how the backlog is derived in order to ensure that backlog estimates do not mislead investors.[18] Issuers must state the material factors and assumptions as well as the material risk factors that are relevant to the FLI.[19] Issuers are also reminded to limit the period covered by FLI to a period for which the information can be reasonably estimated, for example, any agreements with indefinite delivery or quantity should be excluded from the backlog. In addition, some material factors issuers should consider when disclosing FLI include the issuer's ability to make appropriate assumptions, the nature of the issuer's industry, and the issuer's operating cycle.

Issuers are reminded that when a backlog measure is disclosed, the supplementary financial measures requirements in section 11 of Regulation 52-112 generally apply. For example, if an issuer includes items other than firm purchase orders

[17] *Regulation 51-102 respecting Continuous Disclosure Obligations*, subsection 5.3(1)
[18] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, section 11
[19] *Regulation 51-102 respecting Continuous Disclosure Obligations*, parts 4A and 4B

in their calculation of backlog, the supplementary financial measure should be labelled using a term that, given the measure's composition, describes the measure, such as "adjusted backlog".

Improved disclosure:

Adjusted backlog
XYZ Company has announced that "Our quoting and order intake activity has improved over the quarter, resulting in an adjusted backlog of $25 million as at June 30, 2022, which is comprised of $15 million based on firm purchase orders and $10 million of quotes based on on-going projects that are highly probable. Approximately $15 million of the $25 million of adjusted backlog is expected to convert to recognised revenue in the next 12 months, the remaining $10 million in the subsequent year. Our adjusted backlog includes remaining performance obligations[20] and is net of expected cancellations, which we have estimated based on historical cancellation volumes. Please see "Forward-Looking Statements" and "Non-GAAP and other financial measures" for further information on pages X and Y".

Overly Optimistic Financial Outlook
FLI also includes financial outlooks of prospective financial performance based on assumptions about future economic conditions. Examples of financial outlook in FLI include revenue projections, projected earnings, projected earnings per share and projected operating costs.

We continue to see instances where issuers disclose an overly optimistic financial outlook of revenue projections which is not supported by reasonable assumptions.

For example:

ZXC Company reported $180 thousand of gross revenue for the 2021 fiscal year.

Before the end of its 2021 fiscal year, ZXC Company disclosed in a news release a gross revenue target for the 2022 fiscal year of $3-5 million. Additionally, with the issuer planning to open a new facility, sign new agreements, and perceived high demand of product, ZXC Company projects a gross revenue target of $10-15 million for the fiscal year 2023.

The issuer in the above example made inappropriate optimistic revenue projections as an issuer must not disclose FLI unless the issuer has a reasonable basis for the FLI. The disclosure of financial outlook of revenue projections must be based on assumptions that are reasonable and comply with the requirements of Part 4B of Regulation 51-102.

In the above example, the issuer did not provide supportable assumptions because:

- a 1600% gross revenue increase from $180 thousand to $3 million in sales is highly unusual/ unlikely. The issuer only made vague statements regarding the material factors and assumptions, and did not provide supporting detail as to how this is achievable such as:
    - no discussion of the capacity of the new facility and whether these production levels are even possible,
    - necessary inputs to produce the product,
    - sufficient demand for the product,
    - required working capital, and
    - being able to deliver product to their customers.
- the issuer has not explained whether they have the infrastructure in place, and
- the issuer has not explained whether they have the trained personnel in place such as shipping and receiving, production, quality control, administration, etc.

[20] IFRS 15 *Revenue from contracts with customers*, paragraph 120

Updates to previously disclosed material FLI

Updates to FLI are required in the MD&A to assist readers with understanding how an issuer is progressing towards achieving its disclosed targets and objectives and to understand how actual results differ materially from previously disclosed FLI.[21] There is flexibility to disclose the updated information in a news release before filing the MD&A. This approach would help ensure the new information is communicated to the market on a timely basis. The MD&A must refer to the news release to satisfy the requirement in Regulation 51-102 as including the information in a news release instead of the MD&A is not permitted.

We have seen issuers that have made financial projections where it is clear that they are not going to achieve them and they have not disclosed this fact in the MD&A. For example, an issuer may have projected annual revenue of $3 million yet after Q2 they have only reported $800 thousand in sales and the business does not experience seasonality. In this circumstance we would expect an issuer to update the FLI.[22]

In this case an issuer should:

- disclose the events and circumstances that are reasonably likely to cause actual results to differ materially from the previously disclosed FLI,
- disclose the expected differences between actual results and previously disclosed FLI[23],
- update the quantified data that relate to factors and assumptions that may impact future performance and discuss how and why these changes may impact future performance, and
- disclose the decision to withdraw previously disclosed FLI and discuss events and circumstances that led to the decision to withdraw material FLI, including a discussion of any assumptions in the previously disclosed FLI that are no longer valid.[24]

The following is an example of updated FLI:

During the second quarter ended June 30, 2022, the Company became aware of certain factors which have deemed our assumptions relating to revenue projections unreasonable, and as such, the Company is withdrawing our fiscal 2022 and 2023 revenue projections. Our expected demand has decreased as a result of new entrants into the market, which has decreased our market share. In addition, the estimated opening of 3 more locations will not be completed until next year due to capital requirements and other unforeseen issues.

If an issuer decides to withdraw previously disclosed material FLI during the period to which the MD&A relates, the issuer must disclose the decision to withdraw previously disclosed FLI and discuss the events and circumstances that led to the decision to withdraw the material FLI, including a discussion of any assumptions in the previously disclosed FLI that are no longer valid.[25]

[21] *Regulation 51-102 respecting Continuous Disclosure Obligations*, subsection 5.8(2)
[22] *Regulation 51-102 respecting Continuous Disclosure Obligations*, subsection 5.8(4)
[23] *Regulation 51-102 respecting Continuous Disclosure Obligations*, subsection 5.8(4)
[24] *Regulation 51-102 respecting Continuous Disclosure Obligations*, subsection 5.8(5)
[25] *Regulation 51-102 respecting Continuous Disclosure Obligations*, subsection 5.8(5)

OTHER REGULATORY DISCLOSURE DEFICIENCIES

Hot Topics

	OBSERVATIONS	CSA COMMENTS
Business acquisitions	❖ Some issuers did not file a business acquisition report for a significant acquisition under which securities of the acquired business were exchanged for the issuer's securities.	❖ We generally consider that an acquisition of securities of a separate entity to be an acquisition of a business[26], regardless of the type of consideration paid or transferred. ❖ Issuers are required to determine whether an acquisition of a business or related business(es) is a significant acquisition by performing the required significance tests and may re-calculate the significance of the acquisition using the optional significance test, if applicable[27]. ❖ Issuers seeking relief from the requirements to file a business acquisition report or to include financial statements of an acquired business or related businesses are required to apply for exemptive relief before the filing deadline for the business acquisition report and before the closing date of the transaction, if applicable[28].
	❖ Some issuers filed a business acquisition report where the transaction or series of transactions met the definition of a restructuring transaction such that the issuer was required to file a material change report or an information circular, for which prospectus level disclosure is required. This includes the prescribed financial statements for the issuer and each entity whose securities are being changed, exchanged, issued or distributed.	❖ Issuers are required to determine whether a transaction or series of transactions meet the definition of a restructuring transaction[29]. ❖ A restructuring transaction includes a reverse takeover, which includes a reverse acquisition, determined under Canadian GAAP applicable to publicly accountable enterprises[30]. ❖ Upon the closing of a restructuring transaction under which securities are changed, exchanged, issued or distributed, an issuer is required to file a material change report to provide the disclosure required by Item 14.2 of Form 51-102F5 *Information Circular* of Regulation 51-102 (**Form 51-102F5**)[31] for each entity that would result from the restructuring transaction. Issuers may satisfy the requirement to include this disclosure by incorporating the information by reference into another document, such as an information circular sent to the issuer's securityholders, a prospectus, or a

[26] *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*, subsection 8.1(4)
[27] *Regulation 51-102 respecting Continuous Disclosure Obligations*, section 8.3; *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*, sections 8.2 and 8.3
[28] *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*, sections 8.4, 8.8 and 8.9; *Policy Statement 11-203 respecting Process for Exemptive Relief Applications in Multiple Jurisdictions*
[29] *Regulation 51-102 respecting Continuous Disclosure Obligations*, section 1.1; *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*, section 1.4
[30] *Regulation 51-102 respecting Continuous Disclosure Obligations*, section 1.1; *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*, section 1.4
[31] *Regulation 51-102 respecting Continuous Disclosure Obligations*, items 5.2 of Form 51-102F3 *Material Change Report* and 14.2 of Form 51-102F5; *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*, section 9.2; *Regulation 41-101 respecting General Prospectus Requirements*, Form 41-101F1 *Information Required in a Prospectus*; *Regulation 44-101 respecting Short Form Prospectus Distributions*, Form 44-101F1 *Short Form Prospectus*

	OBSERVATIONS	CSA COMMENTS
		securities exchange takeover bid circular. It is important to note that the disclosure requirements under Item 14.2 of Form 51-102F5 are different from the requirements of the business acquisition report referred to in the above bullet point. ❖ Determining whether a restructuring transaction is a reverse takeover requires analysis of facts and circumstances against the relevant guidance and involves significant judgement. Issuers should disclose in the financial statements any significant judgements involved for a transaction that occurred during the period covered by the financial statements[32].
Inconsistencies and outdated information in disclosure documents	❖ We have observed a number of instances where issuers provided inconsistent disclosure between documents that are required to be filed under securities legislation and voluntary disclosures. ❖ Some issuers failed to provide up-to-date information in their reporting documents.	❖ Information should be consistently disclosed in all public documents, including voluntary disclosures. Voluntary disclosure documents are typically published on an issuer's website or on a social media platform and include documents such as presentations, sustainability reports, and public surveys. ❖ Including material information in voluntary disclosure but omitting it from CD documents may indicate that the issuer has failed to provide the disclosure required in the CD documents. ❖ Disclosures should be factual and balanced. For example, unfavourable news must be disclosed just as promptly and completely as favourable news.[33] ❖ Issuers are required to update disclosures on a timely basis. ❖ Disclosure in the MD&A must be current so that it will not be misleading when it is filed. For example, explain how the issuer is performing during the period covered by the financial statements and remove information that is no longer relevant to current operations.[34] ❖ When a material change occurs, issuers are required to immediately issue and file a news release disclosing the material change in their business as soon as practicable, and in any event within 10 days of the date on which the change occurs, and file a material change report.[35]

[32] IFRS 3 *Business Combinations*, paragraphs B13 to B18, IAS 1 *Presentation of Financial Statements*, paragraph 122
[33] *National Policy 51-201: Disclosure Standards*, subsection 2.1(2)
[34] *Regulation 51-102 respecting Continuous Disclosure Obligations*, items 1.2 and 1.4 of Form 51-102F1 *Management's Discussion & Analysis*
[35] *National Policy 51-201: Disclosure Standards*, subsection 2.1(1); *Regulation 51-102 respecting Continuous Disclosure Obligations*, section 7.1 of Form 51-102F3 *Material Change Report*

	OBSERVATIONS	CSA COMMENTS
Audit Committees; composition and responsibilities	❖ Some issuers do not have an appropriate audit committee composition and inappropriately rely on exemptions in *Regulation 52-110 respecting Audit Committees* (**Regulation 52-110**) to appoint less than three members to the audit committee.	❖ For non-venture issuers, an audit committee must meet the following requirements[36]: o must be composed of a minimum of three members, o every audit committee member must be a director of the issuer, o except in very limited circumstances, every audit committee member must be independent[37], as defined in Regulation 52-110, and o except in very limited circumstances, every audit committee member must be financially literate[38], as defined in Regulation 52-110. ❖ For venture issuers, an audit committee must meet the following requirements[39]: o must be composed of a minimum of three members, o every audit committee member must be a director of the issuer, and o except in very limited circumstances, a majority of the members must not be executive officers, employees or control persons of the venture issuer or of an affiliate of the venture issuer. ❖ Issuers should carefully consider whether the exceptions in Regulation 52-110 to the above composition requirements apply before relying on them. The exceptions are generally available for a limited timeframe.[40]
	❖ Some audit committee members may not fully understand their responsibilities as directors and members of an audit committee.	❖ The responsibilities of an audit committee member are extensive and should be considered before taking on an appointment. Responsibilities include, but are not limited to, the following[41]: o overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting, and o review the issuer's financial statements, MD&A and annual and interim profit or loss press releases before the issuer publicly discloses this information; and

[36] *Regulation 52-110 respecting Audit Committees*, section 3.1
[37] *Regulation 52-110 respecting Audit Committees*, section 1.4, definition of "independence"
[38] *Regulation 52-110 respecting Audit Committees*, section 1.6, definition of "financially literacy"
[39] *Regulation 52-110 respecting Audit Committees*, section 6.1.1
[40] *Regulation 52-110 respecting Audit Committees*, sections 3.2 – 3.9 and subsections 6.1.1(4)-(6)
[41] *Regulation 52-110 respecting Audit Committees*, section 2.3

	OBSERVATIONS	CSA COMMENTS
		must be satisfied that adequate procedures are in place for the review of the issuer's public disclosure of financial information extracted or derived from the issuer's financial statements.

DISCLOSURE EXAMPLE

Overly Promotional Disclosure (Greenwashing) Example

The use of disclosures pertaining to ESG or sustainability factors has grown rapidly in recent years as companies look to be more transparent on how they manage ESG factors and related risks.

The terms ESG or sustainability are used to refer to a wide variety of factors - e.g., pollution and waste management, biodiversity, climate risks, carbon and other greenhouse gas emissions, energy efficiency, diversity and inclusion, human rights, indigenous reconciliation, labour standards, corporate governance, shareholder engagement, bribery and corruption. The breadth of what is encompassed by the terms can make using the terms misleading if there is not more specific disclosure about the particular factors being considered and how they are being measured and evaluated.

We have observed an increase in issuers making potentially misleading, unsubstantiated or otherwise incomplete claims about business operations or the sustainability of a product or service being offered, conveying a false impression commonly referred to as "greenwashing".

We have identified greenwashing in CD documents as well as voluntary documents, such as sustainability or ESG reports and public surveys. When describing current and proposed ESG related activities, issuers should avoid misleading promotional language. With increased access to data and information online, it is important to ensure that all public disclosures, whether voluntary or required are factual and balanced.

Example of Deficient Disclosure – Greenwashing Disclosure

Included in a news release:

ESG Highlights:

Environment:

- The Company plans to be carbon neutral by 2023.
- Strategic relationship with high-quality partners attentive to environmental stewardship and performance enhance our long-term value. Our key partner exemplifies this by setting aggressive emissions reduction targets and investing in multiple environmental/economic-enhancing technologies.
- The Company is a global leader in environmental solutions.

Social:

- Established relationships with several organizations focused on (i) promoting healthier and more sustainable communities, (ii) supporting educational opportunities and (iii) fostering employee engagement in the community.

Governance:

- High rating on national corporate governance survey.

First, in the above example, the issuer made an unsubstantiated claim stating that it would be carbon neutral in the very near term. Unless this statement can be supported by facts and corporate activities it is misleading and promotional to include. Further, this type of statement will typically constitute FLI. The issuer must have a reasonable basis for the FLI,

identify the material risks factors that could cause actual results to differ materially, state the material factors or assumptions used to develop the FLI and describe its policies for updating the information.[42]

Second, the issuer included promotional language with respect to its partnerships, as there were no accompanying disclosures to support the issuer's claims about a key partner being "high-quality" or its "aggressive emissions reduction targets". Third, the issuer described itself as being a global leader despite having generated only nominal revenue from its operating activities.[43]

Next, the issuer discusses its social impact by making a broad statement about its relationships with other organizations without support. This statement should be supported with information about with whom these relationships are and what specifically these organizations are doing. Further, without additional detail regarding the particular aspects of sustainability being pursued or how these will be measured and evaluated, the reference to promoting "more sustainable" communities is vague, potentially misleading and promotional.

Lastly, the issuer discusses its corporate governance and discloses that it scored high on a national survey. While the use of ratings and other metrics can be useful tools, ratings can vary significantly among different raters, due to differences in the factors considered and the weight assigned to the factors. In order to not be misleading the actual rating should be disclosed and it should be clear what specific set of criteria the rating is based on and what, if any, third party certified the rating.

MINERAL PROJECT DISCLOSURE

Regulation 43-101 respecting Standards of Disclosure for Mineral Projects (**Regulation 43-101**) governs public disclosure of scientific and technical information about an issuer's mining and mineral exploration projects including written documents, websites, and oral statements. Issuers must base their scientific and technical disclosure on information provided by a "qualified person" (**QP**), as defined in Regulation 43-101. Regulation 43-101 also requires issuers to file a "technical report", in a prescribed format, Form 43-101F1 *Technical Report* (**Technical Report**), for significant disclosures on mineral projects.[44] The purpose of the Technical Report is to support disclosure of the issuer's exploration, development, and production activities with additional information to assist current and prospective investors in making investment decisions. In some circumstances, QPs authoring the Technical Report must be independent of the issuer and the mineral property.[45]

In 2020 travel restrictions were introduced to retard the progress of the COVID-19 pandemic, which made it difficult for issuers filing Technical Reports to bring QPs to mineral projects to complete the personal inspection required by Regulation 43-101.[46] CSA jurisdictions prepared guidance on meeting the requirement or obtaining exemptive relief, but it was evidently not clear to all issuers, or to their QPs, that no blanket relief from site visits was available, or contemplated.

CSA staff also conducted an IOR of news releases that disclosed exploration results or mineral resource estimates in terms of equivalent grades. Issuers often defend the use of equivalent grades as providing investors with a single number to represent the metal content of a drill intersection or resource block, but staff note that equivalent grades may obscure the real economic potential when different metals are recovered at different rates.

[42] *Regulation 51-102 respecting Continuous Disclosure Obligations*, parts 4A and 4B
[43] CSA Staff Notice 51-356 *Problematic Promotional Activities by Issuers*
[44] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, subsections 4.1 and 4.2
[45] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, section 1.1, definition of "qualified person"
[46] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, section 6.2

Hot Topics

	OBSERVATIONS	CSA COMMENTS
Equivalent Grade Disclosure	❖ Some issuers have disclosed equivalent grades calculated entirely by price-weighting. Our view is that price-weighting, without taking the differential recovery of each component element into account, is potentially misleading.	❖ Potentially misleading grade equivalents can be avoided by calculating them based on the results of metallurgical tests or – where test results are not available – including reasonable assumptions for recovery of the constituent species.[47]
	❖ Algebraically, a price-weighted equivalent grade is simply a gross currency value divided by a metal price. It is denominated in metal units rather than in currency, but is otherwise indistinguishable from a gross value.	❖ Foreign disclosure codes such as JORC, SAMREC, and SME have requirements for disclosure of grade equivalents that explicitly require the issuer to include recovery, and in some instances, treatment, smelting, and other costs. The applicable clauses of those codes may reasonably be used as guidance for disclosure of equivalent grades under Regulation 43-101.[48]
Technical Report: Personal Inspection	❖ Due to travel restrictions during the 2020-2021 COVID-19 pandemic period, many issuers preparing Technical Reports enquired about an exemption from the requirement for a current personal inspection.	❖ The CSA provided guidance for mining companies during the COVID-19 pandemic, but with the more recent relaxation of travel restrictions, we take the view that loosening the requirement for a current personal inspection could compromise the integrity of Technical Reports. At no time was it ever possible for QPs to dispense with the requirement.[49]
	❖ Some issuers filed Technical Reports where the authors purported to "self-exempt" from the personal inspection requirement.	❖ Unless an exemption is granted, there is no mechanism for issuers or their QPs to override an element of Regulation 43-101 or the Technical Report.
	❖ Some practitioners proposed using remote technologies (helmet cameras or video-capable drones) to perform "virtual" personal inspections.	❖ While drones or helmet-cams provide a view of a mineral project and the processes being followed by the project operator, they cannot substitute for active engagement on the site, including physical examination of drill cores and cuttings, and independent sampling by the report author.
	❖ Some issuers have filed Technical Reports relying on the temporary deferral provision of Regulation 43-101, but have never	❖ An issuer is permitted a deferral of the personal inspection for "early-stage exploration properties", defined in Regulation 43-101[50], provided the issuer files a new Technical Report once the personal inspection has been done. This

[47] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, subsection 2.3(1)(d)

[48] *Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves* (JORC Code 2012), Joint Ore Reserves Committee, clause 50, *The South African Code for the Reporting of Exploration Results, Mineral Resources, and Mineral Reserves* (SAMREC Code 2016), South African Mineral Resource Committee, clause 74, and *SME Guide for Reporting Exploration Results, Mineral Resources, and Mineral Reserves* (SME Guide 2014), Society for Mining, Metallurgy, and Exploration, clause 23, and *Estimation of Mineral Resources and Mineral Reserves – Best Practice Guidelines (2003)*, Canadian Institute of Mining, Metallurgy, and Petroleum, "Technical Reports – (n)"

[49] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, subsection 6.2(1)

[50] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, section 1.1, definition of "early stage exploration property"

	OBSERVATIONS	CSA COMMENTS
	followed up with a Technical Report documenting a site visit.	deferral does not exempt the issuer from the requirement.[51]
Qualified Persons: Relevant Experience	❖ Some disclosure of scientific or technical information about mineral projects appears to have been approved by geoscientists or engineers lacking relevant experience in the subject matter. When professionals have limited experience with certain exploration techniques or extraction processes, they frequently rely on consultants' reports, reproducing the conclusions verbatim without interpreting the result for the investor.	❖ To act as a QP for a particular element of scientific or technical information, individuals must have sufficient relevant experience with the subject matter being disclosed. A person approving disclosure as a QP should make sure they meet the criteria in Regulation 43-101.[52]

[51] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, subsections 6.2(2) and (3)
[52] *Regulation 43-101 respecting Standards of Disclosure for Mineral Projects*, section 1.1, definition of "qualified person"

APPENDIX B – STAFF REVIEW OF NON-GAAP AND OTHER FINANCIAL MEASURES DISCLOSURE

Regulation 52-112, issued in 2021[53] to replace the guidance in CSA Staff Notice 52-306 (Revised) – *Non-GAAP Financial Measures* (**Notice 52-306**), addresses the disclosure surrounding non-GAAP financial measures, non-GAAP ratios, and other financial measures (i.e., capital management measures, supplementary financial measures, and total of segments measures, as defined in Regulation 52-112).

To assess compliance with certain aspects of Regulation 52-112, staff reviewed the disclosures in the annual MD&A, related earnings release, and investor presentation of approximately 85 issuers with financial years ended on or after October 15, 2021. The review primarily focused on disclosures that were "new or different" compared to Notice 52-306. Issuers selected for review varied by size and industry. The reviews have resulted in outcomes where no action was required, requests for prospective disclosure enhancements were made, requests for retrospective restatements were made, or communication is ongoing to resolve the identified issues.

The CSA Notice of Publication accompanying the issuance of Regulation 52-112 provides, among other things, the background on Regulation 52-112 including some of the changes as compared to Notice 52-306.

The topic of non-GAAP and other financial measures remains a focus area that staff will continue to monitor.

Common Deficiencies

From the review, staff identified the following common deficiencies:

Earnings Release

Observation: Some issuers failed to include the required quantitative reconciliation and failed to comply with no more prominence in an earnings release.

CSA Comments: An earnings release that discloses a non-GAAP financial measure (either historical or forward-looking), a total of segments measure, or a capital management measure must, among other things, include the required quantitative reconciliation in the earning release[54] – reference to a quantitative reconciliation disclosed in the MD&A is not permitted. In addition, we remind issuers that a non-GAAP financial measure should not be presented with more prominence than that of the most directly comparable financial measure disclosed in the primary financial statements. We refer issuers to the *Policy Statement to Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (**Policy Statement**) that provides guidance on the topic of "prominence".

When multiple non-GAAP financial measures are used for the same or similar purpose, they may obscure disclosure of the most directly comparable financial measure.

Non-GAAP Financial Measures that are FLI

Observation: Some issuers failed to describe the significant differences between the forward-looking non-GAAP financial measure and its equivalent historical non-GAAP financial measure.

CSA Comments: The material factors and assumptions that were used to develop the FLI, as specified in paragraph 4A.3(c) of Regulation 51-102, will complement this disclosure but are not necessarily sufficient on their own to satisfy paragraph 7(2)(d) of Regulation 52-112 that requires a *description of any significant difference* as noted above.

[53] All reporting issuers, except investment funds, SEC foreign issuers, and designated foreign issuers, were required to apply Regulation 52-112 to disclosures for a financial year ending on or after October 15, 2021 and an issuer that was not a reporting issuer was required to apply Regulation 52-112 in filings after December 31, 2021.

[54] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, subsection 5(4)

If an issuer discloses projected 20X3 adjusted net income of $160 (i.e., determined to be a non-GAAP financial measure that is forward-looking information), it must also disclose:

- 20X2 adjusted net income of $100 (i.e., the equivalent historical non-GAAP financial measure) with the required disclosures complying with section 6 of Regulation 52-112 for that equivalent historical non-GAAP financial measure, and
- explain the significant differences between the two financial measures (e.g., the expected increase of $60 in projected adjusted net income arises primarily from expanded capacity at the issuer's facility resulting in increased adjusted net income of $60 (range of $90-$100 in sales less associated range of $30-$40 cost of sales, with no material increase in operating expenses)).

Total of Segments Measures

Observation: Some issuers did not appropriately identify a total of segments measure and consequently, did not include the required disclosures.

CSA Comments: A total of segments measure, is a measure that, among other things, is disclosed in the notes to the financial statements of the entity – meaning, it is a financial measure that is disclosed in accordance with the entity's GAAP, such as IFRS 8 *Operating Segments* (**IFRS 8**).[55]

The mere inclusion of a financial measure among information on reportable segments (e.g., in the reportable segment note) is not sufficient, on its own, to conclude that the financial measure (or its aggregation) is disclosed in accordance with IFRS 8 and therefore eligible for consideration as a total of segments measure under Regulation 52-112.

When staff identify a financial measure that is inconsistent with the core principle of IFRS 8, we may request that measure be removed from the financial statements, which would result in that financial measure being classified as a non-GAAP financial measure if disclosed outside of the financial statements.

Some issuers incorrectly assumed that because a total of segments measure is disclosed in the notes to the financial statements of the entity, when such a measure is disclosed *outside* the financial statements no additional disclosures are needed.

To ensure investors appreciate the context of other financial measures, including total of segment measures, Regulation 52-112 contains disclosure requirements if such financial measures are disclosed outside of the financial statements.[56]

When a total of segments measure first appears in the MD&A a quantitative reconciliation must be disclosed[57]. The Policy Statement provides guidance on how such disclosure can be made with ease and efficiency.[58] In addition, issuers are reminded that a total of segments measure must be presented with no more prominence than that of the most directly comparable financial measure.

[55] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, section 1, definition of "total of segments measure"
[56] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, section 9
[57] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, paragraph 9(c)
[58] *Policy Statement to Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, *paragraph entitled* "Paragraphs 6(1)(e), 7(2)(d), 8(c), 9(c), 10(1)(b), 11(b) -- Proximity to the first instance"

Supplementary Financial Measures

Observation: Some issuers used confusing labels to name supplementary financial measures.

CSA Comments: An issuer must not disclose a supplementary financial measure in a document unless, among other things, the supplementary financial measure is labelled using a term that, given the measure's composition, describes the measure.[59]

Considering that some supplementary financial measures, although not necessarily authoritatively defined, have well-established (often industry-rooted) compositions, it would be confusing to label a supplementary financial measure using a well-established term when its composition is inconsistent with well-established expectations on that term's composition.

Labelling a supplementary financial measure as "backlog", generally understood to represent a firm purchase order, when its composition includes other orders such as letters of interest or proposals outstanding would not be appropriate. In these cases, the label should be modified accordingly, such as "adjusted backlog".

Investor Presentation

Observation: Some issuers inappropriately incorporate by reference information in an investor presentation.

CSA Comments: An investor presentation document often attempts to incorporate information by reference but fails to appropriately do so, because, among other things, the incorporation by reference:

- is to an MD&A yet to be filed, making it impossible for an investor to examine the referenced information,
- is to an MD&A that does not include information about the specific financial measure disclosed in the investor presentation (e.g., the investor presentation often contains more non-GAAP financial measures than disclosed in the associated MD&A), and
- does not specify the location of the information in the MD&A (e.g., the reference does not identify the reporting period of the MD&A, and the *specific* section or page reference within the MD&A or does not provide a hyperlink to the specific section or page within the MD&A where the information is located). A general statement such as "this presentation refers to certain non-IFRS financial measures. For further details on certain of these non-IFRS measures, including relevant reconciliations, see the non-IFRS measures section in the MD&A" is not sufficient.

Other

In addition to the above common areas of deficiencies noted in our reviews, the following were also noted:

- failure to provide required comparative information, such as a quantitative reconciliation, for all comparative periods presented[60], and
- failure to disclose each non-GAAP financial measure that is used as a component of the non-GAAP ratio (including non-GAAP ratios that contain forward-looking information)[61].

During our review, we identified financial measures for which it was unclear whether the financial measure was a non-GAAP financial measure, non-GAAP financial ratio, or a supplementary financial measure. To support informed decision-making, investors expect financial measures to be understandable and transparent. Investors should be able to examine a financial measure and understand whether the financial measure is from the entity's financial statements and if not, the source of the financial measure (i.e., where it comes from and how it is derived).

[59] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, subparagraph 11(a)(i)
[60] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, such as clause 6(1)(e)(ii)(C), paragraph 9(c) and clause 10(1)(b)(ii)(C)
[61] *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure*, subparagraph 8(c)(ii)

We encourage issuers to consider the findings from our review and use this information to determine whether enhancements to their disclosure are necessary.

APPENDIX C

CATEGORIES OF OUTCOMES

1. **Referred to Enforcement/Cease-Traded/Default List**

   If the issuer has substantive CD deficiencies, we may add the issuer to our default list, issue a cease-trade order and/or refer the issuer to enforcement.

2. **Refiling**

   The issuer must amend and refile certain CD documents or must file a previously unfiled document.

3. **Prospective Changes**

   The issuer is informed that certain changes or enhancements are required in its next filing as a result of deficiencies identified. Prospective changes also include education awareness where the issuer receives a proactive letter alerting it to certain disclosure enhancements that should be considered in its next filing or when staff of local jurisdictions publish staff notices and reports on a variety of CD subject matters reflecting best practices and expectations.

4. **No Action Required**

   The issuer does not need to make any changes or additional filings. The issuer could have been selected in order to monitor overall quality disclosure of a specific topic, observe trends and conduct research.

Questions – Please refer your questions to any of the following:

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