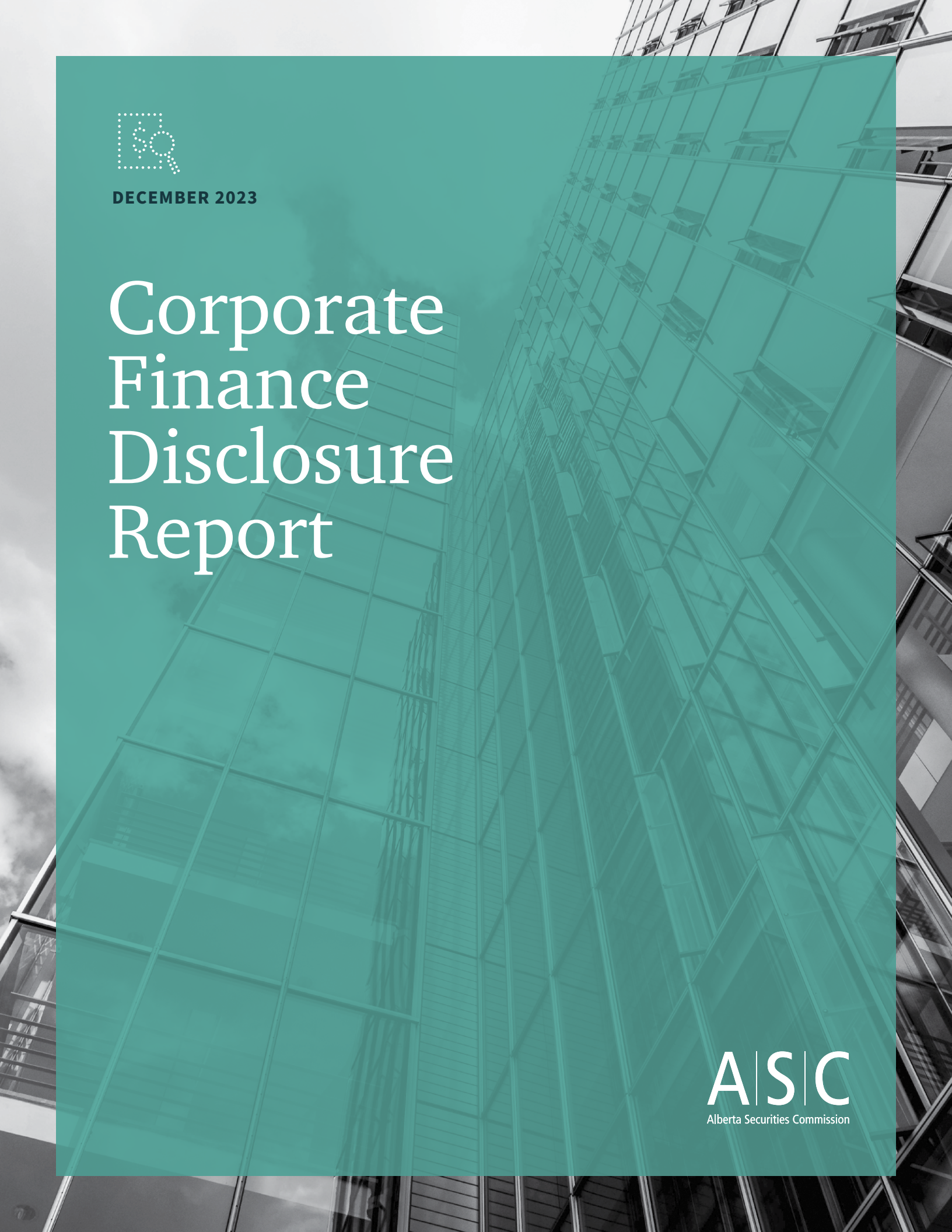

DECEMBER 2023

Corporate Finance Disclosure Report

ASC
Alberta Securities Commission

TABLE OF CONTENTS

Introductory remarks

We are pleased to once again share the Alberta Securities Commission (ASC)'s annual Corporate Finance Disclosure Report. In it, we report on reviews of disclosure made by Alberta-based reporting issuers for which the ASC is principal regulator. The reviews were conducted by our Corporate Disclosure & Financial Analysis team as part of the ASC's disclosure review program to encourage high-quality financial reporting. We hope you find this report useful and that it assists you as you prepare your upcoming annual and ongoing disclosures.

As we look towards 2024, we anticipate that investors will continue to be interested in the impact of changing economic and geopolitical conditions, such as inflation, higher interest rates and supply chain disruptions, on issuers' financial circumstances. We also expect ongoing investor interest in the identification, evaluation and management of potential material risks, such as climate change and cybersecurity, by issuers' boards and management. We expect that these will be areas of focus in the coming year.

In 2024, we also anticipate continuing to advance various regulatory initiatives such as:

- Broader diversity disclosure requirements in respect of boards of directors and executive officers of non-venture reporting issuers;
- Updating and clarifying Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, including the role of special committees;
- Addressing the use of equity derivatives, both in the context of early warning disclosure, including acquirers "plans and future intentions," and takeover bids, in particular the five per cent market purchase rule for bidders;
- Finalizing rule amendments to allow prospectuses of non-investment fund issuers to be provided to investors through an access model rather than delivery;
- Exploring alternative access or delivery models for prospectuses of investment fund issuers and continuous disclosure documents of both corporate and investment fund issuers;
- Finalizing rule amendments to the shelf prospectus regime to implement the well-known seasoned issuer exemption;
- Addressing unbalanced and misleading disclosure by those engaged in promotional activities;
- Considering the practices of mutual funds using the principal distributor model;
- Providing guidance to investment funds relating to environmental, social and governance greenwashing concerns;
- Further considering the use of crypto assets by investment funds; and
- Developing – for further public comment and consultation – climate-related disclosure requirements that reflect the International Sustainability Standards Board/Canadian Sustainability Standards Board standards, modified as necessary and appropriate for Canadian capital markets.

As always, please reach out to our team if you have questions. Our contact information is included at the end of the report.

On Wednesday, January 17, 2024, we will host a webinar to review the information contained in this report. We will also host a separate webinar to review the results of the energy-related reviews conducted by our Energy Group, as set out in our Energy Matters Report.

We look forward to you joining us.

Best regards,
Denise Weeres
Director, Corporate Finance
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Denise.Weeres@asc.ca

Each year the ASC issues four reports: the Annual Report, the Alberta Capital Market Report, the Energy Matters Report and the Corporate Finance Disclosure Report. These reports are created to provide timely and relevant information for market participants and reporting issuers. These reports can be found at www.asc.ca.

1. Continuous disclosure review process

The ASC continuous disclosure (**CD**) review program is a key priority for the Corporate Finance division. We conduct CD reviews to assess compliance by reporting issuers (**RIs**) with securities legislation and to provide direct feedback to RIs on how to improve their disclosure. Our program involves two types of CD reviews: full CD reviews and issue-oriented reviews (**IORs**).

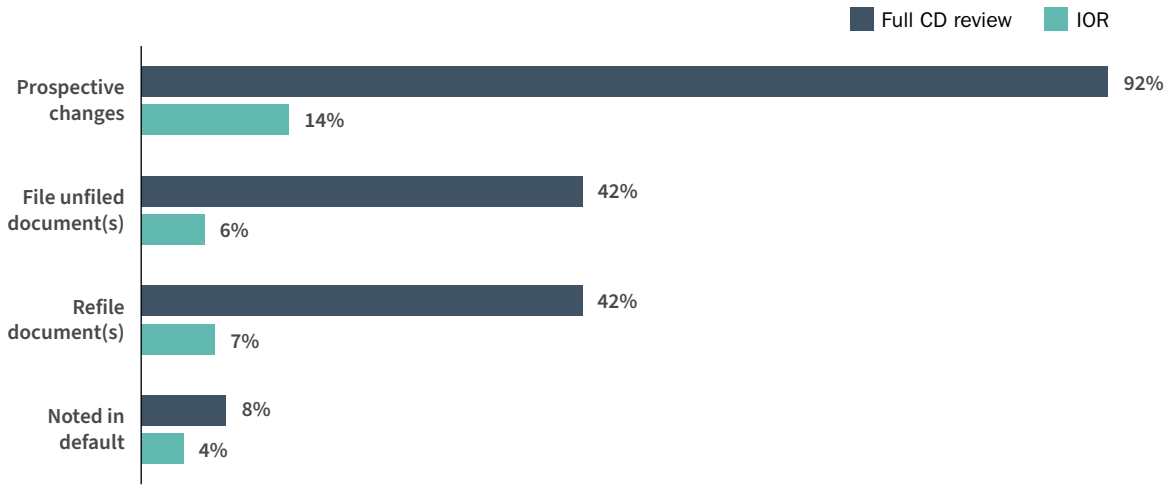
The scope of our full CD reviews is comprehensive and will usually include an assessment of an RI's annual and interim filings for the most recently completed annual and interim periods, including financial statements, management's discussion and analysis (**MD&A**), chief executive officer (**CEO**) and chief financial officer (**CFO**) certifications and, where applicable, the annual information form (**AIF**). It will also include other CD filings such as information circulars, statement of executive compensation, material change reports (**MCRs**) and business acquisition reports. In addition to reviewing the documents an RI is required to file under securities legislation, we also review and assess voluntary disclosures such as websites, social media platforms, webcasts and investor materials.

An IOR is a more limited review focused on particular issues, requirements or types of disclosure. IORs may be undertaken to support a Canadian Securities Administrators (**CSA**) or ASC policy project, or to address a specific disclosure concern. We conduct some IORs on a coordinated basis with other members of the CSA, while other IORs are conducted only by ASC staff.

When our reviews identify deficiencies in disclosure, we may request that an RI make prospective changes in its disclosure practices, file unfiled documents, refile certain documents, or an RI may be noted in default on the ASC reporting issuer list. We typically request that an RI make changes in its future disclosure in circumstances where we conclude that a deficiency is not sufficiently serious or misleading to warrant a refiling of previously filed documents. We request the filing of unfiled documents or refiling of certain documents when we identify unfiled documents that are required to be filed under securities legislation, or when previously filed documents contain deficiencies requiring immediate correction. In more serious instances, our reviews may result in an RI being noted in default of securities legislation or cease traded. Deficiencies may also be referred to the ASC's Enforcement division for further investigation and action.

2023 CD REVIEW OUTCOMES

12-months ended October 31, 2023



As illustrated above, 92 per cent of our full CD reviews in 2023 resulted in the RI making prospective changes. In some cases, we requested that the RI make prospective changes and file or refile documents.

WHAT SHOULD I DO IF MY RI IS SELECTED FOR A CD REVIEW?

- Reach out to ASC staff through phone or email if a comment is unclear or you require additional information.
- Engage with your legal and/or accounting advisers, as necessary.
- Provide thorough and specific responses, referencing International Financial Reporting Standards (**IFRS**) and applicable securities legislation where relevant.
- Take note of the deadline imposed for your response. In appropriate circumstances, an extension of the response deadline may be granted. If you require more time to provide a response, request an extension prior to the deadline and explain why the extension is needed.

2. Notable continuous disclosure review observations

A. DISCUSSION OF OPERATIONS

The discussion of operations is an important section of the MD&A because it provides investors with information about the overall performance of the business over the period as well as management's plans for the future. It should include an analysis of how internal and external factors have impacted current and future operations as well as provide a summary of significant changes. We have identified four areas of disclosure within the discussion of operations section of the MD&A that could use improvement. This includes the disclosure of risk factors, the impact of inflation and rising interest rates, significant projects and discontinued operations.

Risk factors

Risk factor disclosure facilitates an investor's understanding of the material risks faced by a specific RI and allows investors to compare RIs in similar industries to each other or across industries. In recent years, some risks have gained prominence, including cybersecurity risks, climate change-related risks and other environmental, social and governance (**ESG**) risks. While we are seeing RIs increasingly reflect these risks in their overall risk assessment, it is important to note that these are just a few of the numerous risks RIs could be subject to. Since each RI is unique, the disclosure requirement is to explain the material risks that could impact the RI's business. To support that, the board of directors and management will want to carefully assess the risks that are specific to their organization and the potential impact of these risks.

Risk factors are required to be disclosed in the AIF or annual MD&A when the RI does not file an AIF. The disclosures an RI makes regarding the risks it is subject to should focus on material and entity-specific information, while avoiding boilerplate language. The disclosure of risks is required to be listed in order of seriousness from "most serious" to "least serious" so investors can understand what risks may be most impactful to the RI. An important thing to remember is that if the risk is likely to influence a reasonable investor's decision to purchase, hold or sell securities of the RI, then it would be considered important enough to require disclosure.

If an RI determines that a risk is material, then disclosure of that risk is required. Risks that could be material to an RI could be general in nature or specific to the industry, size or location of the RI's operations. Whether the risk is of a general nature or issuer-specific, it is important to consider that one of the purposes of risk factor disclosure is to allow readers to distinguish one RI from another, within the same industry and across industries. This is in terms of the level of exposure, the level of preparedness and the impact the risk could have on the RI. Here are some examples related to cybersecurity risks:

- General risks that might be applicable to all RIs may include lost revenues due to disruption of activities, increased chance of litigation, fines and liabilities for failure to comply with privacy and information security laws, higher insurance premiums and reputational harm affecting customer and investor confidence.
- Industry-specific risks might include operational delays or outages, disruptions to the supply chain or customers, loss of data and devaluation of intellectual property.
- Issuer-specific risks might include particular vulnerability due to geopolitical considerations based on location of operations.

Although an RI can disclose efforts to mitigate the risks it is important that they not be de-emphasized by including excessive caveats or conditions.

PRACTICE TIP

Forward-looking information (**FLI**) is often contained in required documents such as news releases, AIF and MD&A filings as well as voluntary filings including sustainability reports and investor materials.

Paragraph 4A.3(b) of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**) requires RIs to:

- Identify forward-looking information;
- State that actual results may vary from the forward-looking information that has been disclosed;
- Identify the material risk factors that could cause actual results to differ materially from the forward-looking information; and
- State the material factors or assumptions used to develop that forward-looking information.

When disclosing risks related to forward-looking information it is important to keep in mind that these too should be entity-specific. While it is difficult to predict the factors that could cause actual results to differ materially from expectations, it is vital that RIs identify the most likely and serious risks as this disclosure is essential for investors.

We remind RIs that forward-looking information must not be disclosed unless the RI has a reasonable basis for it, including the underlying assumptions at the time the disclosure is made. We also remind RIs that they are required to update forward-looking information when events or circumstances occur that are reasonably likely to cause actual results to differ materially from the material forward-looking information previously provided.

Effects of inflation

Inflation and associated increases in Canadian and global interest rates are affecting financial performance and continuing operations for many RIs. When preparing its MD&A and other reporting documents, an RI should consider the effect of inflation on its operations and, if material, include a discussion of the impact in the MD&A, as outlined in paragraph 1.4(h) of Form 51-102F1 *Management's Discussion & Analysis* (**Form 51-102F1**). While increased interest rates can directly impact an RI's liquidity and financial position there are also other factors to be considered such as increases in discount rates used to reflect the time value of money and the adjustments to cash flows as a result of inflation. There are also indirect considerations. RIs may need to think about increased costs for the goods or services they sell and whether there are any limitations on the extent those costs can be passed on to customers. RIs should also contemplate potential changes in customer behaviour and assess the possibility that any of its customers, suppliers or other counterparties may experience financial difficulties that could impact their business.

QUESTIONS TO ASK

- Have inflationary pressures changed customer behaviour and impacted sales?
- Does the organization have the ability to impose inflationary price increases?
- Have higher market interest rates impacted the RI's liquidity or capital resources?
- Will higher financing costs impact decisions to proceed with future capital projects within the time frame previously indicated?
- Are significant changes in inflation rates and/or interest rates indicators of impairment of an asset, group(s) of assets or cash generating unit(s)?
- Is there an impairment loss due to higher market interest rates?
- Have increased costs caused certain contracts to become onerous when they previously were not?
- Has inflation impacted any significant judgments and estimates?
- Do any contracts include inflation escalator clauses or interest rate caps/floors that are required to be reassessed?

Significant projects

The purpose of the MD&A is for management to provide insights into the financial condition, financial performance and cash flows of the company. A clear discussion of operations is important as it provides investors with an understanding of the business, including management's plans for the future and how they are progressing towards those plans. This is particularly important for RIs in emerging industries. We often identify RIs in emerging industries that have plans for significant projects that have not yet generated revenue, but there is no description of the plan for the project and the status relative to that plan. RIs with significant projects that have not yet generated revenue must include supplemental disclosure of expenditures made to-date compared to anticipated costs and timing of those costs to take the project to the next stage of the project plan. RIs should also include whether or not additional funds are planned to be allocated to the project and whether any factors such as change in commodity prices, land use, political or environmental issues have affected the value of the project.

Discontinued operations

As a business evolves, one or more of its operating activities may be discontinued, held for sale or ultimately disposed of. When this occurs, it is important that the disclosure clearly distinguishes the results of continuing operations from the results of discontinued operations. As a reminder, discontinued operations is a component of an entity that has either been disposed of or classified as held for sale and (a) represents a separate major line of business or geographical operations, (b) is part of a single, coordinated plan to dispose of that line of business or geographical area of operations, or (c) is a subsidiary acquired exclusively for resale. Paragraph 1.2(e) of Form 51-102F1 requires disclosure of the overall performance compared to the prior year, including the effect of discontinued operations on current operations. If the RI has not yet discontinued material operations by the time the MD&A is being prepared but there is a plan in place to terminate certain aspects of the business, this should also be described in sufficient detail for investors to understand the implications to the RI.

EXAMPLE THAT *DID NOT* MEET OUR EXPECTATIONS

Excerpt from an RI's 2022 annual MD&A

During the year, sales and cost of sales were down as the Company entered into an agreement to sell its manufacturing, warehousing and distribution operations in South America.

ASC comments

In this example, the disposition was considered to be a discontinued operation under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the MD&A disclosed that the RI disposed of various operations, it did not describe the effect of discontinued operations on current operations as required by paragraph 1.2(e) of Form 51-102F1. Consequently, investors do not have sufficient information to assess the significance of the discontinued operations. The disclosure could have been improved if the RI had stated that the agreements resulted in the disposal being classified as discontinued operations and included the impact on current operations. For example, the RI could have explained that as a result of the discontinued operations:

- Overall sales volumes were down by 45 per cent; however, prices for the current operations have remained the same;
- General and administrative costs were reduced by 56 per cent due to the consolidation of administrative and overhead roles and services following the disposal;
- Depreciation expense was down by 54 per cent compared to the prior year due to the decrease in the asset base as a result of the discontinued operations; and
- With the discontinued operations, management anticipates sales to grow in the next year as more of the budget can be attributed to expanding marketing and service offerings for the current operations.

B. LIQUIDITY

Higher interest rates may have an adverse impact on an RI's ability to meet current obligations, maintain debt covenants under credit agreements, and obtain new sources of funding. In these circumstances, it is vital that RIs clearly describe their financial condition in the MD&A. The liquidity discussion should provide a clear picture as to the RI's ability to generate sufficient cash to meet existing and future cash requirements and describe any significant risks of default on financial instruments. Disclosure should reflect the specific risks and circumstances impacting the RI and should not be general or include boilerplate language.

Cash requirements and funding

When considering their liquidity position and liquidity risk, we expect RIs to consider historic cash flow from operating activities, expected changes in cash flow going forward, required or planned capital expenditures and sources of available funding. This analysis should be consistent with information included by the RI in its investor presentations and other disclosures. In some instances we have seen significant gaps between what an RI states it expects to achieve in the next 12 to 18 months and what is practicable given its current financial position and liquidity. RIs that simply reproduce their cash flow statement in the MD&A and provide very little detail about the RI's specific current and future cash requirements do not provide sufficient depth for a current or future investor to understand the RI's financial condition.

EXAMPLE THAT *DID NOT* MEET OUR EXPECTATIONS

Excerpt from an RI's 2022 annual MD&A

The Company has limited financial resources and its ability to continue as a going concern is dependent on attaining profitability.

As at year end, the Company had a working capital deficiency of $200,000 (2021 – $130,000) and is dependent on recurring licensing fees, sales of product and related party advances to ensure adequate cash flow to cover expenses and continue as a going concern. There are no assurances the Company will be able to raise additional funds or attain profitability.

ASC comments

Although the excerpt indicates that operations are not profitable and the RI has a working capital deficiency, the disclosure should have addressed the RI's specific cash requirements to maintain operations and any plans to remedy the working capital deficiency.

Given the above circumstances, it would also be prudent for such an RI to assess whether the financial statements include sufficient disclosure regarding material uncertainties related to events or conditions that may cast significant doubt upon the RI's ability to continue as a going concern.

Significant risks of default

Paragraphs 1.6(d) and (h) of Form 51-102F1 require RIs to provide information in the MD&A regarding liquidity risks related to financial instruments and significant risk of default on financial instruments. We have noticed that disclosure in this area is often lacking sufficient detail for an investor to understand the risks related to the instrument. We recommend that RIs include:

- A clear description of each covenant with sufficient detail to allow readers to understand how it is determined or calculated;
- A comparison of the threshold value required or permitted by the credit agreement and the RI's actual covenant; and
- A discussion about the covenant that communicates the potential risk of a default.

Below is an example that met our expectations regarding the liquidity risks associated with the debt instruments.

EXAMPLE THAT *DID* MEET OUR EXPECTATIONS

Excerpt from an RI's Q2 2023 interim MD&A

The Company has financial covenants associated with private placement debt. As evidenced by the table below, we are in compliance with our financial covenants.

Financial covenant	Threshold	June 30, 2023	December 31, 2022
Total net debt to operating cash flow cannot exceed	2.0	1.85	1.57
Total earnings available for fixed charges to total fixed charges cannot be less than	1.75	11.83	11.79

Total net debt to operating cash flow was 1.85 at June 30, 2023. Assuming $596.9 million of total net debt remains constant, we would need to generate approximately $298.5 million of operating cash flow on a trailing 12 month basis to remain in compliance with our financial covenants.

ASC comments

The above disclosure met our expectations as it provided a clear description of each financial covenant, a comparison of the RI's actual covenants to the thresholds required in the related debt agreement and a discussion about the results that would be required going forward to remain in compliance with the financial covenants.

If there is a significant risk that an RI will default on debt covenants or loan payments it is imperative that this risk and the potential impact on the RI be sufficiently disclosed in the MD&A in a timely manner. Issuers should also consider including a sensitivity analysis regarding covenants to provide users with a better understanding of the default risk. Additionally, where a breach of a covenant or other material liquidity issue occurs, an RI should consider whether a MCR (i.e. Form 51-102F3 *Material Change Report*) is required to be filed. Part 2 of National Policy 51-201 *Disclosure Standards* provides examples of types of events that may be material.

We have also observed instances where RIs have redacted material terms from credit agreements including information about the calculation of covenants. This is not permitted as outlined in subsection 12.2(4) of NI 51-102. Please see section 2(C) "Material contracts" on page 15.

QUESTIONS TO ASK

When reviewing the completeness of its liquidity disclosures in the MD&A, an RI should consider the following questions:

- Have working capital requirements been adequately described?
- Does the disclosure consider the RI's requirements for maintaining capacity and planned growth (committed and uncommitted but planned expenditures)?
- Are trends or expected fluctuations in liquidity and liquidity risk disclosed, including circumstances essential to operations?
- Is covenant disclosure sufficient?
  - Are the threshold and calculated values provided?
  - Has the risk of default been clearly explained?
- If a covenant breach has occurred or there is a significant default risk, has that fact and the impact on the RI been disclosed?
- Have the funding sources been disclosed? Is there a reasonable basis to believe those sources will be available?

LIQUIDITY REQUIREMENTS FOR A BASE SHELF PROSPECTUS

When considering whether to recommend a receipt for a final prospectus, ASC staff must consider whether the proceeds from the sale of the securities together with the RI's other resources are sufficient to accomplish the purpose of the issue stated in the prospectus. In making this assessment, we will consider whether the RI appears to have sufficient cash and other resources to meet their short-term liquidity requirements for a reasonable period of time, which we generally consider to be 12 months after the reporting period. This is true even for a base shelf prospectus. If it is not clear that the RI has sufficient resources, we may question the appropriateness of using a base shelf prospectus, given the RI's financial condition and financing uncertainty. Additionally, we will generally question the size of the offering if it appears that the dollar value of the securities that the RI proposes to distribute within 25 months after the date of receipt for the base shelf prospectus is unreasonable, given the size of the issuer and its business objectives and milestones.

To address the concern that incremental drawdowns may be insufficient to satisfy an RI's short-term liquidity requirements, we may request that the RI:

- Withdraw the base shelf prospectus and file a short form prospectus with a minimum subscription;
- File a short form prospectus with a fully underwritten commitment; or
- Arrange for additional sources of financing.

In some cases, we may permit an RI to file a base shelf prospectus if it provides a satisfactory undertaking not to file a supplement unless a specified minimum amount will be raised.

Please refer to CSA Staff Notice 41-307 (Revised) *Concerns regarding an Issuer's Financial Condition and the Sufficiency of Proceeds from a Prospectus Offering* for further guidance.

C. MATERIAL CONTRACTS

Part 12 of NI 51-102 outlines the requirements for filing certain documents, including material contracts. The filing of material contracts is important to provide investors with an understanding of the RI's business and the potential effect that the contract has on operations.

We often identify contracts that appear to be material but have not been filed. For example, an RI entered into a new credit agreement and amended it during the year, and did not file either the original contract or the amendment. Where the financing agreements are material contracts as outlined under paragraph 12.2(2)(d) of NI 51-102, we will require the RI to file both the initial credit agreement and the amended credit agreement.

Under subsection 12.2(3) of NI 51-102, an RI may, in specified cases, omit or redact a provision of a material contract that is required to be filed if an executive officer of the RI has reasonable grounds to believe that disclosure of the omitted or redacted provision would violate a confidentiality provision. In circumstances where it is appropriate to omit or redact information, the RI must include a description of the type of information that has been omitted or marked to be unreadable next to the redaction in the copy of the filed material contract.

On occasion, we observe inappropriate redactions in filed material contracts. In such circumstances, we will require the contract to be refiled with no information omitted or redacted. For example, it is inappropriate for an RI to redact references to the acquired asset from a material asset purchase agreement as this information is necessary to understand the impact of the contract on the RI's business.

PRACTICE TIP

Section 12.3 of NI 51-102 outlines the filing timelines for material contracts. At a minimum, if a material contract is made or adopted before the date of an RI's AIF, the contract must be filed no later than the date the AIF is filed. If an RI is not required to file an AIF, then it is required to file any material contracts that are made or adopted prior to the end of its most recently completed financial year within 120 days after the end of the financial year.

However, RIs should consider whether a material contract should be filed as soon as it has been determined to be material in order for investors to have timely and accurate information on which to base their investment decisions.

D. CHANGE IN CORPORATE STRUCTURE

When an issuer is party to a transaction that results in the issuer becoming an RI other than by filing a prospectus, or if the issuer is already an RI and the transaction results in it ceasing to be an RI, or a change in its financial year end or a name change, section 4.9 of NI 51-102 requires the RI to file a notice of change in corporate structure. The notice must be filed as soon as practicable, no later than the deadline for the next reporting period. The notice should state the names of the parties to the transaction, a description of the transaction, the effective date and other details depending on the nature of the transaction.

In addition, where the notice is required because the issuer has become an RI or has changed its financial year end, the notice must include the date of the RI's first financial year end as well as the periods, including any comparative periods, of the interim financial reports and annual financial statements that are required to be filed after the transaction. If documents were previously filed under NI 51-102 that describe the transaction, the notice should include a description of these documents and explain where they can be found electronically.

We often see issuers become RIs after completing a reverse takeover transaction with a capital pool company or other shell company where an information circular or filing statement contains the details of the transaction. It is important that the documents describing the transaction (e.g., the notice and information circular or filing statement) are promptly filed to provide investors with material information with respect to the transaction. Failure to do so could be misleading on the basis of an omission to disclose a necessary material fact and could result in selective disclosure.

E. DISAGGREGATION OF REVENUE

Revenue is recognized from the transfer of goods or services related to the operations of a business over a period of time. It is a key financial measure used to assess a business's operations and performance. We have observed RIs not adequately disclosing the disaggregation of revenue, specifically in the first year of recognizing revenue or subsequent to a change in business.

IFRS 15 *Revenue from Contracts with Customers* (**IFRS 15**) requires the disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. RIs should consider the following items when developing disclosure of disaggregation of revenue:

- The facts and circumstances that pertain to the RI's contracts with customers;
- How information relating to revenue is presented outside of the financial statements;
- An RI that applies IFRS 8 *Operating segments* should disclose the relationship between disaggregated revenue and revenue information for each reportable segment; and
- If there has been a change in circumstances, such as a change in type of contract, reassess the disaggregation categories and revenue recognition policies.

Examples of categories that might be appropriate include, but are not limited to:

Category	Example
Type of good or service	Major product lines
Geographical region	Country or region
Market or type of customer	Government and non-government customers
Contract type	Fixed-price and time-and-materials contracts
Contract duration	Short-term and long-term contracts
Timing of transfer of goods or services	Goods or services transferred to customers: • at a point in time • over time
Sales channels	Goods and services sold: • directly to consumers • through intermediaries

In our reviews, we examine the consistency of disclosures with the types of contracts described in an RI's accounting policies and our general understanding of the business. When an RI expands its business, we may inquire as to whether the RI considered the change in circumstances and reassessed its revenue recognition accounting policy and disaggregation of revenue categories.

In some instances, we also observed disaggregated revenue being presented using different categories outside of the financial statements, such as in an earnings release, investor presentation or MD&A. For example, the financial statements disclose disaggregated revenue based on type of contract, but the earnings release discloses disaggregated revenue based on type of good or service. Disaggregated revenue should be disclosed in compliance with IFRS 15. Disclosing disaggregated revenue differently in the financial statements and other reporting documents is confusing to investors and could be misleading.

3. Other areas

A. CERTIFICATES

The certification requirements in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (**NI 52-109**) were implemented to improve the quality, reliability and transparency of annual and interim filings. While the certification requirements are generally well understood, we have observed RIs not following the wording prescribed by the required form, inconsistencies between an RI's disclosure in its MD&A and the certifications included in the required form and incorrectly dated certificates. Staff also periodically receive questions with respect to new certifying officers and filing requirements for new RIs. Some of the more common queries are set out below.

Prescribed wording

An RI must file separate annual and interim certificates in the wording prescribed by the respective required forms for each certifying officer.[1] For example, venture issuers generally file Form 52-109FV1 *Certification of Annual Filings Venture Issuer – Basic Certificate* with their annual CD filings and Form 52-109FV2 *Certification of Interim Filings Venture Issuer – Basic Certificate* with their interim filings. These certificates include a "note to reader" stating that the certifying officers are not making any representations relating to the establishment or maintenance of disclosure controls and procedures (**DC&P**) and internal controls over financial reporting (**ICFR**). This is a critical part of the venture issuer certificate as it points to the limitations and additional risks involved. When absent, we generally require refiling of the certificate to remedy this omission.

Certificate date

A certifying officer must date the certificate the same date the certificate is filed. An RI must file the required certificate on the later of the date it files its AIF (if required) or the date it files its annual financial statements and MD&A, or interim filings, as applicable. If a venture issuer voluntarily files an AIF after it has filed its financial statements and MD&A, it must file a new annual certificate, Form 52-109F1 AIF – *Certification of Annual Filings in Connection with Voluntarily Filed AIF*, including any "note to reader" contained in the originally filed annual certificate. The date of the new certificate should be the same date it is filed.

When an RI refiles its annual or interim financial statements, related MD&A or AIF, the RI must also file Form 52-109F1R *Certification of Refiled Annual Filings* or Form 52-109F2R *Certification of Refiled Interim Filings* for each certifying officer, as applicable, dated on the date of the refiling. If we identify an error in a certificate, including an incorrectly dated certificate, we generally require a new certificate be filed dated the same date as the filing.

Non-venture and venture certificates

A non-venture issuer must establish and maintain DC&P and ICFR. The full certificates required to be filed by a non-venture issuer include representations relating to the responsibility for, design and evaluation of these controls. All non-venture issuers and any venture-issuers that elect to file full certificates must use a suitable control framework to design the RI's ICFR.

[1] As defined in Part 1 of NI 52-109, a certifying officer is the CEO and CFO of an RI, or in the case of an RI that does not have a CEO or a CFO, each individual performing similar functions to those of a CEO or CFO.

We often identify instances where venture issuers file the basic venture certificates, which include the "note to reader," but also conclude on the operating effectiveness of DC&P and ICFR in their corresponding MD&As or management's report. This is inappropriate as this disclosure is inconsistent with the certification filed. As outlined in the Companion Policy to NI 52-109, a venture issuer may elect to file the non-venture certificates (Form 52-109F1 *Certification of Annual Filings – Full Certificate* and Form 52-109F2 *Certification of Interim Filings – Full Certificate*), which include representations regarding the establishment, maintenance, design and effectiveness of DC&P and ICFR. This would only be appropriate in cases where the RI has evaluated and concluded on their design and effectiveness.

If a non-venture issuer determines that it has a material weakness relating to the design of ICFR existing at the end of a period covered by its annual or interim filings, it must include in its annual or interim MD&A a description of the material weakness, its impact on the RI's financial reporting and plans for remediating the weakness. Where a material weakness relating to the operation of ICFR is identified and continues to exist, certifying officers will need to determine whether the deficiency has become a material weakness relating to the design of ICFR that must be disclosed by an RI in its annual and interim MD&A. When we identify inconsistencies between an RI's disclosure of its DC&P or ICFR and its officer certifications, staff will typically seek clarification from the RI as to the nature of any weaknesses and the certifying officers' ability to conclude about the effectiveness of the RI's DC&P and ICFR.

Paragraph 8 of Form 52-109F1 *Certification of Annual Filings – Full Certificate* requires certifying officers to certify that they have disclosed to the RI's auditor, the board of directors or the audit committee any fraud that involves management or other employees who have a significant role in the RI's ICFR.

New certifying officers

A new certifying officer who is the CEO or CFO at the time that an RI files its annual and interim certificates must sign the certificate even if they were not the CEO or CFO for the period identified in the certificate. Where a full certificate is filed, if an RI's controls have been designed prior to a certifying officer assuming office, the certifying officer should ensure that they have reviewed the design of the controls after assuming office and designed any modifications, as appropriate following their review, prior to certifying the design of the RI's controls.

New reporting issuers

Certain exceptions are available for new RIs with respect to filing annual and interim certificates relating to financial statements for periods that ended before the issuer became a RI or before completion of a reverse takeover.

Parts 4 and 5 of NI 52-109 allow RIs to use an alternative form of certificate (Form 52-109F1 *IPO/RTO – Certification of Annual Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer* or Form 52-109F2 *IPO/RTO – Certification of Interim Filings Following an Initial Public Offering, Reverse Takeover or Becoming a Non-Venture Issuer*) for the first financial period (i.e., the first interim or annual period as defined in NI 52-109) that ends after the completion of the relevant event.

The alternative form of certificate does not include representations relating to the establishment and maintenance of DC&P and ICFR, and as such, is meant to provide a transition period for the RI. Use of the alternative form of certificate is not appropriate beyond the first financial period.

B. FAIR VALUE MEASUREMENT – FINANCIAL ASSETS

It is important that RIs record appropriate values for assets and liabilities and provide adequate disclosure that allows readers to understand how these values were determined. In our reviews, we have encountered issues regarding how financial assets have been valued, either upon initial recognition or subsequently. Further, we have noted instances where supporting disclosure for the fair value measurement of a financial asset was omitted or was lacking necessary detail, potentially misleading investors.

An RI is generally required under IFRS 9 *Financial Instruments* to initially measure financial assets at fair value (less transaction costs, depending on the financial instrument classification). In accordance with this standard, subsequent consideration of fair value is also required with gains or losses recognized for those financial assets classified as subsequently measured at fair value through other comprehensive income (**FVOCI**) or fair value through profit or loss (**FVPL**) recorded in other comprehensive income and profit or loss, respectively. For a financial asset initially measured at fair value on initial recognition or that is subsequently measured at FVOCI or FVPL, the fair value is determined in accordance with IFRS 13 *Fair Value Measurement*, (**IFRS 13**).

In many situations, RIs must apply judgement in determining the fair value of a financial asset. For example, on occasion, an RI may have an opportunity to sell an existing asset or issue its own equity securities in exchange for shares of another company. When shares in the other company are not quoted in an active market, further judgement is required to determine the fair value of the investment (assuming that an RI's investment does not give the RI control or significant influence over the other company). Unfortunately, we have observed instances where the valuation technique(s) and inputs used to determine the initial fair value of financial assets were not appropriate. As outlined in paragraph 61 of IFRS 13, an RI must use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

In addition, it is important that an RI take a fresh look each reporting period to ensure that the valuation technique(s) and the inputs used in the fair value measurement reflects current market conditions as per IFRS 13. Factors to consider include, but are not limited to, rising inflation and interest rates, or any changes to the characteristics of the financial asset itself.

Where we identify RIs disclosing financial assets at notional, deemed or stated values, we will question if appropriate consideration has been given by the RI towards identifying the fair value of the financial asset. Further, if there are conditions present subsequent to initial recognition that would reasonably be expected to lead one to believe the fair value has declined, but subsequent losses have not been recorded, we will request information about the RI's valuation technique(s) and the inputs used in the fair value measurement, and may request the disclosure be promptly clarified. In such situations, material adjustments to previously disclosed fair value may be required, and should this occur, it should be disclosed and explained by the RI. Where the disclosure made appears to be materially misleading, we may refer it to the Enforcement division for further action.

IFRS 13 sets out the disclosure requirements for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition. One of the disclosure objectives of IFRS 13 is to help users of financial statements assess the valuation techniques and inputs used to develop fair value measurements.

During the course of our reviews, we identified instances where RIs did not address certain IFRS 13 disclosure requirements or instances where the disclosures provided were incomplete. For example, RIs with fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy frequently did not provide an adequate description of the valuation technique(s) and key inputs used in the fair value measurement. Further, for recurring fair value measurements categorized within Level 3 of the fair value hierarchy, we noticed that a description of the sensitivity of fair value measurement to changes in unobservable inputs (where a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement) was commonly not provided. We remind RIs that while paragraph 93(h) of IFRS 13 may not explicitly require a quantitative sensitivity analysis, this disclosure may be necessary to satisfy the requirements of paragraph 129 of IAS 1 *Presentation of Financial Statements*. In preparing and reporting on fair value measurements, it is important that RIs provide adequate disclosure in accordance with the relevant IFRS Standards to allow investors to understand and assess the assets and liabilities that are measured at fair value in the RI's statement of financial position as well as the effect of the fair value measurements on profit or loss or other comprehensive income for the reporting period.

EXAMPLE THAT *DID NOT* MEET OUR EXPECTATIONS

Excerpt from an RI's 2022 annual financial statements

The Company has an investment in XYZ Corp. comprised of bonds that were received on January 1, 2022 as consideration for the sale of the Company's widget division. The bonds are categorized as fair value through profit or loss and the fair value measurement is categorized within Level 3 of the fair value hierarchy.

The bonds have a face value of $10 million and an estimated fair value of $7.5 million at December 31, 2022. The fair value measurement for the XYZ Corp. bonds as at December 31, 2022 reflects estimates made and judgements applied in the consolidated statements of financial position. Such estimates and assumptions have been made using careful judgments, including using third party evidence.

ASC comments

With regards to fair value measurement, this disclosure did not meet ASC staff's expectations because it was missing several items required by IFRS 13. The valuation technique(s) and inputs used in the fair value measurement of the bonds were not provided and the inputs, such as the third party evidence, were not described. There were no values provided for any significant unobservable inputs used in the fair value measurement and there was no discussion of the sensitivity of the fair value measurement to changes in unobservable inputs, where a change in those inputs might result in a significantly higher or lower fair value measurement. Further, for recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a reconciliation from the opening balances to the closing balances is required, and this was not disclosed. Finally, any gains or losses included in profit or loss were not identified.

C. ASC WHISTLEBLOWER PROGRAM

A whistleblower can be an important source of information to help identify serious securities misconduct particularly with respect to issues such as financial reporting, corporate disclosure, illegal distributions, illegal insider trading and tipping, unregistered trading and market manipulation. Whistleblowers provide a valuable public service by providing information about securities misconduct that might otherwise be difficult to detect.

The Office of the Whistleblower is part of the Enforcement division at the ASC. It was created to augment the ASC's efforts to enforce compliance with Alberta securities laws and enable whistleblowers to provide critical information about securities laws and enable whistleblowers to provide critical information about securities misconduct without fear of reprisal and with heightened confidentiality protections. Tips provided by whistleblowers help the Enforcement division identify and investigate potential violations and take action to stop them. This allows the ASC to minimize harm to investors, better protect the integrity of the Alberta capital market and hold accountable those responsible for unlawful conduct.

Who is an eligible whistleblower?

A whistleblower is an employee who voluntarily provides information to the ASC about potential securities law wrongdoing by their employer. In general, you may qualify as a whistleblower if you are:

- A full-time or part-time employee, or a director of a person or company;
- An independent contractor of a person or company;
- An employee or director of an independent contractor of a person or company; or
- An employee or director of an affiliate of a person or company.

Information from a qualified whistleblower about a contravention of Alberta securities laws must be voluntarily disclosed to ASC staff and cannot be misleading or untrue.

Final determination of whether you are a whistleblower will be based on the Act, and that internal assessment will be made by the Office of the Whistleblower.

Submitting a whistleblower tip

Tips to the Office of the Whistleblower can be made confidentially by phone, email or mail. Tips can be submitted even if the potential wrongdoing may have already occurred, is ongoing or is about to occur. For additional information visit the Office of the Whistleblower section on the ASC website and ASC Policy 15-602 Whistleblower Program.

D. EXEMPTIVE RELIEF APPLICATIONS

We receive many applications for discretionary exemptive relief from Alberta securities laws. There are a few best practices RIs and other applicants can follow to facilitate the processing of a discretionary exemptive relief application.

Instruments and policies pertaining to the procedure for exemptive relief applications are generally found in the "10-series" instruments, which can be found on the Securities Law and Policy – Regulatory Instruments – Procedure and Related Matters page on the ASC website. Applicants should review ASC Policy 12-601 *Applications to the ASC* (**ASC Policy 12-601**), which contains ASC-specific information in relation to the process followed by ASC staff in considering exemptive relief applications. In addition, if the application is required to be made in other CSA jurisdictions, applicants should consult as applicable, National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* and Multilateral Instrument 11-102 *Passport System*. Other national policies may be applicable depending on the nature of the application.

Applications are required to be submitted via SEDAR+.

The usual processing time for a passport or Alberta/Ontario dual exemptive relief application is approximately one month, assuming no novel or unusual features and no delays in resolving staff comments. However, the processing of an application for novel relief which the ASC or another CSA jurisdiction has not previously granted will generally require significantly more time, due to the need for staff to research and consult with decision makers, including those in other CSA jurisdictions. Applicants are responsible for ensuring that they allow for adequate time between the filing of an application and the date the relief is needed.

Applicants frequently seek relief on an expedited basis. While staff work to complete applications in a timely manner, and to expedite application processing wherever possible, there are limits on our ability to do so. We encourage applicants to refer to Part 5 of ASC Policy 12-601 prior to requesting expedited application processing.

While past decisions can assist ASC staff and decision-makers considering an exemptive relief application, applicants should ensure that any past decisions they seek to rely on are useful precedents in the applicant's circumstances in relation to the relief sought. Submitting past decisions that are of limited relevance may delay application processing, distracting the applicant and staff from issues that are relevant to the decision being sought. If there are no past decisions that an applicant is aware of that are substantively similar, applicants will need to provide compelling arguments that explain how granting the exemption still ensures adequate alignment with the policy goals of Alberta securities law.

Applicants should note that as a government agency, the ASC is subject to freedom of information legislation that limits its ability to hold exemptive relief applications in confidence. Please refer to Part 6 of ASC Policy 12-601, for additional guidance on this issue.

4. Regulatory update

A. PROPOSED NATIONAL INSTRUMENT 51-107 *DISCLOSURE OF CLIMATE-RELATED MATTERS*

The ASC continues to co-lead the CSA's efforts in relation to climate-related disclosure.

The CSA welcomed the June 26, 2023 publication of the International Sustainability Standards Board (**ISSB**)'s first two sustainability disclosure standards: *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* (**S1**) and IFRS S2 *Climate-related Disclosures* (**S2**), together, the **ISSB Standards**.

- S1 asks for disclosure of material information about sustainability-related risks and opportunities, sets out general reporting requirements and emphasizes the need for consistency and connections between financial statements and sustainability disclosures.
- S2 asks for disclosure of material information about climate-related risks associated with both physical risks (e.g., resulting from extreme weather or rising sea levels) and transition risks (e.g., policy and technology changes), as well as climate-related opportunities. S2 incorporates the recommendations of the Task Force on Climate-related Financial Disclosures (**TCFD**), includes Sustainability Accounting Standards Board (**SASB**) climate-related industry-specific topics and metrics as illustrative guidance, and sets out disclosure requirements for transition planning, climate resilience, climate-related targets, current and anticipated financial effects, and Scope 1, 2 and 3 emissions, among other requirements.

On June 26, 2023, the Canadian Sustainability Standards Board (**CSSB**) also became operational. The CSSB is responsible for working with the ISSB to support the uptake of ISSB standards in Canada. It will highlight key issues for the Canadian context and facilitate interoperability between ISSB standards and any forthcoming CSSB standards.

On July 25, 2023, the International Organization of Securities Commissions announced its endorsement of the ISSB Standards following its comprehensive review. To coincide with the endorsement, the ISSB published a high-level roadmap of proposed mechanisms to support jurisdictional regulatory implementation and help accommodate the different states of preparedness amongst issuers.

The CSA is currently contemplating adopting a Canadian version, based on the ISSB standards, into securities legislation. This process is expected to include:

- Engagement with the CSSB as it develops standards based on the ISSB standards;
- Engagement with Canadian stakeholders to assess whether and which modifications to the ISSB standards are considered necessary and appropriate in the Canadian context;
- Development of a proposed climate-related disclosure rule;
- Publication of a proposed climate-related disclosure rule for comment;
- Review of comments received and adjustments to the proposed climate-related disclosure rule to reflect the comments, where appropriate. If changes are material, republish the proposed rule for comment; and
- Publication of a final climate-related disclosure rule effective on the date(s) specified in the rule.

RIs in Canada will not be required under securities legislation to provide climate-related disclosure based on the ISSB/CSSB standards until the above-noted process is complete.

B. PROPOSED AMENDMENTS TO FORM 58-101F1 *CORPORATE GOVERNANCE DISCLOSURE* OF NATIONAL INSTRUMENT 58-101 *DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES* AND PROPOSED CHANGES TO NATIONAL POLICY 58-201 *CORPORATE GOVERNANCE GUIDELINES*

The ASC is co-leading the CSA's efforts in relation to broader diversity disclosure, beyond the current requirements for disclosure of women on boards of directors and in executive officer positions. On April 13, 2023, the CSA published for comment proposed amendments to corporate governance disclosure requirements pertaining to the director nomination process, board renewal and diversity. While the CSA was aligned on the importance of disclosure of broader diversity, the notice included two approaches (Form A and Form B) to achieve this. Both approaches are intended to provide investors with enhanced, decision-useful information to assist with their investment and voting decisions. In addition, the CSA's proposed changes to the corporate governance policy would enhance existing corporate governance guidelines relating to the director nomination process and introduce guidelines for board renewal and diversity (Policy A and Policy B).

The comment period ended on September 29, 2023. The CSA received 78 comment letters from various market participants and is currently reviewing the feedback that was submitted.

C. LISTED ISSUER FINANCING EXEMPTION

The Listed Issuer Financing Exemption (**LIFE**) was adopted by all securities regulatory authorities in Canada in November 2022. Subject to certain conditions, this prospectus exemption allows non-investment fund RIs whose equity securities are listed on a Canadian exchange and who are not in default of their continuous disclosure obligations to raise the greater of $5,000,000 or 10 per cent of the issuer's market capitalization to a maximum of $10,000,000 in a 12-month period by distributing securities to the general public. Significantly, the securities issued will generally not be subject to resale restrictions. The exemption can only be used to issue listed equity securities and units consisting of listed equity securities and warrants convertible into listed equity securities. It cannot be used for the distribution of subscription receipts, special warrants or convertible debentures. This prospectus exemption was designed to provide a more efficient method of raising capital. The exemption relies on the RI's continuous disclosure record, as supplemented with a short offering document (i.e., Form 45-106F19 *Listed Issuer Financing Document*). The offering document is not required to be reviewed in advance by staff prior to use. Before soliciting an offer to purchase, the RI must file a news release announcing the offering as well as file the offering document and post a copy to its website, if it has one. To date, 13 Alberta RIs have filed a news release announcing use of this exemption.

On June 1, 2023, the CSA issued Staff Notice 45-330: *Frequently Asked Questions about the Listed Issuer Financing Exemption*. The notice clarifies that the exemption cannot be used if the RI is in default of securities legislation requirements or does not have listed equity securities currently trading on a Canadian exchange. The most prevalent issue we have seen by RIs using this exemption is in regards to compliance with the available funds requirement.

The exemption is not available if an RI lacks sufficient funds to continue operations and achieve its business objectives for a period of 12 months following the distribution. In assessing this criteria, RIs are reminded that there are several factors that need to be considered in determining whether sufficient funds are available. In most cases where there are sufficiency concerns, RIs will need to set a minimum offering amount. This amount must not be less than the RI's reasonable estimate of funds required to continue operations and achieve its business objectives for the next 12 months, considering offering costs, working capital or deficiency, projected

operating cash flow and any committed sources of additional funding. When considering additional funds available, the notice clarifies that only committed funding, such as a concurrent bought deal private placement or funds available from a credit facility should be considered. If an RI proposes to use the LIFE where it is not clear if there are sufficient funds to achieve business objectives, ASC staff may raise concerns.

We remind RIs that any offering made under the LIFE is required to be closed no later than 45 days after the news release is filed. Additionally, an issuer using the LIFE is required to file an exempt distribution report (i.e., Form 45-106F1 *Report of Exempt Distribution*) within 10 days of the closing of the distribution.

D. REDUCING REGULATORY BURDEN

In 2017, the CSA published a consultation paper to identify areas of securities legislation (applicable to non-investment fund issuers) that could benefit from a reduction of undue regulatory burden without compromising investor protection or the efficiency of the capital market. The CSA recognizes that as capital markets evolve, our approach to regulation needs to reflect the realities of business for RIs to remain competitive. We believe that regulatory requirements and the associated compliance costs should be balanced against the significance of the regulatory objectives sought to be realized and the benefit provided by such regulatory requirements to investors and other stakeholders.

We received over 50 responses to this consultation paper from a diverse group of stakeholders including RIs, investors, accounting and law firms, advocacy and industry groups, and stock exchanges. In response to feedback, the CSA announced in March 2018, that it would undertake six separate policy projects. These six projects were selected as they were (i) generally supported by stakeholders as an identified area of undue regulatory burden, (ii) most achievable and within the scope of securities regulation, and (iii) would provide the most impact in terms of reducing potential burden. One of the six projects, “Alternative prospectus models” was subsequently bifurcated into two separate projects. Of these seven projects, four have been completed and three are in various stages of completion. The chart below outlines the status of each project as part of this initiative.

PROJECT	DESCRIPTION	STATUS
Prospectus Requirements		
Alternative prospectus models	Listed Issuer Financing Exemption (**LIFE**) The amendments allow RIs to distribute freely tradeable listed equity securities (or shares and warrants convertible into such securities) to the public. The offering is generally limited to the greater of $5,000,000 or 10 per cent of the RIs market capitalization to a maximum total dollar amount of $10,000,000. To access this exemption, the RI must file a short offering document and meet certain other requirements.	Complete. The CSA published amendments to National Instrument 45-106 *Prospectus Exemptions* to introduce the LIFE. The amendments became effective on November 21, 2022.
	Well-Known Seasoned Issuer (**WKSI**) Regime In response to feedback received in the initial consultation, CSA staff recommended adopting a regime that would permit a category of larger and well-established RIs in Canada to file a final base shelf prospectus, with no requirement to file a preliminary base shelf prospectus, and obtain a receipt the same day, without regulators reviewing documents filed prior to issuing a receipt.	In progress. On January 4, 2022, the ASC and other members of the CSA adopted blanket orders establishing a temporary WKSI regime pending the adoption of a permanent WKSI regime through the CSA rulemaking process. This blanket order has been successfully relied upon by numerous Alberta RIs. On September 21, 2023, the CSA published proposed amendments to National Instrument 44-101 *Short Form Prospectus Distributions* and National Instrument 44-102 *Shelf Distributions* (**NI 44-102**) to implement a permanent WKSI regime. The public comment period expires on December 20, 2023.

PROJECT	DESCRIPTION	STATUS
At-the-market (ATM) offerings	The CSA implemented amendments to NI 44-102 and the related companion policy to streamline ATM distributions in Canada. Prior to the amendments being adopted, NI 44-102 did not provide an exemption from the prospectus delivery requirements. Consequently, RIs had to seek exemptive relief each time they wished to conduct an ATM distribution. With the adoption of these amendments, RIs no longer need to apply for this relief resulting in a faster and more cost-effective way to raise capital.	Complete. The amendments became effective on August 31, 2020.
Primary business – financial statement requirements	The CSA published amendments to the Companion Policy to NI 41-101 to provide clarity on the interpretation of item 32 of Form 41-101F1, specifically in determining when historical financial statements are required for an issuer that has acquired or proposes to acquire a business that a reasonable investor would regard as being the primary business of the issuer.	Complete. The amendments became effective on April 14, 2022.

PROJECT	DESCRIPTION	STATUS
Continuous Disclosure Requirements		
Business acquisition report (BAR) requirements	The CSA implemented amendments to the BAR requirements intended to reduce the regulatory burden associated with BAR filings without compromising investor protection. The amendments, which apply to non-venture RIs: • Altered the determination of significance such that an acquisition of a business or related businesses is a significant acquisition only if at least two of the existing significance tests are triggered (the two-trigger test); and • Increased the threshold of the significance tests from 20 to 30 per cent.	Complete. The amendments became effective on November 18, 2020.
Streamlining of annual and interim CD obligations	The CSA published proposed amendments to NI 51-102 and related consequential amendments, to change the annual and interim filing requirements of RIs by streamlining and clarifying certain disclosure requirements for the MD&A and AIF, as well as combining the financial statements, MD&A and, where applicable, AIF into one reporting document. This proposed reporting document will be called the annual disclosure statement (**ADS**) for annual reporting purposes and the interim disclosure statement (**IDS**) for interim reporting purposes.	In progress. When the CSA published the proposed CD streamlining amendments for comment, it was expected that an access model for CD documents would apply to the annual and interim disclosure statements being proposed. In response to the comments received in respect of the access equals delivery model described below, the CSA is revisiting that proposal. Until the work on the model for access to CD documents advances, the CSA does not anticipate implementing the amendments that would introduce the annual and interim disclosure statements. The CSA will ensure reporting issuers are provided with sufficient time to transition to any new forms and requirements.

PROJECT	DESCRIPTION	STATUS
Access equals delivery model	The CSA received feedback in its initial consultation period that issuers continue to incur significant costs associated with printing and delivering various documents required under securities legislation. The feedback indicated that commenters were generally supportive of switching to electronic delivery, if investors retained an option to continue to receive paper documents. The CSA subsequently published a consultation paper to solicit additional views on the appropriateness of introducing an "access equals delivery" model in the Canadian market. Under this model, delivery of a document would be effected by the issuer alerting investors that the document is publicly available on SEDAR+ and the issuer's website.	In progress. On April 27, 2022, the CSA published proposed amendments aimed at implementing an access model for prospectuses generally, and annual financial statements, interim financial reports and related MD&A for non-investment fund reporting issuers. Under the proposed model, providing access to the documents and alerting investors that the documents are available would have constituted delivery of the documents. The comment period expired on July 6, 2022. The CSA received 28 comment letters from various market participants. The proposed access model for prospectuses was generally well received by commenters. Subject to necessary approvals, notice of implementation of the amendments pertaining to an access model for prospectuses is expected in the coming months. The proposed access model for CD documents garnered comments that indicated that more work is required to develop a successful model. In light of the comments raised, the CSA is considering ways to enhance the access model for CD documents. The CSA anticipates publishing for comment a revised access model for CD documents.

In addition to reducing regulatory burden for non-investment fund issuers, the CSA has also undertaken various initiatives to reduce regulatory burden for investment fund issuers. The first stage of amendments comprising eight initiatives was published on October 7, 2021. Subsequent stages will include further examination of the prospectus filing regime, modernizing the CD regime, and exploring alternatives to the current requirements for delivering various investment fund-related materials.

PROJECT	DESCRIPTION	STATUS
Investment funds		
Proposed modernization of prospectus filings model for investment funds	On January 27, 2022 the CSA published proposed amendments to the prospectus rules for investment funds (NI 41-101 and National Instrument 81-101 *Mutual Fund Prospectus Disclosure*) that would: • Allow an investment fund in continuous distribution to file a new prospectus every two years rather than every year (no change to when fund facts and exchange-traded fund facts must be filed and delivered); and • Eliminate the requirement for an investment fund to obtain a final receipt for a prospectus within 90 days of the preliminary receipt.	The comment period ended in April 2022. CSA staff have reviewed the responses and the final amendments are anticipated to be implemented soon.
CSA Notice and Request for Comment – *Proposed Amendments and Proposed Changes to Implement an Access-Based Model for Investment Fund Reporting Issuers*	The notice outlines the CSA plan to provide an access-based alternative to delivering financial statements and management reports of fund performance for investment fund reporting issuers. The proposed changes would modernize existing delivery practices for investment fund CD documents and reduce the regulatory burden on investment fund RIs.	The comment period ended in December 2022 and comments are currently being considered by CSA staff.

5. Publications relating to Corporate Finance matters

NOTICE	DESCRIPTION	DATE OF PUBLICATION
CSA Notice and Request for Comment to Proposed Amendments to NI 81-102 *Investment Funds*	The CSA published for comment amendments to NI 81-102 *Investment Funds* related to mutual funds that voluntarily shorten their trade settlement cycle from two days after the date of trade (T+2) to one day after the date of trade (T+1) in anticipation of a reduction of the settlement cycle for equity and long-term debt market trades in Canada. The comment period closes on January 17, 2024.	October 19, 2023
CSA Multilateral Staff Notice 58-316 *Review of Disclosure Regarding Women on Boards and in Executive Officer Positions (Year 9 Report)*	This notice outlines key findings from the CSA's ninth annual review of public disclosure regarding women on boards and in executive officer positions. This notice is based on a review sample of 602 issuers that had year ends between December 31, 2022 and March 31, 2023.	October 5, 2023
ASC Notice Proposed Alberta Securities Commission Rule 46-503 *Revocation of Purchase*	The ASC published for comment ASC Rule 46-503 *Revocation of Purchase* which, as a result of certain amendments to the Act, is necessary to address the two-day right of withdrawal granted to purchasers of securities under a prospectus. The comment period ended on October 28, 2023.	September 28, 2023
CSA Staff Notice 11-346 *Withdrawal of Staff Notices*	The notice withdraws a number of CSA staff notices that are outdated, no longer relevant or no longer required.	September 14, 2023
CSA Notice of Amendments to National Instrument 14-101 *Definitions* and Consequential Amendments	The CSA adopted amendments to National Instrument 14-101 *Definitions* and consequential amendments. The amendments became effective September 13, 2023.	June 15, 2023

NOTICE	DESCRIPTION	DATE OF PUBLICATION
CSA Staff Notice 45-330 *Frequently Asked Questions about the Listed Issuer Financing Exemption*	The notice contains some of the frequently asked questions that the CSA has received from market participants with respect to the listed issuer financing exemption that was adopted in November 2022.	June 1, 2023
CSA and CCIR Notice of Publication Individual Variable Insurance Contract Ongoing Disclosure Guidance and Amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*	The CSA and the Canadian Council of Insurance Regulators adopted enhanced cost disclosure reporting requirements for investment funds and new cost and performance reporting guidance for individual variable insurance contracts. The CSA adopted amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and changes to Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. The amendments will improve the transparency of total fees and costs to holders of investment funds.	April 20, 2023
CSA Notice of Repeal and Replacement of Multilateral Instrument 13-102 *System Fees for SEDAR and NRD*	The CSA repealed Multilateral Instrument 13-102 *System Fees for SEDAR and NRD* and replaced it with National Instrument 13-103 *System for Electronic Data Analysis and Retrieval + (SEDAR+)*. The amendments became effective on June 9, 2023.	March 23, 2023
CSA Notice of National Instrument 13-103 *System for Electronic Data Analysis and Retrieval + (SEDAR+)*	The CSA adopted National Instrument 13-103 *System for Electronic Data Analysis and Retrieval + (SEDAR+)* and Companion Policy 13-103 *System for Electronic Data Analysis and Retrieval + (SEDAR+)*. The notice describes the amendments and changes to existing instruments and policies.	March 23, 2023

NOTICE	DESCRIPTION	DATE OF PUBLICATION
CSA Staff Notice regarding CSA Coordinated Blanket Order 51-930 *Exempting Reporting Issuers Incorporated under the Canada Business Corporations Act from the Director Election Form of Proxy Requirement*	The CSA published an exemption from the director election form of proxy requirement for RIs incorporated under the *Canada Business Corporations Act* in respect of the uncontested election of directors. The CSA implemented the relief through local blanket orders that are substantively harmonized across the country.	January 31, 2023
Joint CSA and IIROC Staff Notice 23-329 *Short Selling in Canada*	The CSA and the Investment Industry Regulatory Organization of Canada (**IIROC**) published a joint notice to provide an overview of the existing regulatory landscape surrounding short selling, to give an update on current related initiatives and to request public feedback on areas for regulatory consideration.	December 8, 2022

6. Resources available

Listed below are some commonly used rules and guidance to assist RIs in understanding the requirements and where to find them.

To keep up to date on recent and upcoming changes, please subscribe to updates[2] or follow us on X (formerly Twitter) @ASCUpdates and on LinkedIn @AlbertaSecuritiesCommission.

CONTINUOUS DISCLOSURE RULES	NI 51-102
Financial Statements	Part 4
Forward-Looking Information, FOFI and Financial Outlooks	Parts 4A & 4B
Management's Discussion & Analysis	Part 5
Annual Information Form	Part 6
Material Change Reports	Part 7
Business Acquisition Report	Part 8
Information Circulars	Part 9
Material Contracts	Part 12
CONTINUOUS DISCLOSURE FORMS	
Management's Discussion & Analysis	Form 51-102F1
Annual Information Form	Form 51-102F2
Material Change Report	Form 51-102F3
Business Acquisition Report	Form 51-102F4
Information Circular	Form 51-102F5
Statement of Executive Compensation	Form 51-102F6
Statement of Executive Compensation — Venture Issuers	Form 51-102F6V
GENERAL PROSPECTUS RULES	NI 41-101
PROSPECTUS FORMS	
Information Required in a Prospectus	Form 41-101F1
Information Required in Short-Form Prospectus	Form 44-101F1
ACCEPTABLE ACCOUNTING PRINCIPLES AND AUDITING STANDARDS	NI 52-107
CERTIFICATION OF DISCLOSURE	NI 52-109
NON-GAAP AND OTHER FINANCIAL MEASURES DISCLOSURE	NI 52-112

[2] https://www.asc.ca/en/news-and-publications/weekly-updates

CORPORATE GOVERNANCE	
Audit Committees	NI 52-110
Non-Venture Issuers	Form 52-110F1
Venture Issuers	Form 52-110F2
Corporate Governance Disclosure	NI 58-101
Non-Venture Issuers	Form 58-101F1
Venture Issuers	Form 58-101F2
Corporate Governance Guidelines	NP 58-201
PROTECTION OF MINORITY SECURITY HOLDERS IN SPECIAL TRANSACTIONS	MI 61-101
INTERPRETATION AND GUIDANCE	
Process for Prospectus Reviews in Multiple Jurisdictions	NP 11-202
Sufficiency of Proceeds from a Prospectus Offering	SN 41-307
Disclosure Standards	NP 51-201
Environmental Reporting Guidance	SN 51-333
Reporting of Climate Change-related Risks	SN 51-358

The ASC provides additional resources on its website to assist RIs in complying with Alberta securities legislation, including:

- Issuer Toolkit for guidance (including videos) on National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*.
- Energy and oil and gas information, including the Energy Matters Report.
- Fee guides and schedules, including a filing fee calculator.
- Plain language summaries of prospectus exemptions and access to an exempt market dashboard.
- Reports & publications.
- Webinars and seminars on specific securities legislation issues.

Sign up to receive updates: https://www.asc.ca/en/news-and-publications/weekly-updates.

7. Contact personnel and presentation

We welcome comments on this report and other Corporate Finance matters. Comments may be directed to any of the individuals listed below:

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UPCOMING PRESENTATION

An information webinar related to this report and other topics is being planned for January 17, 2024. Anyone who would like to attend this webinar can sign up to be notified of the presentation date and submit topics or questions they would like us to address by sending an email to cf-report@asc.ca.

Information about past and future seminars and webinars can be found on the ASC website at: https://www.asc.ca/en/news-and-publications/events.

Glossary of terms

The following terms have the meanings set forth below unless otherwise indicated

"**Act**" means the *Securities Act* (Alberta).

"**AIF**" means Annual Information Form; specifically, a completed Form 51-102F2 *Annual Information Form.*

"**ASC**" means the Alberta Securities Commission.

"**CD**" means continuous disclosure.

"**CSA**" means the Canadian Securities Administrators.

"**FLI**" means forward-looking information, as that term is defined in NI 51-102.

"**GAAP**" means generally accepted accounting principles, the accounting principles used to prepare an issuer's financial statements including, without limitation, IFRS and U.S. GAAP.

"**GAAS**" means generally accepted auditing standards, the auditing standards used to audit an issuer's financial statements including, without limitation, Canadian GAAS and U.S. PCAOB GAAS.

"**IFRS**" means International Financial Reporting Standards, the standards and interpretations adopted by the International Accounting Standards Board, as amended from time to time.

"**IPO**" means an initial public offering.

"**Issuer**" has the meaning ascribed in the Act and includes a RI. Although most of this report is directed towards RIs for which the ASC is the principal regulator, Alberta securities law applies to non-RIs and issuers that are RIs in Alberta regardless if another CSA jurisdiction is the principal regulator. In some instances this report is also applicable to issuers that are not yet RIs. The report refers to RIs unless use of the term "issuer" is necessary to make the distinction.

"**MCR**" means a Material Change Report; specifically, a completed Form 51-102F3 *Material Change Report*.

"**MD&A**" means management's discussion and analysis; specifically, a completed Form 51-102F1.

"**Non-venture issuer**" means a RI that is not a venture issuer.

"**RI**" means reporting issuer, as that term is ascribed in the Act.

"**SEDAR+**" has the same meaning as defined in National Instrument 13-103 System for Electronic Document Analysis and Retrieval + (SEDAR+).

"**SEDI**" has the same meaning as defined in National Instrument 55-102 *System for Electronic Disclosure by Insiders (SEDI)*.

"**Venture issuer**" has the same meaning as defined in NI 51-102.

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