DECEMBER 2024

Corporate Finance Disclosure Report

ASC
Alberta Securities Commission

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Introductory remarks

We are pleased to provide you with the Alberta Securities Commission (ASC)'s 2024 Corporate Finance Disclosure Report which is intended to assist reporting issuers in understanding their reporting obligations. This year's report highlights some of the key issues we have identified in our review of disclosure made by Alberta-based reporting issuers for which the ASC is the principal regulator.

This year's report includes disclosure issues in relation to mergers and acquisitions (M&A) activities, such as valuations and early warning reporting, and provides detailed guidance for the preparation and contents of an Annual Information Form (AIF), a key continuous disclosure document. As we continue to focus on addressing misleading promotional disclosure, the report also outlines the requirements and recommendations for issuers that have engaged parties to perform investor relations activities.

Turning to policy updates, over the next year we will continue to advance some of the important burden reduction initiatives underway, including the well-known seasoned issuer (WKSI) shelf prospectus offering regime and the access model for delivering documents for (non-investment fund) reporting issuers. The access model for non-investment fund prospectuses became effective in January 2024 and in November 2024 we published for comment a proposal for an access model for continuous disclosure documents that leverages new functionality of SEDAR+. The access model for continuous disclosure documents modernizes the regulatory environment and should provide a more efficient and effective communication channel for investors without removing the option for other delivery mechanisms. We also continue to explore how to modernize both the content and delivery of investment fund continuous disclosure documents.

Another policy initiative that will be a key focus for this upcoming year is disclosure of diversity on the boards and in executive officer positions of reporting issuers, other than venture issuers. Staff from across the CSA have engaged cooperatively in an effort to balance the input received by both issuers and investors and I am optimistic we will be able to implement a harmonized instrument.

We anticipate that the Canadian Sustainability Standards Board (CSSB) will finalize their sustainability and climate-related disclosure standards by the end of 2024. We have been closely following the development of the CSSB standards, including encouraging Alberta market participants to provide their input to the CSSB, reviewing all of the public comments received by the CSSB, engaging with both the CSSB and the International Sustainability Standards Board (ISSB), and in a number of cases, engaging directly with Alberta market participants to better understand their perspectives. We continue to monitor international trends in this area, including those in the United States. We recognize the importance to many investors of reliable, comparable and decision-useful disclosure relating to material climate-related risks. We also appreciate the human and capital resource challenges particularly for smaller reporting issuers and are mindful of the liability concerns and the competitive international considerations, particularly those arising as a result of the close connection between the Canadian and U.S. capital markets. Balancing these realities will be front of mind as we work towards publication of a CSA climate-related disclosure proposal.

In addition to the guidance provided in our annual Corporate Finance Disclosure Reports, we have been considering how we can provide resources to issuers on relevant disclosure and reporting topics. To that end, we are developing a series of short videos to assist with various specific disclosure and reporting requirements, including insider reporting and the filing of reports of exempt distribution. We hope to make these available during the first half of 2025 in the Issuer Toolkit section of asc.ca.

We continue to look for ways we can provide useful resources for market participants and welcome your feedback. If you have any comments or questions about this report or other initiatives, please reach out to our team. Our contact information is provided at the end of this report.

Lastly, on Thursday, January 16, 2025, we will host a webinar to review the information within this report. We look forward to you joining us for this information session.

Best regards,

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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 in the Reports and Publications section of 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 with securities legislation by reporting issuers (**RIs**) for which the ASC is the principal regulator 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**).

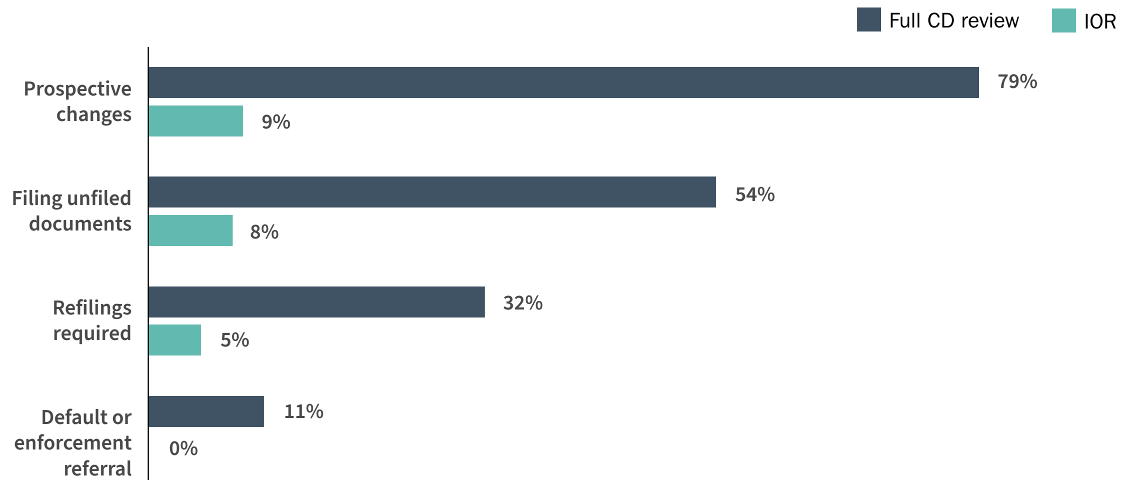
Issuers may be selected for a full CD review based on risk methodology used to identify higher-risk RIs and transactions, a screening process, random sampling and complaints. In addition, a full CD review is conducted in respect of RIs that file a notice of intention to use the short form prospectus system. 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, statements 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, in which case they are typically conducted on a broad base of RIs. Alternatively, IORs are initiated to address a specific disclosure concern with an individual RI. 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 prospectively make changes in its disclosure practices, file unfiled documents or refile certain documents. We typically request that an RI make changes in its future disclosure when 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, when an RI does not promptly rectify a deficiency, our reviews may result in the RI being noted in default of securities legislation or cease traded. When serious disclosure or other concerns are identified, those may also be referred to the ASC's Enforcement division for further investigation and action.

2024 CD REVIEW OUTCOMES

12-months ended October 31, 2024



As illustrated above, 79 per cent of our full CD reviews in 2024 resulted in the RI being requested to make prospective changes. In some cases, we requested that the RI make prospective changes and file/refile documents.

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

- Reach out to ASC staff by 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.
- Pursuant to section 60.2 of the *Securities Act* (Alberta), provide any information and documents requested that are reasonably relevant to the review.

2. Notable continuous disclosure review observations

A. MERGERS AND ACQUISITIONS

RIs may look for opportunities to grow their business or seek economies of scale through mergers and acquisitions (**M&A**). When these types of transactions are contemplated, and when they are finalized, RIs are required to provide certain disclosures. Voluntary disclosures are also often provided by RIs in news releases and investor presentations. In our reviews we have identified areas where this disclosure could generally be improved. The table below outlines related disclosure requirements and best practices that address these areas.

Key area to address	Disclosure requirement/best practice
Effect on overall performance	As outlined in sections 1.2 to 1.4 of Form 51-102F1 *Management's Discussion and Analysis* (**Form 51-102F1**), RIs are required to discuss their financial condition, financial performance, cash flows and operations in their MD&A. It is important to include both a qualitative and quantitative analysis of the impact of an acquisition so investors can understand what proportion of an RI's growth was attributed to the acquisition.
Proposed transactions	When it is probable that the RI will proceed with a proposed transaction, pursuant to section 1.11 of Form 51-102F1, an RI is required to disclose the expected effect of the proposed transaction on its financial condition, financial performance and cash flows. The status of any required shareholder or regulatory approvals should also be provided.
Related party transactions (RPT)	RIs should ensure that required related party disclosure has been provided in the MD&A and financial statements pursuant to section 1.9 of Form 51-102F1 and IAS 24, *Related Party disclosures* (**IAS 24**), respectively. In their MD&A, an RI must disclose the following characteristics that are necessary for an understanding of the transaction's business purpose and economic substance: • The identity of the related party and the relationship between the RI and the related party; • The recorded amount of the RPT and the measurement basis used to determine the amount; • The business purpose of the RPT; • A description of any ongoing contractual or other commitments resulting from the RPT; • Any information necessary for understanding the transaction's business purpose and economic substance, including the financial interests of related parties in the transaction and cross-ownership of financial interests. RIs should also consider whether RPTs fall within the scope of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (**MI 61-101**).

Key area to address	Disclosure requirement/best practice
Balanced disclosure	Promotional disclosures regarding an RI's business activities and future prospects are often observed in news releases, MD&A, corporate presentations and on social media platforms. In explaining the reasons for the M&A transaction, the expected benefits or synergies of the transaction must be balanced with the potential risks.
Forward-looking information (FLI) & non-GAAP measures (NGMs)	An RI's disclosure of an M&A transaction in a news release or other document may include pro forma financial information or financial projections, including certain key performance indicators following the transaction. These disclosures are often considered FLI, NGMs or both. RIs should note that when FLI and NGMs are provided in required or voluntary filings, specific disclosures are required as outlined in Parts 4A and 4B of National Instrument 51-102 *Continuous Disclosure Obligations* (**NI 51-102**), and National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (**NI 52-112**), respectively. With respect to FLI, an RI must have a reasonable basis for the information and state the material factors and assumptions used to develop it.
Investor presentations	To avoid selective disclosure, ASC staff expect any material information included in an investor presentation to also be found within the RI's MD&A, financial statements, news releases, information circulars and/or AIF.
Material Change Report	An M&A transaction may be considered a material change that requires the filing of a news release and MCR on SEDAR+ pursuant to section 7.1 of NI 51-102. A news release must be issued promptly and a MCR must be filed as soon as practicable, and in any event within 10 days of the date on which the material change occurs. Additional guidance on determining if an event or transaction is material can be found in Part IV of National Policy 51-201 *Disclosure Standards* (**NP 51-201**).
Material contracts	An executed purchase and sale agreement and related ancillary agreements (e.g., operating or license agreements) may be considered material contracts. Material contracts are required to be filed on SEDAR+ under section 12.2 of NI 51-102. We encourage issuers to review all agreements to determine whether they are material contracts that must be filed.

Key area to address	Disclosure requirement/best practice
Business Acquisition Report (BAR)	Depending upon the significance of a completed acquisition, a Form 51-102F4 *Business Acquisition Report* (**BAR**) may be required to be filed on SEDAR+. It is important to note that what constitutes a "business" for purposes of IFRS and securities legislation may differ and it is the securities legislation definition that is relevant in determining whether a BAR is required. We generally consider that a separate entity, a subsidiary or a division is a business and in certain circumstances a smaller component of a company may also be a business, whether or not the business previously prepared financial statements. As such, if an RI has completed an acquisition of a business, it must consider the applicability of the BAR requirements under Part 8 of NI 51-102.
Notices	RIs must ensure that all relevant notices have been filed in accordance with NI 51-102. For example, notices regarding a Change in Year-End (section 4.8), Change in Corporate Structure (section 4.9), and/or a Change in Auditor (section 4.11) may be required.

PRACTICE TIP

Security holder approval may be required for an M&A transaction in accordance with business corporations law (federal or provincial), contractual requirements and exchange voting requirements (e.g., TSX, TSXV, CSE). Exchange requirements and securities law may also require a formal valuation (e.g., for bids and other transactions that fall under MI 61-101). RIs should ensure they identify and obtain all required approvals, file relevant documents (e.g., exchange documents, information circular, takeover bid circulars), and make the required associated disclosures.

B. SELECTIVE DISCLOSURE

One of the key principles underpinning a fair and efficient capital market is that all investors have equal access to material information that could influence their investment decisions. Unfortunately, in some cases we have noticed problematic selective disclosure through blogs, newsletters (including subscription-based versions), corporate presentations, and social media platforms (e.g., YouTube, TikTok, X).

While we acknowledge the value in RIs using these innovative methods to engage with investors, we have identified several instances where material information has been shared through these channels without being previously or contemporaneously disclosed in the RI's continuous disclosure filings. For example, RIs have disclosed milestone updates on material projects, the intended use of funds raised, and insights into potential market size or customer base, through social media and newsletters, yet this information was not disclosed in the RI's continuous disclosure. This is problematic if investors are not broadly aware of the disclosure and able access it.

When using channels outside of formal continuous disclosure documents, we remind issuers of the expectations set forth in NP 51-201. This policy emphasizes that material information must be “generally disclosed”—meaning it must be communicated in a way that effectively reaches the marketplace and gives investors a reasonable amount of time to analyze the information. RIs should ensure that material information is disseminated in a manner that ensures it is generally disclosed.

Securities regulation does not mandate a specific method for disseminating material information, recognizing that RIs need flexibility in crafting a disclosure model suited to their circumstances. However, NP 51-201 recommends a disclosure model that involves issuing a news release via a widely-distributed news or wire service and filing it on SEDAR+, and following it up with an open and accessible conference call to discuss the contents of the release, where appropriate. This approach ensures information reaches the market effectively and reduces the risk of unintentional selective disclosure. RIs that use alternative methods should be prepared to demonstrate that the methods used ensure material information is “generally disclosed.” Further, RIs using social media should have disclosure policies and procedures designed to provide effective controls over the release of material information through social media to avoid misleading statements and selective disclosure and to ensure compliance with requirements relating to FLI.

Engaging investor relations (IR) firms or individuals

In many scenarios where we have observed problematic selective disclosure, the RI has engaged an IR firm to disseminate information. While those providing IR activities can provide valuable services, they also present a higher risk of selective disclosure if not properly managed. We remind RIs that section 103.1 of the *Securities Act* (Alberta) imposes obligations on the RI (or security holder) that engages a party to provide IR services and the firm or individual providing those IR services. They are both obligated to ensure that on every record disseminated, and in every public oral statement made as part of the IR services, that it is clearly and conspicuously stated that disclosure has been made on behalf of the RI or a security holder of the RI. RIs will generally be considered responsible for the disclosure made by those they retain to provide IR services. Accordingly, it is critical that RIs work closely with those engaged to provide IR services to actively monitor all disclosure being made to avoid the risk of misleading or selective disclosure and to comply with section 103.1.

PRACTICE TIP

To promote transparency and help investors understand the nature and materiality of the IR services relationship, RIs are encouraged to, and in some circumstances may be required to, publicly disclose the contractual arrangement and material information about the contract for IR services including:

- Name of the IR firm or individual;
- Specific services being provided and the details of the compensation arrangement (including any issuance of securities or subsequent purchase of securities by the IR firm);
- Information dissemination methods to be used by the party providing IR services;
- Duration of the contract;
- Business rationale for engaging a party to provide IR services; and
- How investors can access the materials produced by the IR firm.

C. BALANCED DISCLOSURE

Another important disclosure principle involves providing balanced disclosure so that investors receive a complete and consistent picture of an RI's business. However, we continue to see RIs that focus their disclosure on positive aspects of their business while deemphasizing less favourable aspects. At times, this disclosure can be skewed to the point that it is overly promotional, which may mislead investors and potentially undermine the integrity of the capital markets.

Several types of unbalanced disclosure have been identified in our reviews that staff have viewed as misleading and/or overly promotional. RIs have provided unsubstantiated statements about products and services and market demand for them, or have neglected to disclose the conditional nature of a contract where there was significant uncertainty respecting a condition being met. RIs have also failed to disclose the cancellation of, or material adverse changes to, a previously announced large positive event, such as an acquisition or sales contract. Favourable financial trends have been disclosed but less favorable ones have been excluded from disclosure. Finally, some RIs have neglected to provide reasonable assumptions and sufficient risk disclosure related to otherwise optimistic material FLI.

RIs should be aware of general prohibitions against false or misleading statements that would be expected to have a significant effect on the price or value of an issuer's securities. They should also be mindful that these requirements extend to disclosures made outside of regulatory filings including investor presentations, websites, blogs and on social media. Guidance regarding balanced and selective disclosure can be found in CSA Staff Notice 51-356 *Problematic Promotional Activities by Issuers* and CSA Staff Notice 51-348 *Staff's Review of Social Media Used by Reporting Issuers*.

If unbalanced disclosure is identified during a review, we will generally request that the RI modify it and discontinue providing it in the future. RIs will likely also be asked to amend and re-file regulatory filings that contain materially misleading unbalanced disclosure, in which case, section 11.5 of NI 51-102 also requires a clarifying news release to be issued. Serious and problematic promotional activity could result in an enforcement action.

EXAMPLES THAT *DID NOT* MEET OUR EXPECTATIONS

Excerpt from an RI's news release issued in 2023

We are a recognized global technology leader in CO_2 capture and we provide solutions to clients all over the world.

Staff comments

It was our view that this disclosure was overly promotional and misleading because the RI had unsubstantial revenue from CO2 capture. Further, the RI's operations were mainly in Canada. Offices had been established in other countries but no significant projects had been awarded or started in these countries.

Excerpt from an RI's news release issued in 2024

We've entered into a ground-breaking agreement with a First Nations group, marking a significant step forward for our project. This partnership demonstrates our commitment to responsible resource development and our dedication to fostering positive relationships with Indigenous communities.

Staff comments

Staff's view was that the RI had provided unbalanced, incomplete and overly promotional disclosure given that:

- The ground-breaking agreement was not unlike other agreements entered into in the ordinary course of business;
- It was unclear how the agreement contributed to "responsible resource development;"
- The agreement was subsequently cancelled but the RI failed to disclose this fact; and
- The impact of the cancellation on the RI and their ability to continue to move their project forward was not disclosed.

Excerpt from an RI's website in 2024

Our estimated equivalent savings in GHG emissions amount to 30,000+ vehicles, 7,500,000 trees, or 19,000 homes per year, based on 200,000 tonnes of production.

Staff comments

Our view was that this disclosure was overly promotional as the RI did not have any production at the time and therefore current corporate activities did not support the statement. Additionally, the RI did not disclose the factors and assumptions used to develop the reported values and did not outline the risk factors that could cause actual results to differ from the FLI as required by section 4A.3 of NI 51-102.

D. VALUATION — JUDGMENTS AND ESTIMATES

It is important that RIs use a reasonable approach to measure the fair value of applicable financial statement items as investors rely on these values to make informed investment decisions. In our reviews, staff identified several situations where RIs applied inappropriate methodology, inputs, and/or assumptions in their measurement of the fair value of an asset or liability, materially impacting the presentation of their financial statements. In some circumstances RIs also obtained independent valuation reports that were unsuitable for an RI's specific situation.

Fair value measurement

As outlined in IFRS 13, *Fair Value Measurement*, the objective of a fair value measurement is to estimate the price at which an *orderly transaction* to sell an asset or transfer a liability would take place between market participants at the measurement date, under current market conditions. Sometimes an observable market is available to assist in determining the fair value of assets and liabilities. However, when a price for an identical asset or liability is not observable, an RI must measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. As fair value is a market-based measurement, it should be measured using the objective assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. Therefore, an RIs subjective intention to hold an asset or to settle or otherwise fulfil a liability is not relevant to the fair value measurement.

Valuation approaches that are widely used are the market approach, income approach and cost approach. IFRS 13 does not mandate the type of valuation technique to be used, but RIs should use valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. A valuation technique should be realistic, supportable and where needed, include judgments and estimates that are free from management bias. RIs should consider the characteristics of the asset or liability when selecting a valuation technique and should consider established industry practices and guidelines to assess the suitability of their valuation methodology.

EXAMPLE THAT *DID NOT* MEET OUR EXPECTATIONS

Valuation analysis provided to staff in 2024

Staff recently reviewed a valuation analysis prepared by an RI to support the acquisition-date fair value of rights to explore a mineral property that did not have assigned mineral reserves. The valuation applied the income approach and was supported by a cursory top-line revenue and expense forecast, with little underlying analysis.

Staff comments

While staff were concerned by the RI's unsubstantiated revenue and expense forecasts, the primary concern was the RI's use of the income approach to determine fair value given that there were no assigned reserves. Industry policies and standards set out by the Canadian Institute of Mining, Metallurgy and Petroleum on the Valuation of Mineral Properties indicate that for exploration properties without mineral reserves, it is acceptable to use a market or cost approach, but it is not appropriate to use an income approach. Although the income producing ability of a mine is a critical element affecting the value of a mine, reasonable projections of the amount and timing of future revenue and expenses are not possible in respect of an early-exploration stage mineral property. As such, staff concluded that the RI's valuation methodology was not appropriate and therefore the fair value of the mineral property presented in the RI's financial statements was not adequately supported.

Independent valuation reports

Preparing a valuation can be a complex undertaking and RIs should ensure that they have personnel who possess the qualifications and experience appropriate for the required calculation and/or have engaged qualified experts when preparing their disclosure. Some RIs may seek to engage a professionally-accredited valuator, such as a Chartered Business Valuator (**CBV**), as an external expert to provide a conclusion as to the fair value of shares, assets, liabilities, or an interest in a business.

There are three types of valuation reports provided by CBVs, a Comprehensive Valuation Report, Estimate Valuation Report and Calculation Valuation Report. The reports are distinguished by the scope of review and the level of assurance being provided in the conclusion. A Comprehensive Valuation Report provides the highest level of assurance while a Calculation Valuation Report provides the lowest level of assurance. The type of report required is a matter of judgement and should be agreed on by the valuator and the RI. It should reflect the purpose and nature of the valuation, including financial statement audit considerations. Any disclosure made respecting the report should make the nature and limitations of the report clear to readers.

EXAMPLE THAT *DID NOT* MEET OUR EXPECTATIONS

Valuation report provided to staff in 2024

A Calculation Valuation Report provided to staff by an RI to support the value of assets recorded in the RI's financial statements stated that the report was *"… to be used for accounting and financial reporting purposes and will be used to support an RIs accounting and financial reporting as part of the audited financial statements."*

Staff comments

In this example, the RI and the auditor relied on the Calculation Valuation Report for evidence of the fair value of the assets. However, exceptions were identified for significant assumptions used and for the evaluation methods applied in the Calculation Valuation Report. Therefore, staff communicated to the RI that the Calculation Valuation Report could not be relied on for financial reporting purposes. Given the type of valuation report obtained, staff would have expected additional work or procedures to have been completed by management and the auditor to support the fair value recorded in the RI's financial statements and to obtain sufficient appropriate audit evidence over these fair value measurements.

E. EARLY WARNING REPORTING

An acquiror of an RI's voting or equity securities or securities convertible into voting or equity securities is required to file an early warning report when certain thresholds are met or events occur. The purpose of the early warning reporting system is to alert the marketplace to significant accumulations of securities that may influence the control of an RI. We have encountered instances where these requirements have been triggered and security holders have not fulfilled their reporting obligations. We have also received inquiries from security holders requesting clarification as they are uncertain about their reporting obligations.

The following table outlines the thresholds and events that give rise to reporting obligations under the early warning system as outlined in section 5.2 of National Instrument 62-104 *Take-Over Bids and Issuer Bids* (**NI 62-104**).

Threshold or event [1]	
Ten per cent ownership obtained	A security holder must start reporting when they obtain beneficial ownership of, or control or direction over, voting or equity securities of any class of an issuer, or securities convertible into voting or equity securities of any class of an issuer, that, together with the acquiror's securities of that class, constitute 10 per cent or more of the outstanding securities of that class.
Two per cent change in ownership	Once a security holder has obtained 10 per cent ownership as described above, additional reporting is required when there is a two per cent or greater change (increase or decrease) in ownership from what was stated in the security holder's most recent report.
Change in material fact	Additional reporting is required when there is a change in a material fact from information included in the most recently filed report.
Ownership falls below 10 per cent	Reporting is required to indicate when ownership falls below the 10 per cent threshold described above. Subsequently, a security holder is not required to report any further changes unless at least 10 per cent ownership is regained.

When the above thresholds have been met or events have occurred, security holders must file the following documents:

- A **news release** containing the information required by section 3.1 of NI 62-103 no later than the opening of trading on the business day following the event; and
- A **report in Form 62-103F1** *Required Disclosure under the Early Warning Requirements* no later than two business days following the event.

A security holder is exempt from the early warning requirements if a change in their ownership percentage arises solely by actions taken by the RI and without any action being taken by the security holder.

[1] Note that the reporting requirements differ for eligible institutional investors who choose to report under the alternative monthly reporting system. Refer to Part 4 of National Instrument 62-103 *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues* (**NI 62-103**) for additional information.

3. Short-form prospectus eligibility

To be eligible to file a short-form prospectus, RIs must file a notice of intention (**NOI**) declaring their intention to be qualified to file a short-form prospectus, substantially in the form of Appendix A of National Instrument 44-101 *Short Form Prospectus Distributions* (**NI 44-101**), at least 10 business days prior to filing a preliminary short-form prospectus. Furthermore, an RI must meet the basic criteria outlined in section 2.2 of NI 44-101. An RI must have equity securities listed on a short-form eligible exchange and be up to date in its periodic and timely disclosure filings. An RI must not be an issuer whose operations have ceased or whose principal asset is its exchange listing. Additionally, subparagraphs 2.2(d)(i) and (ii) require an RI to have filed current annual financial statements and a current AIF.[2]

It is important to note that an RI's AIF filed under NI 51-102 is current until the issuer files an AIF for the next financial year, or is required by NI 51-102 to have filed its annual financial statements for the next financial year. If an RI fails to file its AIF by the filing deadline under NI 51-102 for its annual financial statements, it will not have a current AIF and will not qualify to file a short-form prospectus. If an RI files a revised or amended AIF for the same financial year as an AIF that has previously been filed, the most recently filed AIF will be the RIs current AIF.

Where a venture issuer does not file a current AIF, or a previously filed AIF is deemed to be expired by virtue of NI 51-102, staff will expect an RI's SEDAR+ profile to indicate that it is not eligible to file a prospectus in the form of a short-form prospectus. We will also expect the NOI to be withdrawn by the RI.

In certain circumstances RIs may be exempt from the requirement to have current financial statements and/or a current AIF. For example, an RI may be exempt if they are a new RI or successor issuer that has not yet been required to file such documents, and has filed a prospectus or information circular containing disclosure which would have been included in such documents had they been filed under NI 51-102. Please refer to section 2.7 of NI 44-101 for the full scope of available exemptions.

[2] **"current AIF"**: (a) if the issuer has filed an AIF for its most recently completed financial year, that AIF, or (b) the issuer's AIF filed for the financial year immediately preceding its most recently completed financial year if: (i) the issuer has not filed an AIF for its most recently completed financial year, and (ii) the issuer is not yet required under the applicable CD rule to have filed its annual financial statements for its most recently completed financial year.

4. Annual Information Form

The AIF is a key disclosure document intended to provide material information about an RI and its business at a point in time (usually the last day of the RI's most recently completed financial year). While RIs that are venture issuers are not required to file an AIF, an RI must have a current AIF to qualify to file a short-form prospectus, and we have seen many venture issuers choose to file an AIF to be short-form eligible. The AIF must include the items outlined in Form 51-102F2 *Annual Information Form* (**Form 51-102F2**), be focused on material information, and be written in plain language. If a reasonable investor's decision to buy, sell or hold securities in an RI is likely to be influenced or changed if the information in question is omitted or misstated, the information is likely material. Disclosure required in the AIF may be incorporated by reference from another document filed on SEDAR+, other than a previous AIF.

The following sections (A through F) provide a discussion of the key disclosures required in the AIF, common concerns that staff have identified in reviews, and general suggestions for improvement.

GENERAL AIF PRACTICE TIPS

- For information presented at a date different than the last day of the RI's most recently completed financial year, specify the date.
- Unless they have already been filed, documents incorporated by reference into the AIF must be filed with the AIF. If the document incorporated by reference also incorporates another document by reference, that underlying document must also be filed with the AIF.
- Ensure that disclosure is entity-specific and avoid using generic or boilerplate language.
- Avoid including excessive details if they obscure key points.
- Write the AIF in plain language, using short sentences, and avoid using unnecessary words and technical terms. If technical terms are necessary, explain them clearly and concisely.
- Ensure that the information in the AIF is consistent with disclosure in the RI's other continuous disclosure documents.

QUALIFICATION TO FILE A SHORT FORM PROSPECTUS

While all non-venture RIs are required to file an AIF, venture issuers that wish to participate in the expedited offering system created by NI 44-101 may voluntarily file an AIF to meet the criteria to become short-form eligible. Please see section 3 of this report for more information on short-form eligibility.

A. DESCRIPTION OF BUSINESS

Corporate structure

For investors to understand how an RI's business functions, it is important that RI's provide disclosure regarding the legal structure under which it operates. As such, in accordance with Item 3 of Form 51-102F2, RIs are required to disclose the following in their AIF:

- Full corporate name;[3]
- Addresses of the head and registered offices;
- Statute under which the RI is incorporated, continued or organized;[3]
- Material amendments to the RI's articles or other constating or establishing documents; and
- A diagram (or description) outlining all material intercorporate relationships between the RI and its subsidiaries.[4]

Staff commonly see RIs include every amendment made to their articles or other constating or establishing documents, which can lead to overly detailed and lengthy disclosure. Staff encourage RIs to focus only on material amendments necessary to understand their current corporate structure to ensure that other important information is not obscured or lost in excessive detail.

Development of the business

While the AIF provides material information about an RI and its business at a point in time, RIs must provide context regarding how their business evolved over time so that investors can understand how it came to be in its present circumstances. Pursuant to Item 4 of Form 51-102F2, this discussion should comprise details of any significant acquisitions or dispositions, or any other conditions that have influenced the general development of the business, which may include the introduction of new products or services, change in CEO or CFO, entering into new markets, and changes in key customers. The items discussed in this section should be entity-specific and focused on events that prompted development and change in the RI.

Staff remind RIs that the primary focus of the AIF should be the most recently completed financial year. Therefore, it is best practice to keep the section on "General Development of the Business" concise and highlight only the material developments necessary for understanding the RI's current operations. Staff routinely see RIs that provide excessive disclosure in this area, which can detract from discussion on the RI's current business activities.

Current business operations

Section 5.1 of Form 51-102F2 outlines the disclosure that is required to be included in the AIF to fully describe an RI's current business operations. This section deserves significant attention, as a well-crafted business description can effectively communicate an RI's value proposition to investors. Explaining how an RI generates revenue, manages its expenses, and plans for growth and expansion is key to providing a clear understanding of its operations.

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[3] If the RI is an unincorporated entity, state the full name under which it exists and carries on business and the laws of the jurisdiction under which it is established and exists.

[4] Refer to section 3.2 of Form 51-102F2 *Annual Information Form* for complete disclosure requirements including additional guidance on the subsidiaries that are required to be disclosed.

An effective business description should address the following questions, as required by the form, and where applicable be specific to each of the RI's reporting segments:

Key area to address	Items that should be disclosed if relevant to the RI
How does the RI currently generate revenue?	• Provide a description of products and services offered. • Identify the principal markets served. • Describe the method of production and distribution.
What is the status and plan for products and services under development?	For new products or services or those not fully developed, describe the following: • Status and details of previously announced products or services under development. • Timing and stages of research and development programs. • Any use of subcontractors in the RI's research and development. • Additional steps required to reach commercial production, including estimated costs and timelines.
What are the RI's key business resources?	• Describe the materials used by the RI, including the sources, pricing and availability of raw materials, component parts, or finished products. • Discuss the importance of identifiable intangible assets, noting their duration and impact on the RI's business.
What are the key characteristics of the business environment in which the RI operates?	• Discuss the competitive conditions impacting the RI. • Explain the cyclical or seasonal nature of the business, if any. • Identify any dependence on foreign operations.
What human capital resources does the RI utilize?	• Detail any specialized skill and knowledge required and the extent to which these are available to the RI. • Indicate the number of individuals the RI employs.
Is the RI dependent on any key contracts?	• Provide details of any contracts on which the RI is substantially dependent. • Discuss the likely effects of renegotiating or terminating these contracts.
How is the RI affected by social or environmental conditions?	• Explain the effect of environmental protection legislation on the business. • Describe any social or environmental policies implemented by the RI.
Are there any other material items necessary to understanding the RI's business?	• Include information on the RI's lending operations, investment policies, and any restrictions related to these areas. • Disclose any bankruptcies, reorganizations or similar procedures the RI has been subject to within the three most recently completed financial years.

B. RISK FACTORS

An RI's description of their business must include a description of risk factors. This disclosure is meant to allow investors to evaluate the potential impact of risks on an RI and to assess how the RI is managing those risks.

Risk factor disclosure in the AIF should address, among other items, general risks inherent in the business, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions, and risks regarding any other matter that would be likely to influence an investor's decision. Risk factors that could reasonably impact future performance including cash flows, and have liquidity implications for the RI, should be disclosed in the AIF and MD&A. RIs who face working capital constraints and or a significant risk of default or arrears on obligations are also required under items 1.6 and 1.7 of Form 51-102F1 to provide a further discussion of their liquidity position and capital resources in their MD&A.

When discussing risk factors, provide disclosure specific to the RI and avoid boilerplate disclosure. Disclose risks specific to the RI's industry and consider, as appropriate, the size of the RI, its operating history, its position within the industry, geographical constraints and funding requirements.

In addition, RIs should consider emerging risks to the business, such as physical risks, new risks introduced as a result of a significant acquisition or divestiture, risks associated with introduction of a new product or service, changes to the RI's customer base and risks associated with the adoption or integration of new systems including artificial intelligence (AI).

For RIs that have recently changed business or are developing new products or services, risks and uncertainties to issuers in emerging industries often include the fact that issuers have limited financial history, their market and customer base are likely unestablished and the technology and market for the technology itself may not yet be proven. There may also be limited access to capital, unestablished supply chains and lengthy and uncertain requirements for licences and permits.

Disclose risks in the order of seriousness. Although an RI can disclose efforts to mitigate its risks, it is important that risks not be de-emphasized by including excessive caveats or conditions.

CYBERSECURITY RISK

When considering risk factors, cybersecurity risk should also be considered, including the cost and risk associated with a cybersecurity incident. Examples of cybersecurity risks include:

- Impact on the ability to conduct normal operations;
- Loss of intellectual and other property;
- Compromised or otherwise unusable internal systems;
- Increased vulnerability to fraud or extortion;
- Harm to employees, customers and the environment;
- Violation of privacy laws;
- Litigation risk;
- Reputational risk; and
- Regulatory penalties.

C. TECHNICAL DISCLOSURE

The AIF has specific disclosure requirements for RIs engaged in oil and gas activities or RIs with mineral projects. If an RI operates in these industries, they must disclose specific technical information to give investors a clear understanding of the scope of their operations. In the course of our CD reviews staff frequently note that the required technical disclosure is either incomplete or inconsistent with other disclosure.

Oil and gas

All RIs engaged in oil and gas activities must prepare and annually file reports in compliance with the following forms:

- Form 51-101F1 *Statement of Reserves Data and Other Oil and Gas Information* (**Form 51-101F1**)

  This form describes an RI's oil and gas activities for the most recently completed financial year. The reporting period must align with that of the AIF.

- Form 51-101F2 *Report on [Reserves Data][,][Contingent Resources Data][And][Prospective Resources Data] By Independent Qualified Reserves Evaluator or Auditor* (**Form 51-101F2**)

  This form details the roles and responsibilities that the independent qualified reserves evaluators or auditors had in the evaluation, auditing and review of the RI's reserves and resources other than reserves, if applicable. The report must be executed by one or more independent qualified reserves evaluator(s) or qualified reserves auditor(s) and confirms that the audit, evaluation or review was conducted in accordance with the Canadian Oil and Gas Evaluation Handbook (COGE Handbook).

- Form 51-101F3 *Report of Management and Directors on Oil and Gas Disclosure* (**Form 51-101F3**)

  This form describes the responsibilities of the RI's management in preparing and disclosing the reserves information, as well as the role of the RI's board of directors or reserves committee. Execution of this form confirms the approval of the content and filing of Form 51-101F1 and Form 51-101F3, and the filing of Form 51-101F2.

RIs have the option to include the required forms as part of their AIF or file them separately on SEDAR+ and incorporate them by reference. If the forms are included in the AIF, RIs must also concurrently file Form 51-101F4 *Notice of Filing of 51-101F1 Information* (**Form 51-101F4**), which serves to notify readers where the reports can be found.

Staff remind RIs to avoid duplication by either including their oil and gas disclosure in the AIF or filing it separately – but not both. A Notice in Form 51-101F4 should only be filed when the disclosure is included as part of the AIF.

Mining

All RIs with material mineral projects must include disclosure in their AIF for each of their material mineral projects. This disclosure must be consistent with the information in their current technical report and comply with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (**NI 43-101**), including any required cautionary language. This includes using appropriate terminology to describe mineral reserves and mineral resources and providing disclosure based on information prepared by, under the supervision of, or approved by a qualified person.

- Current technical report: Provide details that allow readers to identify the current technical report filed in accordance with NI 43-101 for each material mineral project, including the title, author(s) and date of the report.
- Summary technical information: Summarize key information that provides readers with an understanding of the extent of mineral exploration, development and production activities on each material mineral property. An RI can satisfy this requirement by reproducing the summary section from their current technical report(s) and incorporating the technical report by reference into the AIF.

Staff remind RIs that readers of the AIF are, in most cases, not mining experts. Therefore, to the extent possible, this disclosure should be simplified and presented in a manner that is understandable to the reader.

D. DIRECTORS AND OFFICERS

The disclosure required under Item 10 of Form 51-102F2 provides investors with information to understand the competencies, knowledge and experience of the directors[5] and executive officers[6] overseeing an RI. A summary of the required key disclosure is included below.

Name, occupation and security holding

RIs must identify each director and executive officer of the RI, and among other items, describe the details of their relationship with the RI as well as other companies. We commonly see the information under this heading presented in a tabular format.

Cease trade orders, bankruptcies, penalties or sanctions

RIs must describe any orders[7] that a director or executive officer is, or has been subject to within 10 years of the date of the AIF. Additionally, if a director, executive officer or controlling shareholder[8] is or has, within 10 years of the date of the AIF, either personally or while acting in the capacity as a director or executive officer for a company, become bankrupt or made a proposal under any legislation, this fact must be stated.

If director, executive officer, or controlling shareholder has been subject to any penalties or sanctions, the penalties or sanctions and the grounds on which they were imposed by the court must be described. It is important to note that there is no time limit on the disclosure of penalties or sanctions. If the matter has been settled, describe the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement. No disclosure is required for settlement agreements entered into before December 31, 2000, unless the disclosure would likely be important to a reasonable investor in making an investment decision.

[5] Under section 1.1 of NI 45-106, a director is defined as a member of the board of directors of a company or an individual who performs similar functions for a company, and with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company.

[6] Under subsection 1.1(1) of NI 51-102, an executive officer is defined as an individual who is a chair, vice-chair or president, a CEO or CFO, a vice-president in charge of a principal business unit, division or function including sales, finance or production, or performing a policy-making function in respect of the RI.

[7] Under subsection 10.2(1.1) of Form 51-102, order means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

[8] A shareholder holding a sufficient number of securities of the RI to materially affect control of the RI.

Conflicts of interest

If applicable, RIs must disclose the particulars of existing or potential material conflicts of interest between the RI or a subsidiary and a director or executive officer of the RI.

PRACTICE TIP

Securities legislation requires that a completed personal information form (**PIF**) be delivered concurrently with the filing of a preliminary prospectus for each director, executive officer, and promoter of the issuer. Prior to filing, ensure that the information disclosed in the PIF agrees with what is disclosed in the AIF.

E. MATERIAL CONTRACTS

The AIF must disclose the particulars of any material contracts[9] required to be filed under section 12.2 of NI 51-102. Specifically, in accordance with Item 15 of Form 51-102F2, RIs must list all material contracts that are still in effect or were entered into within the last financial year. If not already disclosed elsewhere in the AIF, RIs must state the details of the material contracts, including dates, parties, consideration provided for, general nature, and key terms of the contracts.

Inconsistencies between the contracts identified as material in the AIF and those actually filed on SEDAR+ is a common review observation by staff. In one case, an RI did not file a contract on SEDAR+ as it was not material at the time it was entered into, but was identified as a material contract on the date the AIF was filed. The requirement to assess the materiality of a contract and the requirement to file under section 12.2 of NI 51-102 is not limited to the date on which the contract is entered. A contract that is material that was entered into within the last financial year, or before the last financial year and still in effect, is required to be filed under subsection 12.2(1) of NI 51-102 and disclosed in the AIF under Item 15 of Form 51-102F2. In another case, upon inquiry an RI indicated that it had determined that some of the contracts identified in the AIF were not material, but chose to list the contracts in the AIF. In order to ensure investors could understand which contracts were material to the RI, staff requested clear disclosure in future filings to identify material and non-material contracts listed in the AIF.

Under subsection 12.2(2) of NI 51-102 there is an exemption from the requirement to file a material contract if it is entered into in the ordinary course of business. However, this exemption excludes certain circumstances and types of contracts that significantly impact an RI's business, and we often observe that the exemption is inappropriately applied. Most commonly we have identified a failure to file continuing contracts to buy/sell the majority of the RI's products, services, or raw materials, financing or credit agreements with terms that have a direct correlation with anticipated cash distributions, and contracts on which the RI's business is substantially dependent.

In one example, an RI entered a production sharing agreement relating to an oil and gas property that represented 90 per cent of the RI's total production, but did not file the agreement or identify it as a material contract in the AIF. The RI indicated that the agreement was not filed as it was entered into in the ordinary course of business. However, as the RI's business was substantially dependent on the material contract, the

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9 Under subsection 1.1(1) of NI 51-102, a "material contract" is defined as a contract that an RI or any of its subsidiaries is a party to, that is material to the RI.

ordinary course of business exemption did not apply. RIs should consider the context of their business and industry when determining whether new and amending contracts can properly rely on the ordinary course of business exclusion.

PRACTICE TIP

If the making of a material contract constitutes a material change for the issuer, the material contract must be filed no later than the time the issuer files a material change report. If a material contract is made or adopted before the date of an issuer's AIF, the contract must be filed no later than the date the AIF is filed. If an issuer 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.

F. INFORMATION OTHERWISE REQUIRED IN AN INFORMATION CIRCULAR

An RI that does not send an Information Circular to its security holders must provide the following disclosures in its AIF, if applicable, as required by Item 18 of Form 51-102F2.

Voting securities and principal holders of voting securities

For each class of the RI's voting securities, the number of securities outstanding and the particulars of voting rights for each class must be disclosed. If, to the best knowledge of the RI's directors and executive officers of the RI, a person or company beneficially owns, or controls or directs, directly or indirectly, more than 10 per cent of the outstanding securities of any class of voting securities, the name of each person or company, as well as the number and percentage of securities held, must be disclosed.

Election of directors

RIs must disclose the following information in tabular format:

- Each director's name, province or state, and country of residence;
- The period or periods during which each director has served as a director and when the term of office will expire;
- The members of each committee of the board;
- Each director's present occupation, business or employment, and the name and principal business of the related company; and
- If a director has held more than one position at the RI, or a parent or subsidiary, the first and last position held.

Executive compensation

Include the executive compensation disclosure required by Form 51-102F6 *Statement of Executive Compensation* (**Form 51-102F6**).

Securities authorized for issuance under equity compensation plans

In a specified table, disclose the equity compensation plan information of the RI, or a parent, subsidiary or affiliate, for the most recently completed financial year. Additionally, describe the material features of each compensation plan under which equity securities of the RI are authorized for issuance.

Indebtedness of directors and executive officers

If applicable, disclose in specified tables the aggregate indebtedness outstanding as of the date of the AIF as well as indebtedness of directors and executive officers under securities purchase and other programs. These disclosures are not required for any indebtedness that has been entirely repaid as of the date of the AIF, or for routine indebtedness.

Appointment of auditor

Disclose the name of the RIs auditor. If the auditor was appointed within the last five years, state the date the auditor was appointed.

5. 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 proposed National Instrument 51-107 *Disclosure of Climate-related Matters*.

On March 13, 2024, the Canadian Sustainability Standards Board (**CSSB**) published its proposed general sustainability standard and its climate-related disclosure standard for a 90-day comment period, which expired in June. The CSSB has indicated it intends to finalize its standards by the end of the year. When adopted the CSSB Standards will be voluntary standards.

The CSA has indicated it would consider the feedback the CSSB received on its consultation as it may help inform the CSA's approach to climate-related disclosure. ASC staff have engaged with Alberta market participants to understand their perspectives and have reviewed all publicly available comments received by the CSSB. On October 22, 2024 the CSSB published its Feedback Statement, providing its own overview of the comments received.

We continue to monitor international developments, including particularly those in the United States. This is a complex project and as we move forward we will have regard to the many important considerations including the requests by institutional investors for specific information, feedback from reporting issuers respecting their resources and capabilities, liability issues associated with climate-related disclosure and the competitiveness of our capital market.

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 including potential changes to diversity-related disclosure requirements. The CSA has reviewed the public comments received from various market participants and is continuing to work towards a harmonized national disclosure framework.

C. PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 44-102 *Shelf Distributions* (NI 44-102) RELATING TO WELL-KNOWN SEASONED ISSUERS (WKSIs)

On September 21, 2023 the CSA published proposed amendments to National Instrument 44-102 *Shelf Distributions* and other instruments to foster more efficient capital-raising by WKSIs in the Canadian public market. These amendments build upon the pilot program launched in January 2022 and would permit an issuer that satisfies the qualification criteria to:

- File a final base shelf prospectus and be deemed to receive a receipt for that prospectus without first filing a preliminary base shelf prospectus or undergoing any regulatory review;
- Omit certain disclosure from the base shelf prospectus (for example, the aggregate dollar amount of securities that may be raised under the prospectus); and
- Benefit from receipt effectiveness for a period of 37 months from the date of its deemed issuance, subject to the requirement for the issuer to reassess its qualification to use the WKSI regime annually.

The 90-day comment period ended on December 20, 2023, and the CSA is developing amendments to the proposal to address the comments and implement the WKSI regime.

D. PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 81-101 *Mutual Fund Prospectus Disclosure*, NATIONAL INSTRUMENT 81-102 *Investment Funds*, NATIONAL INSTRUMENT 81-106 *Investment Fund Continuous Disclosure*, NATIONAL INSTRUMENT 81-107 *Independent Review Committee for Investment Funds* AND RELATED PROPOSED CONSEQUENTIAL AMENDMENTS

On September 19, 2024 the CSA published for comment proposed amendments to modernize the continuous disclosure regime for investment funds, improve the quality of disclosure provided to investors, and reduce unnecessary regulatory burden of certain current investment fund continuous disclosure requirements under securities legislation.

The proposed amendments would replace the existing annual and interim Management Report of Fund Performance (MRFP) with a new annual and interim Fund Report. Two other continuous disclosure-related proposals being made are to:

- Provide exemptions from certain conflict of interest reporting requirements in securities legislation if other similar requirements are satisfied; and
- Eliminate some required class- or series-level disclosures from investment fund financial statements that are not required by International Financial Reporting Standards.

The comment period ends on January 17, 2025.

E. EARLY ADOPTION OF IFRS 18

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 *Presentation and Disclosure in Financial Statements* (**IFRS 18**) effective for annual reporting periods beginning on or after January 1, 2027, with earlier adoption permitted. For RIs with calendar year ends, adoption of the new standard would initially be required for the interim financial statements for the period ended March 31, 2027.

National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (NI 52-112)

Among other things, IFRS 18 introduces the concept of management-defined performance measures (**MPMs**) and requires such financial measures to be disclosed in a note to the financial statements. MPMs are subtotals of income and expenses that meet specific criteria outlined in IFRS 18. Prior to the introduction of MPMs, such measures have traditionally been considered non-GAAP financial measures (e.g., adjusted operating income), which historically have only been disclosed outside the financial statements in disclosure documents such as MD&A, earnings releases, and investor presentations.

We are currently assessing the implications of IFRS 18 and exploring what amendments are necessary to NI 52-112. Among other things, we expect to update NI 52-112 to ensure that all financial measures traditionally considered non-GAAP continue to be regulated under NI 52-112 when disclosed outside the financial statements.

A process to amend NI 52-112 would include a public consultation and final amendments would be subject to the requisite approvals across the CSA. In the meantime, if an issuer is considering early adoption of IFRS 18, we recommend that the issuer:

- Consult with their principal securities regulator regarding the implications of early adoption of IFRS 18 on disclosures outside the financial statements; and
- Continue to apply NI 52-112 to those financial measures disclosed outside the financial statements that, other than for the fact that they are now identified as MPMs and disclosed in the financial statements of the entity, would have met the definition of a non-GAAP financial measure in NI 52-112 prior to the issuer's adoption of IFRS 18.

Reflecting on non-GAAP financial measures disclosed

RIs may also want to reflect on the nature, extent and manner of non-GAAP financial measures they disclose outside the financial statements as they may consequently be required to be disclosed inside the financial statements under IFRS 18, and thus subject to a financial statement audit.

F. 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. Of the seven policy projects that resulted from the consultation, four have been completed and three are in various stages of completion, one of which is the WKSI prospectus project noted earlier. The chart below outlines the status of the two remaining CD projects as part of this initiative.

PROJECT	DESCRIPTION	STATUS
Continuous disclosure requirements		
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. 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 RIs. 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 proposed access model for prospectuses was generally well received by commenters and amendments concerning the implementation of an access model for prospectuses of non-investment fund RIs generally came into force on April 16, 2024. In light of the comments raised regarding the proposed access model for CD documents, the CSA has pursued that initiative separately. On November 19, 2024, the CSA re-published for comment proposed amendments to implement an access model for certain continuous disclosure documents. The proposal would allow investors to sign up to receive an email notification through SEDAR+ of the filing of documents, but allow investors to continue to request or provide standing instructions to receive the documents in paper or electronic form. The comment period will end on February 17, 2025.
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.	Until work noted above 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 RIs are provided with sufficient time to transition to any new forms and requirements.

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 (National Instrument 41-101 *General Prospectus Requirements* 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 annually (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 CSA published notice of implementation of amendments to NI 41-101 and NI 81-101 on November 28, 2024. The effective date of the amendments is March 3, 2025.
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 RIs. 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 CSA staff have been considering the comments received.

6. Publications relating to Corporate Finance matters

NOTICE	DESCRIPTION	DATE OF PUBLICATION
CSA Notice of Amendments to National Instrument 41-101 *General Prospectus Requirements*, National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, and Related Consequential Amendments and Changes — Modernization of the Prospectus Filing Model for Investment Funds	The CSA published final amendments that extend the lapse date for investment funds in continuous distribution from 12 months to 24 months, which will allow investment funds in continuous distribution to file their pro forma prospectuses biennially, rather than annually, and repeal the requirement to file a final prospectus no more than 90 days after the issuance of a receipt for a preliminary prospectus for all investment funds. The amendments will come into force on March 3, 2025.	November 28, 2024
The CSA propose amendments to Multilateral Instrument 13-102 *System Fees*	The CSA published for comment proposed amendments to increase system fees for SEDAR+ and the National Registration Database (NRD) over a five-year period starting in late 2025 to better align system fee revenues with projected national systems operating costs. The 90-day comment period closes on February 19, 2025.	November 21, 2024
CSA Notice of Republication and Request for Comment — Proposed Amendments and Proposed Changes to Implement an Access Model for Certain Continuous Disclosure of Non-investment Fund Reporting Issuers	The CSA published for comment proposed amendments and changes to modernize the way documents are made available to investors by allowing issuers to provide investors with electronic access to certain continuous disclosure documents, without impacting investors' ability to request, or provide standing instructions to receive, those documents in electronic or paper form.	November 19, 2024
CSA Multilateral Staff Notice 51-365 *Continuous Disclosure Review Program Activities for the fiscal years ended March 31, 2024 and March 31, 2023*	The notice outlines observations resulting from the CSA reviews of RIs' disclosures and provides additional relevant information not covered by this Report. In addition, the notice contains financial reporting and disclosure considerations related to adopting new technology including disclosure considerations related to the use of AI systems.	November 7, 2024

NOTICE	DESCRIPTION	DATE OF PUBLICATION
CSA Multilateral Staff Notice 58-317 *Review of Disclosure Regarding Women on Boards and in Executive Officer Positions (Year 10 Report)*	This notice outlines key findings from the CSA's 10th annual review of public disclosure regarding women on boards and in executive officer positions. This notice is based on a review sample of 574 issuers that had year ends between December 31, 2023 and March 31, 2024. This is expected to be the final year that the CSA conducts a review of the above-noted disclosures.	October 30, 2024
Multilateral CSA Notice of Amendments to Alberta and Saskatchewan Orders 45-539 *Small Business Financing*	The ASC and the Financial and Consumer Affairs Authority of Saskatchewan (FCAA) published an amendment to ASC Blanket Order 45-539 *Small Business Financing* and FCAA General Order 45-539 *Small Business Financing*. The exemption is designed to facilitate greater access to capital in Alberta and Saskatchewan by allowing businesses to raise up to $5 million from the public using a simple, streamlined offering document. The exemption has tiered offering and investment limits depending on whether financial statements are provided to investors. The amendment removed the September 1, 2024 expiry date and is effective as of September 1, 2024.	August 1, 2024
CSA Notice and Request for Comment – Proposed amendments and changes to certain national instruments and policies related to the senior tier of the Canadian Securities Exchange, the Cboe Canada Inc. and AQSE Growth Market name changes, and majority voting form of proxy requirements	The CSA published for comment proposed amendments and changes intended to address certain housekeeping matters and other amendments in response to the creation by the Canadian Securities Exchange of a senior tier and name changes affecting certain stock exchanges. They also codify blanket relief granted to issuers incorporated under the Canada Business Corporations Act (Canada) to accommodate "majority voting" provisions incorporated into that act in 2022. The 90-day comment period closed on October 30, 2024.	August 1, 2024

NOTICE	DESCRIPTION	DATE OF PUBLICATION
Coordinated Blanket Order 31-930 *Exemption to Allow Exempt Market Dealer Participation in Selling Groups in Offerings of Securities Under a Prospectus*	The ASC, in coordination with the Ontario Securities Commission (OSC), the Autorité des marchés financiers (AMF), the B.C. Securities Commission (BCSC), the Financial and Consumer Affairs Authority of Saskatchewan (FCAA), and the Nova Scotia Securities Commission (NSSC) issued a coordinated Blanket Order allowing exempt market dealers (EMDs) to participate as selling group members in prospectus offerings under specified conditions. EMDs who meet the conditions in the Blanket Order will be provided a time limited exemption from the requirements of section 7.1(2)(d) of NI 31-103. The Blanket Order is effective June 20, 2024 and will expire on December 20, 2025.	June 20, 2024
CSA Notice and Request for Comment — Proposed Amendments to Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* and proposed changes to Companion Policy	The CSA published for comment proposed amendments to Multilateral Instrument 25-102 *Designated Benchmarks and Benchmark Administrators* and proposed changes to Companion Policy 25-102 *Designated Benchmarks and Benchmark Administrators*. The proposals are intended to address technical issues encountered by accounting firms engaged to prepare assurance reports. In addition, the proposals include assurance report requirements that would apply to any designated benchmark that is not a designated commodity benchmark, a designated critical benchmark or a designated interest rate benchmark (e.g., if a securities regulatory authority were to designate a crypto asset benchmark that is not a commodity benchmark or a term rate benchmark that is not an interest rate benchmark).	May 30, 2024

NOTICE	DESCRIPTION	DATE OF PUBLICATION
CSA Notice of Publication Amendments to National Instrument 81-102 *Investment Funds* and changes to related Companion Policy to accommodate a range of settlement cycles for mutual funds	The CSA published final amendments to National Instrument 81-102 *Investment Funds* and changes to Companion Policy 81-102 *Investment Funds*, which will help mutual funds that voluntarily shorten their trade settlement cycles from two trading days to one (T+1), following the transition by North American securities markets to T+1 settlement in May 2024. The amendments came into force on August 31, 2024.	May 23, 2024
Variation of Blanket Order 45-538 *Self-Certified Investor Prospectus Exemption*	The ASC and the Financial and Consumer Affairs Authority of Saskatchewan (FCAA) published amendments to remove the April 1, 2024 expiry date and revised phrasing in Annex 2 to align more closely with the accredited investor language on which it is based. The exemption is designed to grant greater flexibility to businesses and investors by allowing self-certified investors to be treated in a similar manner to accredited investors. The amendments came into effect on April 1, 2024.	March 22, 2024
CSA Staff Notice 81-334 *ESG-Related Investment Fund Disclosure (Revised)*	This notice provides updated guidance for investment funds on disclosure practices as they relate to environmental, social and governance matters.	March 7, 2024
CSA Notice of publication of amendments and changes to implement an access model for prospectuses of non-investment fund RIs	The CSA published amendments and changes to implement an access model for prospectuses for non-investment fund RIs. The access model for prospectuses provides alternative procedures whereby access may be provided to a final prospectus or a preliminary prospectus, as applicable. These final amendments and changes generally came into force on April 16, 2024.	January 11, 2024

7. Resources available

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

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

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 various requirements, including 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.

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

8. 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 session related to this report and other topics is planned for January 2025. 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 Events & Presentations section of asc.ca.

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 defined 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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