EY’s Annual Financial Reporting Developments Series

Mining and metals

December 2021

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Building a better working world

Today’s presenters

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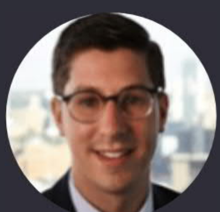


Eric Simmons
Partner

Today's agenda

1. Industry snapshot and 2022 mining and metals business risks and opportunities

   Dean Braunsteiner, Brenna Daloise

2. Climate agenda transforms geopolitical risks

   David Kirsch, Ben-Ari Boukai

3. Perspectives on the current and future state of ESG reporting

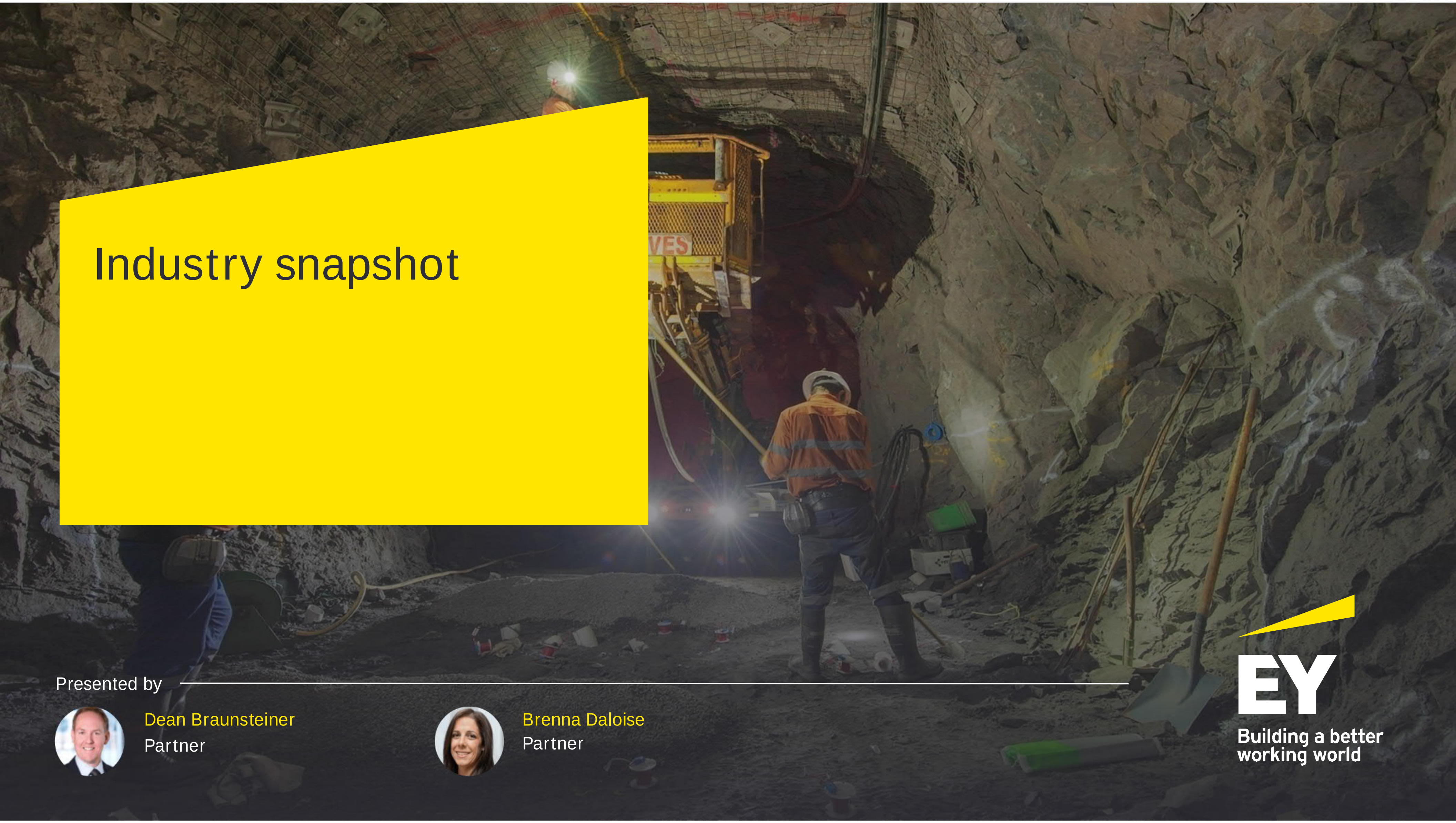
   Janis Rod

4. Regulatory updates and perspectives from the Ontario Securities Commission

   Ritika Rohailla, Alex Fisher

5. Comment letter trends and IFRS developments

   Eric Simmons



Industry snapshot

Presented by

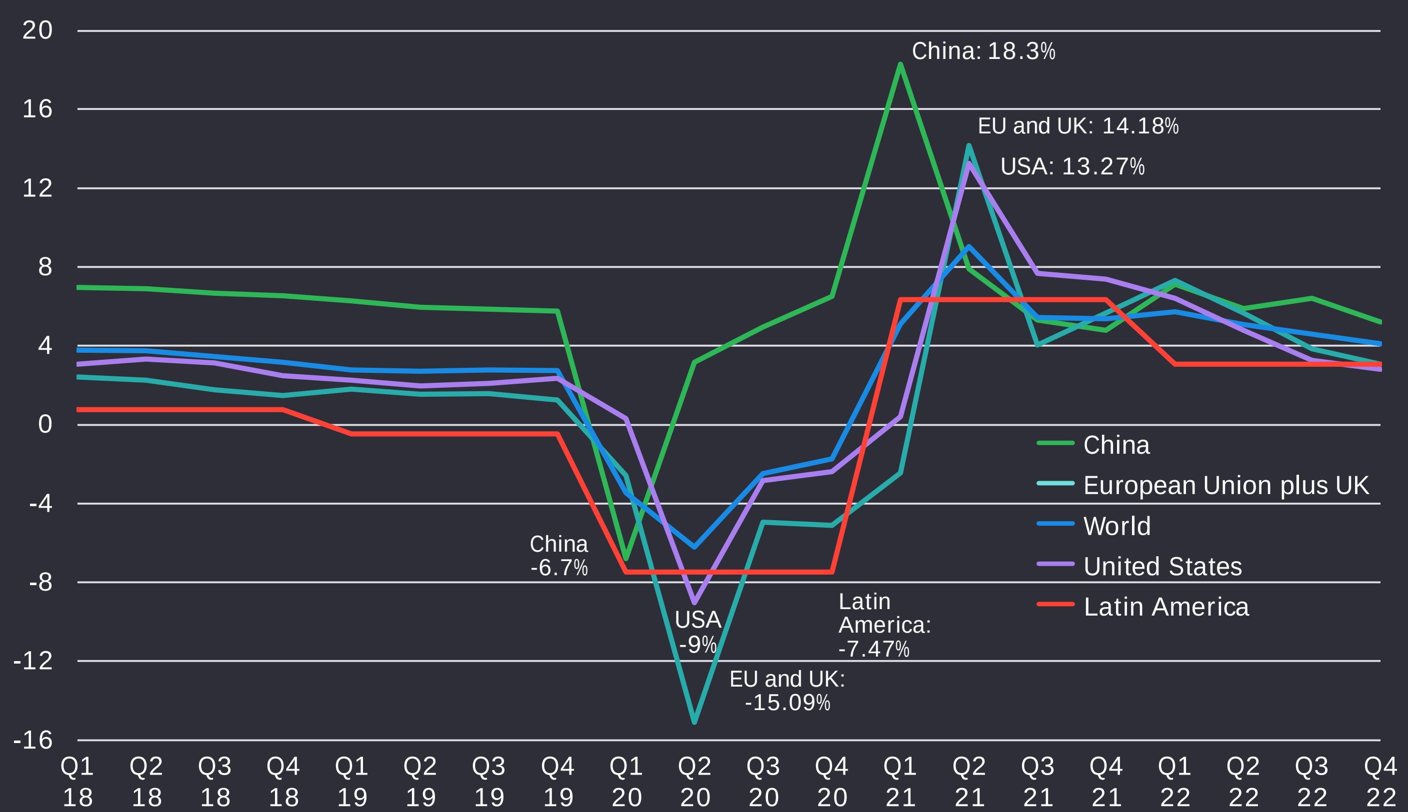
Dean Braunsteiner
Partner

Brenna Daloise
Partner

Building a better working world

Recovery in many markets continues in 1H 2021 despite uncertainty surrounding Delta coronavirus variant; growth to return to normal by 2022

Global economic outlook, real GDP growth (PPP exchange rates, % year-on-year)

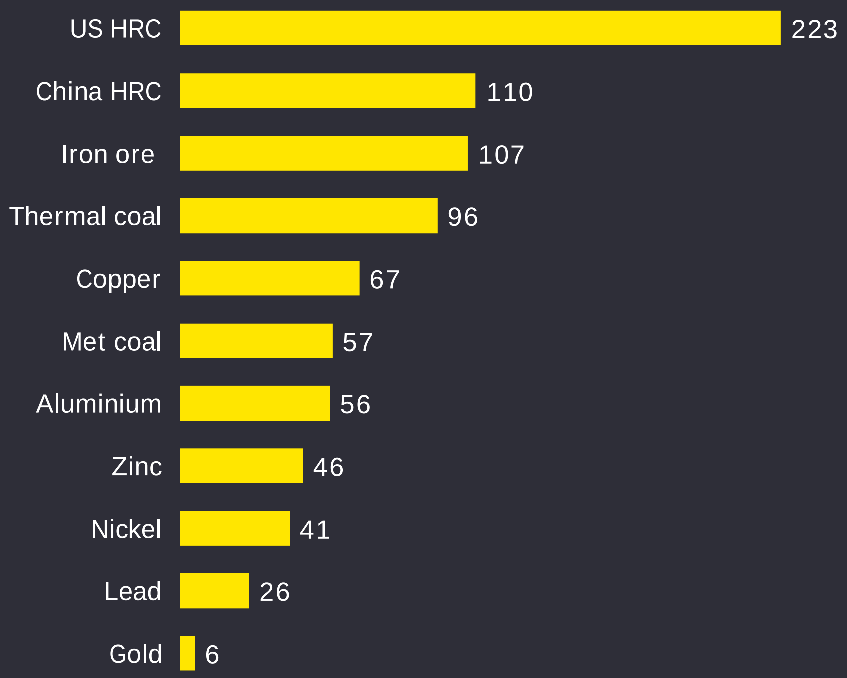


Source: Oxford Economics, Fitch Ratings, July 2021

- Economists have raised global GDP forecasts for 2021 from around 5.3%−5.6% to around 6% on economic stimulus.
- Delta variant of COVID-19 is a concern for economies where rates of vaccinations are lower.
- Stimulus has driven strong domestic demand in the US and China. There are expectations that the global monetary boom will begin to ease in 2H 2021, and central banks are keeping an eye on inflation.
- Supply chain disruption, delivery delays and rising cost inflationary pressures continue to affect the global manufacturing sector.

Continued commodity price volatility – one year later

Average monthly commodity prices
% change comparison June 2021 year-on-year



Source: ThomsonOne, Thomson DataStream; S&P Market Intelligence

- Iron ore markets supported by booming steel production but caps on steel impact iron ore demand. Iron ore prices have declined slightly in late July/early August.
- Steel producers are making solid margins on significantly higher steel prices – US hot-rolled coil (HRC) prices are over $1,900/t and Chinese HRC prices reached over a $1,000/t in May before easing back to around $950/t
- Thermal coal prices up on strong Chinese demand as a drought knocked out hydroelectricity supply. Chinese mine supply likely to be affected by floods in other parts of the country. Australian thermal coal prices up on a significant increase in Indian demand.
- Australian met coal finding alternative markets as ex-China steel markets recover but global seaborne market remains oversupplied maintaining downward pressure on prices.
- Bullish outlook for base metals on monetary stimulus and accelerated decarbonization strategies. Copper prices eased back from record highs in June as mine supply increased.
- The gold price has eased on more upbeat investor sentiment as the global economy recovers. However, concerns remain for higher inflation and the longer term risks of strong response by governments to aid economic recovery.

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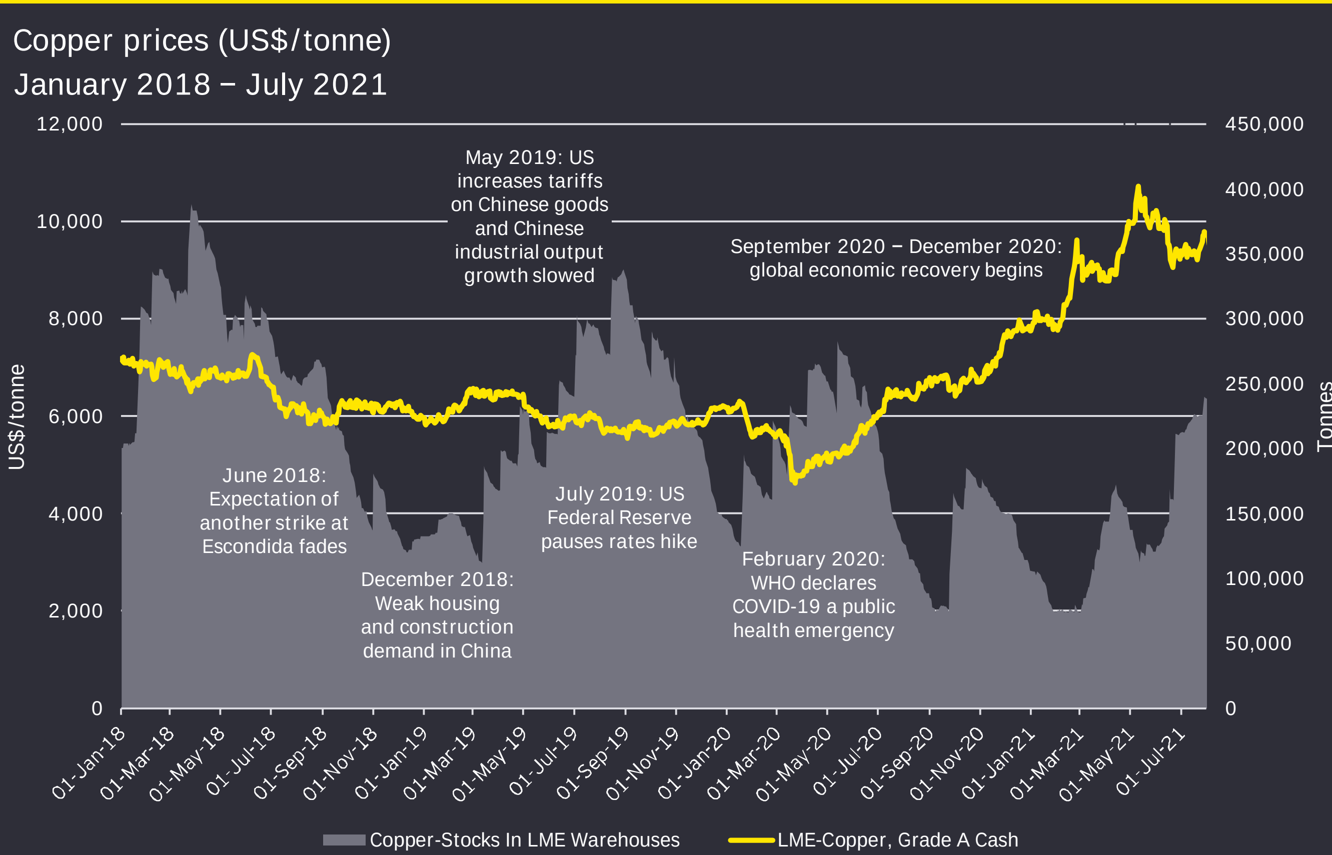
Copper prices are close to all-time highs as the global economy recovers and the vaccine rollout gathers pace



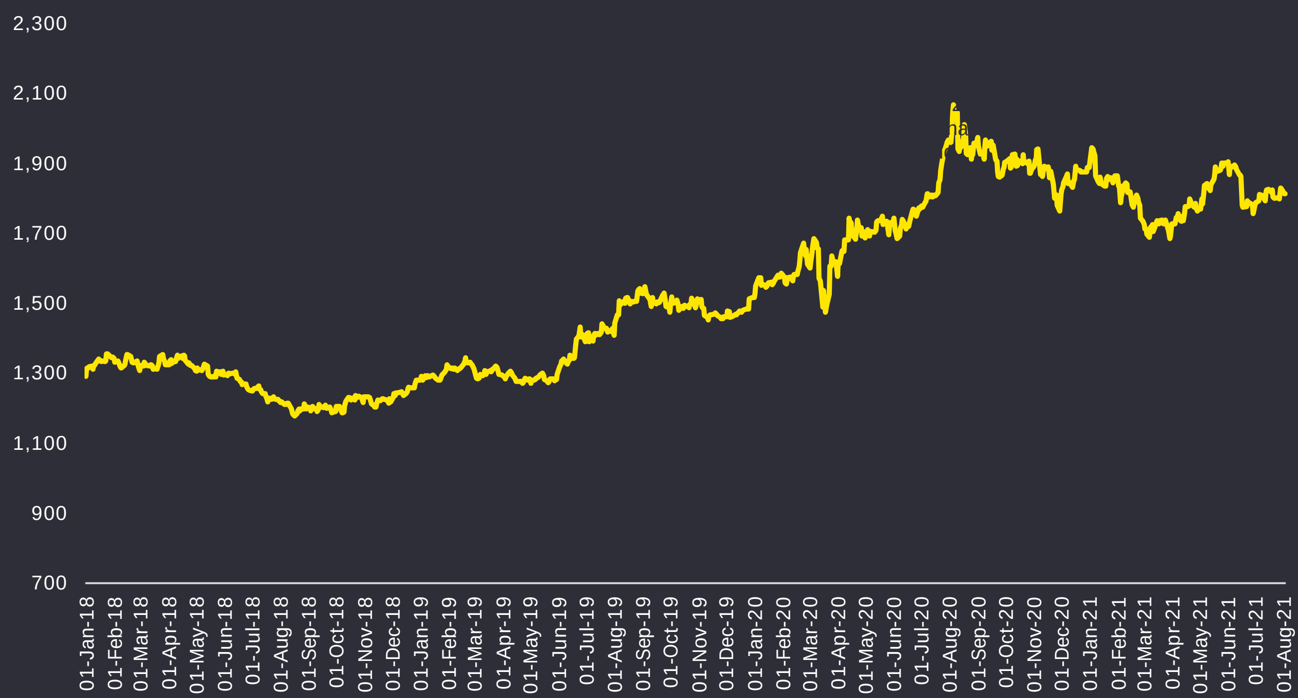
Source: S&P Global Market Intelligence Platform, Thomson One, EY knowledge analysis.

Consensus forecast average copper prices US$/tonne – July 30, 2021	
2021F	9,144
2022F	8,900
2023F	8,460
2024F	8,327
2025F	8,961

- Higher copper prices supported by strong Chinese demand, weaker USD and diminishing copper inventories
- Short-term demand driven by government stimulus spending focused on infrastructure, particularly in China
- Long-term demand is dependent on the extent of the energy transition (EVs, renewables and decarbonization)
- Copper miners are focused on increasing their exploration spend and accelerating development projects to ensure they can meet future demand

Gold prices have declined slightly on signs of economic recovery, the rollout of COVID-19 vaccines

Gold (US$/oz)



Source: S&P Global Market Intelligence Platform, Thomson One, Australian Chief Economist, EY Knowledge analysis.

Consensus forecast average gold prices US$/oz – July 30, 2021	
2021F	1,813
2022F	1,814
2023F	1,762
2024F	1,728
2025F	1,676

- Global uncertainty, devaluing currencies, systematic financial risks and massive liquidity has provided an ideal situation for a rally in gold prices. Gold prices have eased back after reaching over US$2,000/oz in August 2020 and are about 7% lower at around $1,800/oz on August 3.
- Global gold consumption is forecasted to increase by 8.5% to 4,080/t in 2021, but off a lower base as consumption declined in 2020 due to lower jewellery sales in India and China, but offset by higher ETF inflows on safe haven demand.
- Investment demand from ETFs is likely to remain strong while consumer demand is going to be largely dependent on the resumption of normal activity. Currently concerns around the Delta variant and insufficient proportion of populations vaccinated may delay this.

Mining companies pay out increased dividends in 2021 on improved profitability due to higher commodity prices

Company	Dividends 2021 (US$m)	Dividends 2020 (US$m)	Dividends 2019 (US$m)	Last declared dividend
BHP	7,960	1,471	1,413	September 21, 2021
Vale SA	2,202	3,292	0	July 8, 2021
Rio Tinto	2,468	1,803.5	1,472	March 5, 2021
Codelco	465	240	0	June 30, 2021
Anglo American	454	279	326	July 28, 2021
Newmont Corp.	440	201	120	June 2, 2021
Glencore	397	0	684	May 21, 2021
ArcelorMittal	284	0	203	June 15, 2021
Barrick Gold	159	124	61	June 15, 2021

*BHP 2Q 2021 projected dividend
*Newmont Corp. 2Q 2021 calculated

- Mining majors cash flows have increased substantially due to historically high commodity prices. A sudden increase in profitability on restrained capital expenditure has resulted in extra-ordinary dividend payouts in the quarter gone by.
- As a result, companies are rewarding long-term shareholders and also ensuring future investment.
- Generally, mining companies will adhere to long-term dividend policies and will be seeking out new growth areas to invest free capital.

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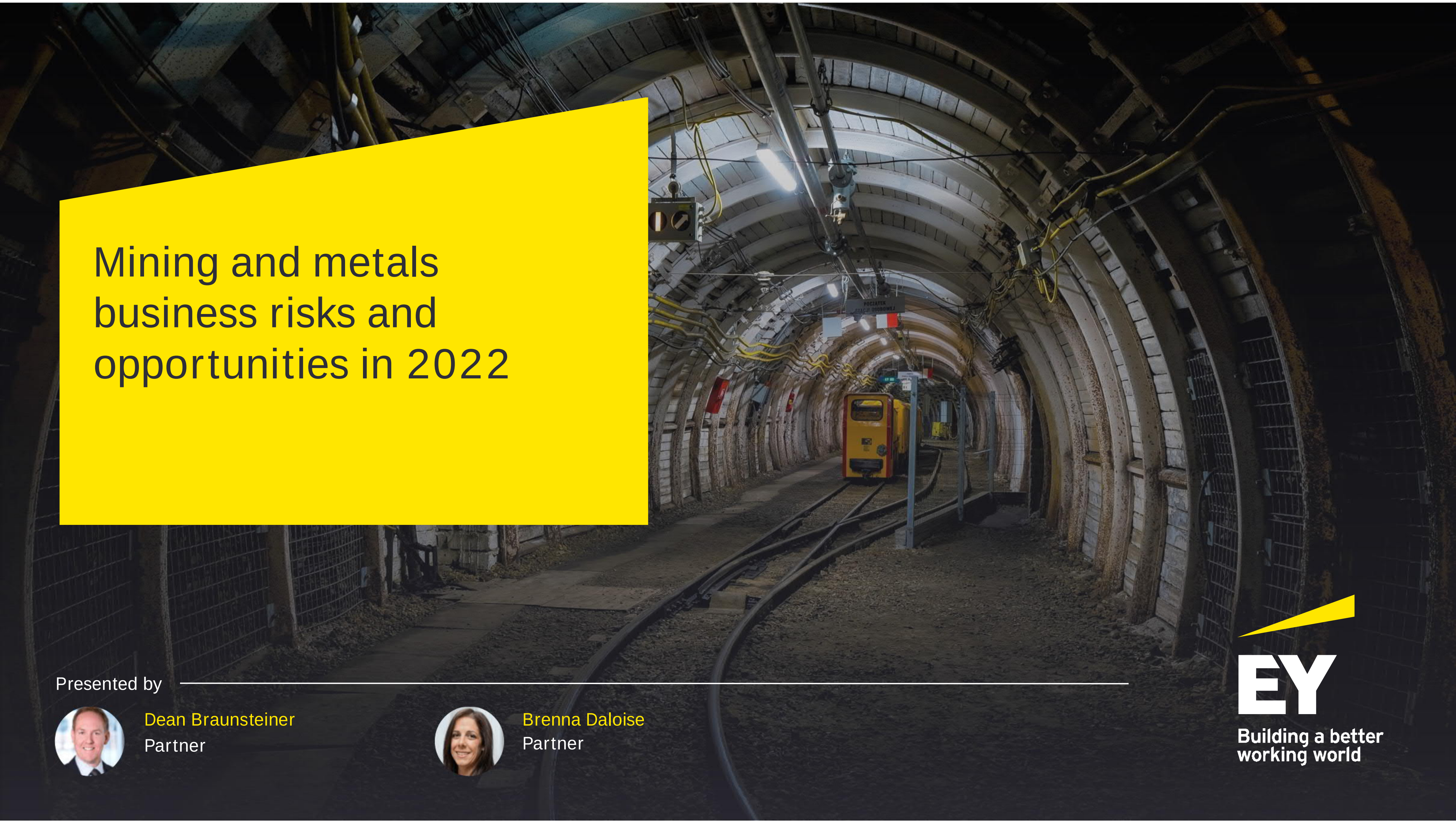


Mining and metals business risks and opportunities in 2022

Presented by

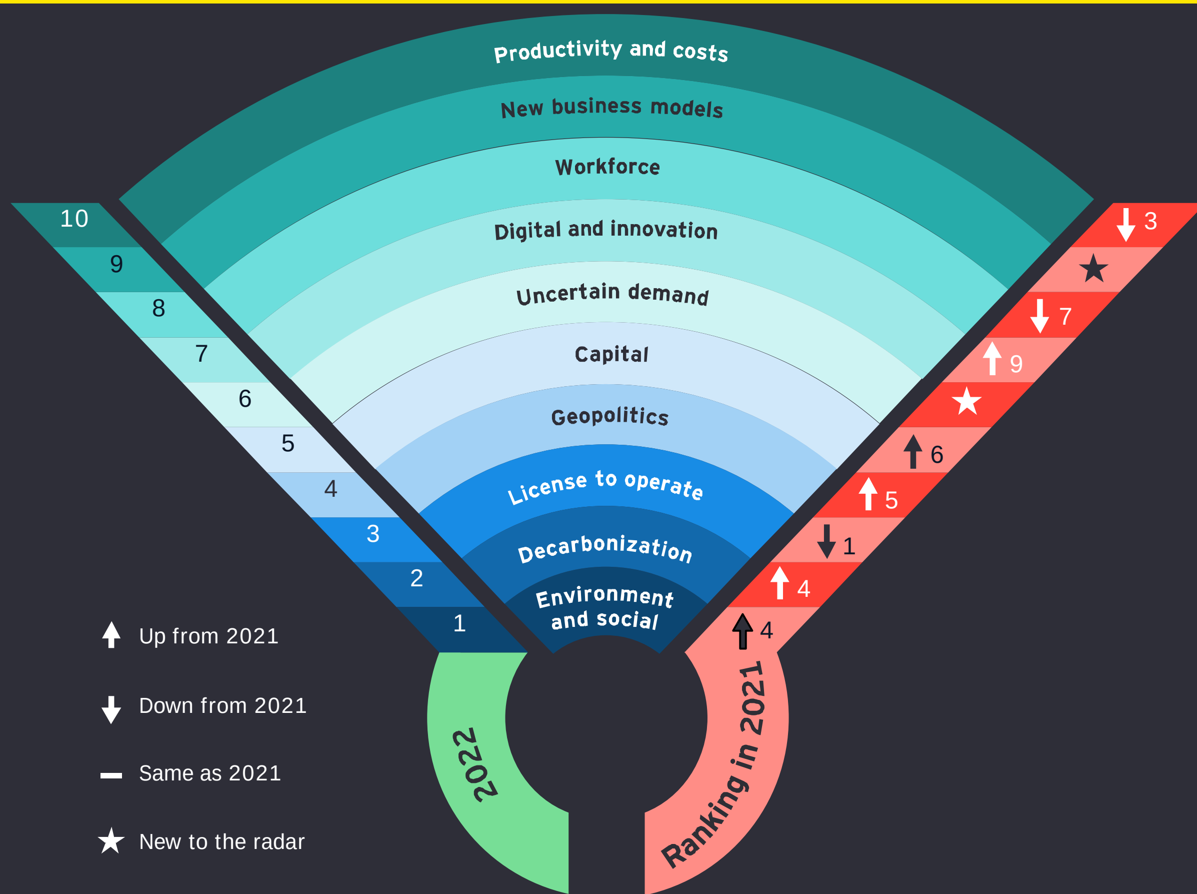
Dean Braunsteiner
Partner

Brenna Daloise
Partner

Building a better working world

Top 10 mining and metals business risks and opportunities – 14th edition

- External and societal factors impacting the rankings
- 2021 was dominated by decarbonization – but environment and social was also top of mind
- Social impact, water and biodiversity are the key focus areas
  for 2022



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Polling question

Which of the top ten business risks and opportunities for mining are a priority for you in 2022? (pick one)

1. Environment and social
2. Decarbonization
3. License to operate
4. Geopolitics
5. Capital
6. Uncertain demand
7. Digital and innovation
8. Workforce
9. New business models
10. Productivity and costs

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Capital markets and other stakeholders want more and we want to please them

Capital markets

By 2035, 95% of all investment decisions will incorporate environmental, social and governance (ESG)

Regulators

Carbon pricing, targets and taxing will impact the sector

Customers

Downstream pressure to reduce carbon footprint; also seeking carbon-neutral materials

Industry associations

Can play a key role in driving a low-carbon future through responsibility measures

Society

End consumers are seeking green products and ethical value chain

Governments

Seeking greater share of mineral wealth

Communities

Expectations are expanding beyond life of mine

Traditional owners

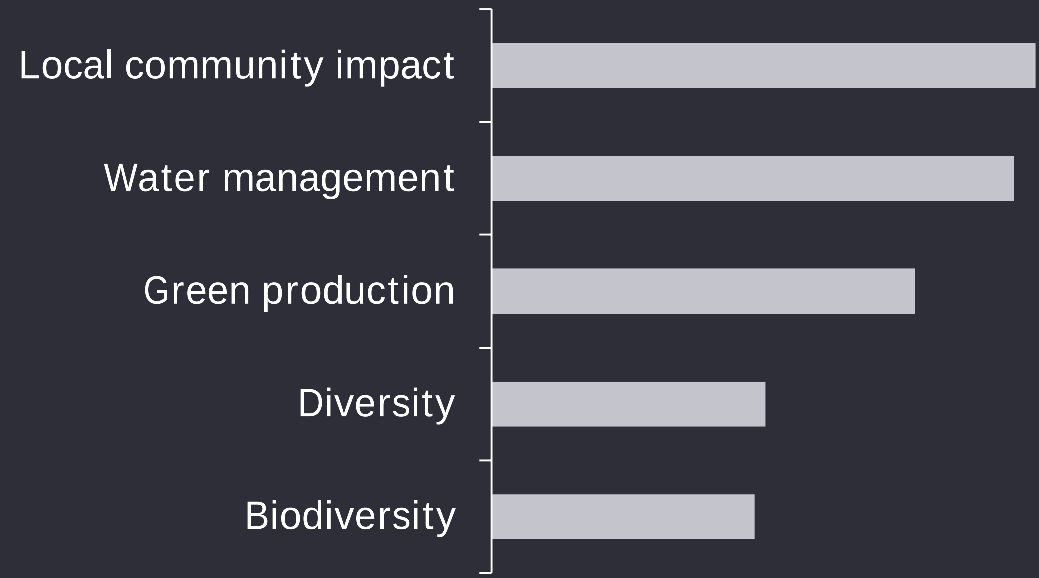
Want a greater voice in relation to licensing and heritage sites

ESG

Miners that manage their impact on the environment and communities can build a positive legacy

- Focus on environment and social
- Manage water-energy nexus
- Biodiversity is an emerging issue
- Policy measures will need to incentivize recycling
- Hoping for standardization of ESG measurement and reporting standards
- Majority of environmental risk and liability will lie in closed legacy assets

Which are the top ESG issues that will face the most scrutiny from investors? (Ranking question)



Source: Business risks and opportunities survey respondents

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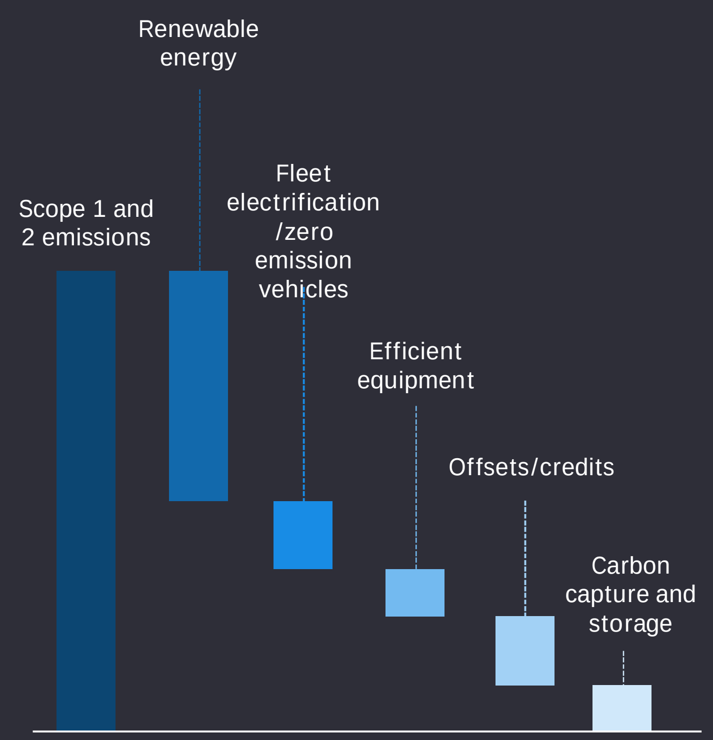
Decarbonization

Practical, flexible abatement strategies can achieve net zero – and competitive advantage

Increasing climate regulation and expectations

- Most miners committed to net zero by 2050
- Lack of significant investment to attain this goal
- EU carbon tax to impact commodities trade
- One-fifth of GHG currently covered by carbon pricing instruments, but more anticipated
- Measure outputs vs. inputs across the value chain to determine where to innovate and/or invest
- A flexible decarbonization strategy with practical pathways is required
- Need to determine technology choices to scale up and accelerate decarbonization

Low-hanging fruit: Scope 1 and 2 abatement



License to operate

Creating long-term value for all stakeholders can secure mining's future

Shareholder expectations are continuing to evolve

- Broader consultation with traditional owners can improve decision-making
- Over 40% of survey respondents said community engagement will be the #1 focus of investors in 2022
- Need to better demonstrate the positive societal contribution of mining to improve brand
- Taking a proactive approach to diversity and inclusion
- A focus on long-term value can enable sustainable license to operate (LTO)

Key actions to take now

- Drive from the top down
- Identify LTO issues that will drive – or destroy – value
- Create longer term value for communities and the workforce
- Measure with the right metrics
- Build the brand through effectively measuring, articulating and reporting on the value

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Uncertain demand

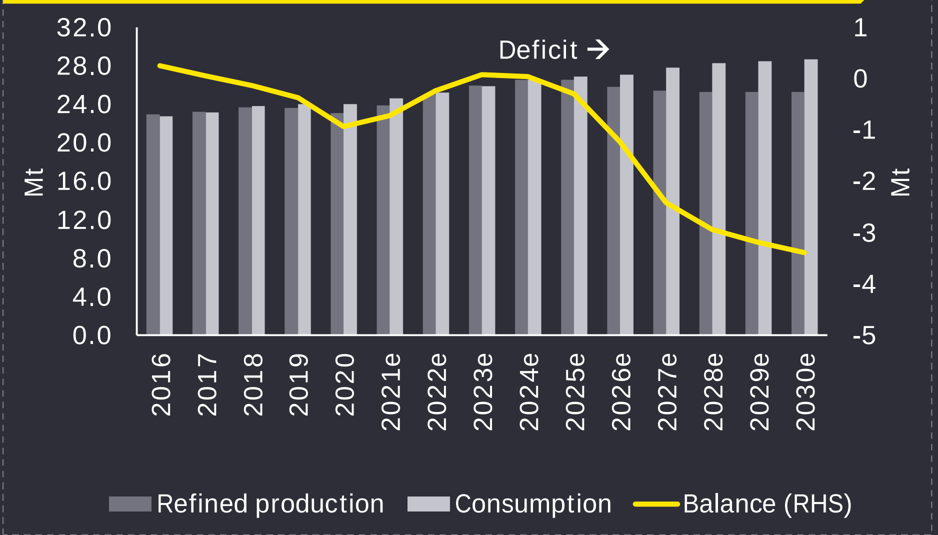
Building agility can help miners manage price volatility, substitution threats and changing customer demands

- Many of the major commodities required in the energy transition will be in market deficit by 2025−2026
- Estimated US$325b needed to close the copper supply gap of 16 million tonnes (mt) by 2040 and US$14b to bring on sufficient lithium supply by 2025

Significant supply challenges to meet future demand

- ESG ratings affecting availability of capital
- Increased mining complexity – more remote, lower grades
- Concentrated supply
- Geopolitical risk
- Rising taxes and royalties
- Stakeholder demands
- LTO more complex
- Price volatility delaying investment decisions despite robust demand forecasts

Refined copper production and consumption (2018-2030e)



Source: S&P Market Intelligence, Morgan Stanley, Credit Suisse, Deutsche Bank, UBS Research and Jefferies; EY Knowledge analysis (April 2021)

Productivity and rising costs

Managing variability can boost productivity

The focus on productivity and sustainable cost reduction remains high

- Pandemic-related costs are ongoing
- Higher input and shipping costs
- Supply chain disruption
- Need to decarbonize operations

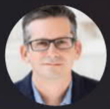
Productivity initiatives should be centred around people and powered by technology

Design a strategy to:

- Implement an end-to-end productivity solution
- Define the operational behaviour changes that will underpin productivity
- Enhance diversity of thought and skills
- Reduce costs sustainably

Climate agenda transforms geopolitical risks

Presented by



David Kirsch

Managing Director, US Oil and Gas Sector Advisor, Geostrategic Business Group

Ben-Ari Boukai

Assistant Director, Geostrategic Business Group

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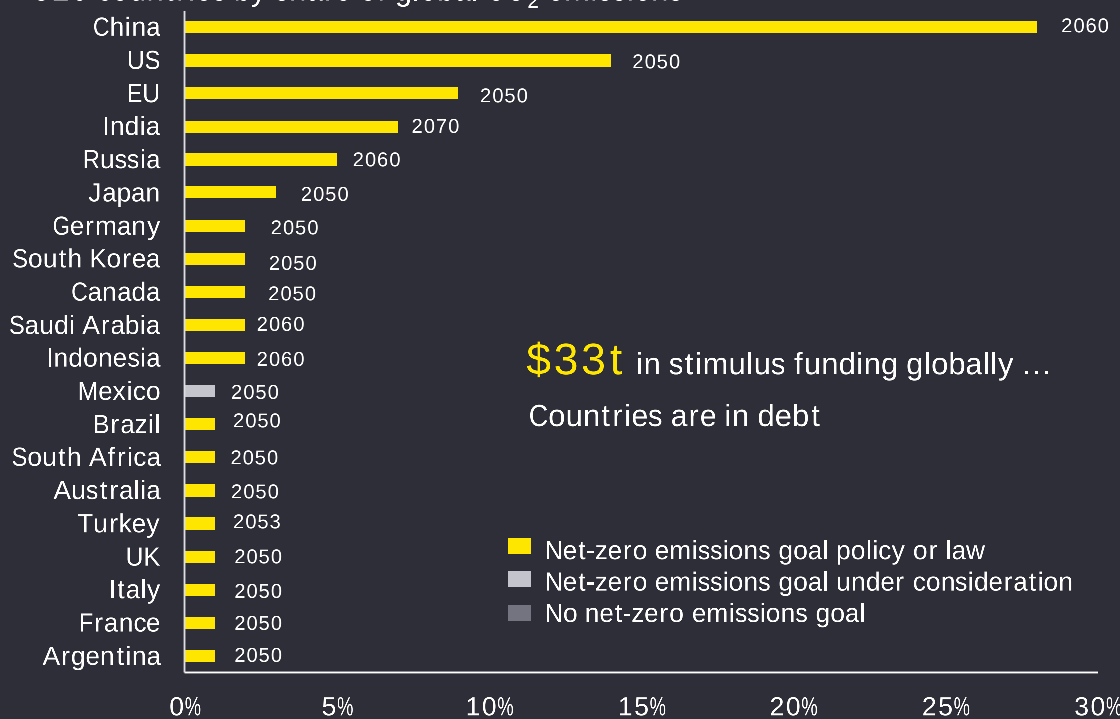
Government commitments to GHG abatement are nearly universal

Post-COP26: Although most major economies have made net-zero emissions goals, commitment levels and time frames vary

G20 countries by share of global CO_2 emissions



$33t in stimulus funding globally …

Countries are in debt

Sources: World Economic Forum, EY analysis.
Note: Emissions data is from 2019. Dates on the graph represent the year targeted under net-zero emissions goal, if applicable.

Renewed focus on climate policy agendas by major countries

- EU's "Fit for 55" and a more ambitious strategy on climate change adaptation.
- China's carbon-neutrality pledge may raise the bar for other emerging markets.
- US tightening climate change regulations and seeking to lead in green tech innovation.

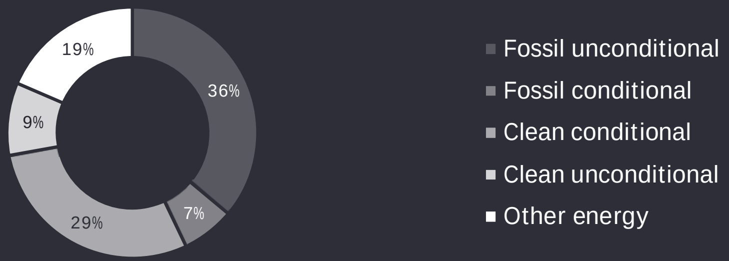
COP26 delivered only partial progress by governments on climate action commitments

The nexus between climate change and political risk will continue to grow

More than half of G-20 markets have carbon pricing initiatives in place.

Count of carbon pricing initiatives, new or amended public money commitments to energy since 2020

Less than half of G-20 government energy financing during COVID-19 has specifically targeted renewables.



Key dimensions to this nexus in 2022:

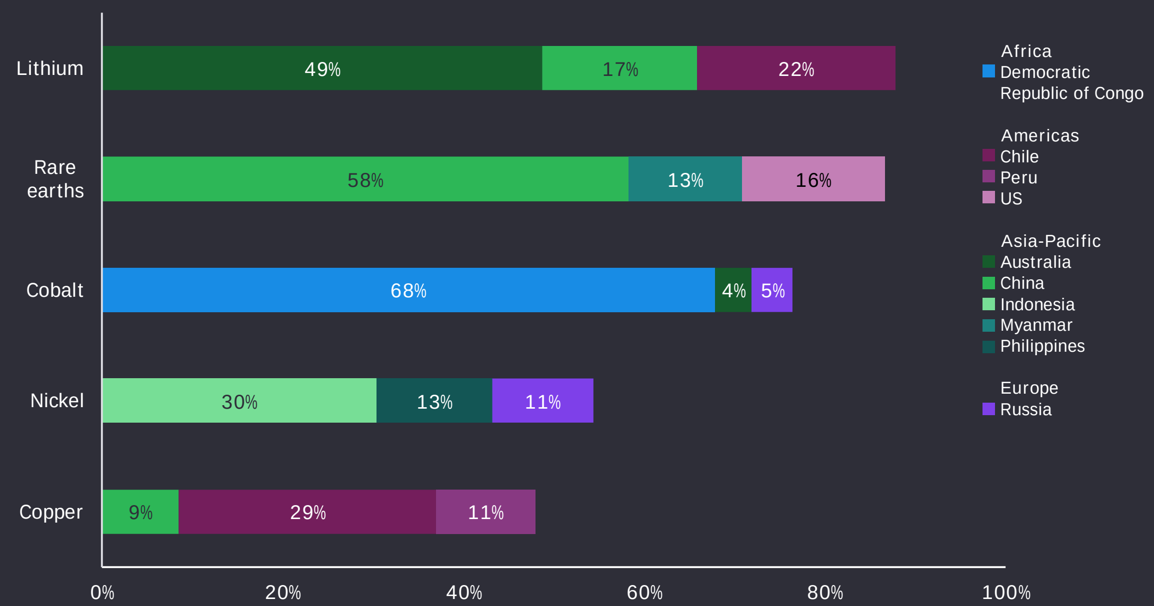
- Policies to address extreme weather events and shifts in climate patterns – and possibly social unrest related to these events
- Policy and regulatory shifts designed to accelerate the energy transition, including carbon pricing and sustainability reporting
- Carbon trading and climate financing support mechanisms
- Geopolitical dynamics including US-China relations

Source: World Bank, Energy Policy Tracker, EY Climate Cash and Tax Barometer 2021, EY Green Tax Tracker
Note: Data are current as of October 13, 2021. Details on energy type classification are available at: www.energypolicytracker.org/methodology.

Green/critical minerals resource nationalism will accelerate

Geographic concentration of reserves and production of key green/critical minerals heightens supply risk.

Share of global production for select green/critical minerals



Source: Mineral Commodity Summaries 2021, US Geological Survey; EY analysis
Note: The top three producers for each mineral are shown. Data is from 2020.

The accelerating energy transition is driving a substantial increase in demand for "green minerals"

- Exporters will seek to maximize the financial and developmental benefits for their countries
- Importers will try to secure resilient supply chains for green minerals, perhaps to the detriment of climate action efforts

Green minerals are critical for a low-carbon economy, but extracting them could harm the environment and challenge the social license to operate.

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Mining companies will face a growing challenge in balancing various stakeholder pressures

Increasing stakeholder expectations

Consumers

Supporting climate-conscious companies and their suppliers, even from afar.

Employees

Seeking companies with a carbon-conscious approach, but limited in support of automation as a decarbonizing solution given potential job risks.

Investors

Allocating capital based on climate change disclosures, strategies and perception of miners' community engagement.

Policymakers

Accelerating energy transition through top-down policies and goal-setting, and likely to favour production markets with lower carbon footprints.

Boards and C-suites

Launching new carbon commitments and other sustainability goals, including evaluating entire supply value chain footprints.

Regulators

Mandating disclosure of climate-related information, risks and performance.

Regulator and societal expectations of miners diverge across countries

Illustrative differentiation by country

South Africa

Power investment by miners critical to local economy

Dependence on foreign investment

- Mining companies could invest close to $3b in transforming local power
- Coal-dependent economy set to receive $8b+ support to end its coal use, per COP26 agreement

Electricity grid challenges

- Local blackouts have made state-owned utility provider an elections target
- Electricity sector reform is being considered in context of likely job losses

Belgium

Importer expectations shaped by broader climate goals

Regulatory standard setting

- CO_2 emission reduction target of 35% by 2030 (compared with 2005 levels), but not on target to meet it
- Part of EU's "Fit for 55" package of measures to reach climate goals

Societal expectations

- Greatest mineral imports come from other European countries, reducing societal pressures
- Government plan to lift ~380k people out of poverty

Peru

Political instability mires climate action progress

Insufficient climate progress

- 2020 climate pledges have been deemed "insufficient"
- Created the High-Level Commission on Climate Change as a multi-sector working group to oversee climate commitments

Renewed social protests

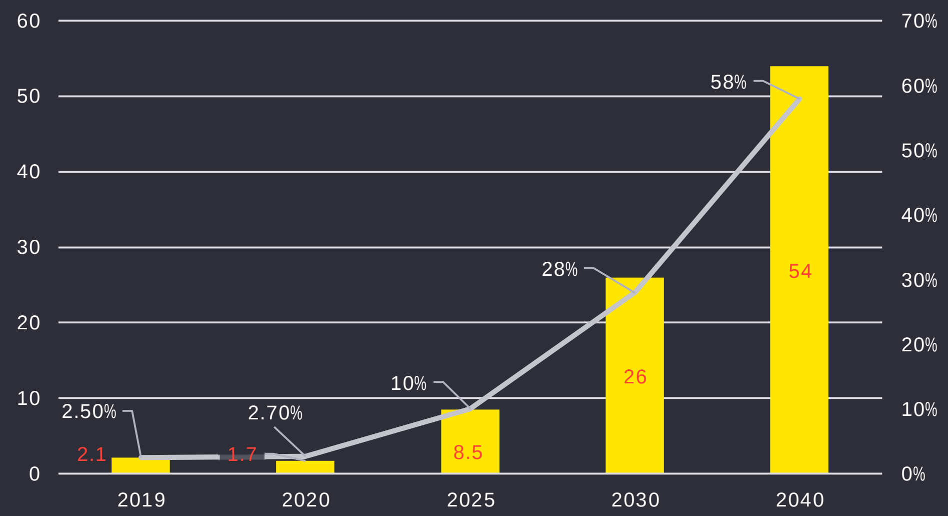
- 2021 election results have led to social tensions around the mining sector
- Protests against mining companies grew in autumn 2021, resulting in suspension to the country's largest copper-zinc mine

Sources: Wall Street Journal, New York Times, BNamericas, SNMPE

Whereas energy transition trends are global, the implications for mining companies will be hyper-local

- While EVs are set to take-off, local growth will be partially dependent on local utility regulations.
- Scalability of EV charging infrastructure and batteries is mired by societal and environmental challenges.

Global passenger EV sales (in millions)/percentage EV market share



Source: Bloomberg NEF — Electric Vehicle Outlook 2020

- Regulations will differ by geography.
- Societal pressure will increasingly have an "extraterritoriality" to it. Miners should aim to demonstrate the positive societal contribution of mining to improve brand.

Opportunities for cohesive regulation:

- Alignment of EV rollout and infrastructure vision to grid plans
- Agreements on financial and tax incentives across localities
- Emissions targets
- Charging standards and interoperability norms

Polling question

What are the most important new actions your organization is taking or planning to take to manage growing interest and activism by a wider range of stakeholders?

A. Proactively communicating on these issues

B. Tracking social/societal developments regularly

C. Holding regular leadership briefings by outside experts

D. Collaborating with sector peers to coordinate engagement approaches

E. None of the above/we are happy with our current approach

Perspectives on the current and future state of ESG reporting

1. Market factors driving ESG communication demands
2. Current state of ESG ecosystem

Presented by

Janis Rod
Senior Manager

Market factors driving ESG communication demands

Why is this topic important?

What is ESG and why does it matter?

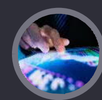
ESG is a strategic business issue that is increasingly tied to business performance and integrated into core business strategy and governance processes. ESG can unlock innovation and transformation to realize long-term value for all stakeholders.

Investors

- 98% of investors surveyed by EY evaluate ESG performance based on corporate disclosures
- Investors filed at least 140 climate-related shareholder proposals at US companies during the 2020 proxy season

Employees

- Millennials are three times more likely to seek employment with a company because of its stance on social and environmental issues
- Racial diversity, equity and inclusion is a renewed priority for companies looking to drive sustainability and overall performance



Customers

- 57% of consumers are willing to change their purchasing habits to help reduce negative environmental impact
- More than 150 organizations with $4 trillion of purchasing power are requesting ESG information from 15,000 suppliers via CDP[1]

Regulators

- The Securities Exchange Commission (SEC) and Canadian Securities Administrators (CSA) actively considering new regulatory initiatives relating to climate and ESG reporting
- There is increasing pressure from regulators globally to strengthen and standardize non-financial reporting and disclosures

Defining ESG:

The term ESG is often used interchangeably with the terms “sustainability” and “corporate responsibility”. Priorities vary by company and often include these topics.

Environmental

- Climate risks
- Greenhouse gas emissions
- Energy efficiency
- Pollution and waste management
- Use of natural resources
- Clean energy and technologies
- Biodiversity

Social

- Human capital
- Diversity, equity and inclusion
- Employee health and safety
- Labor relations and working conditions
- Privacy and data security
- Product quality and safety
- Human rights and child labor

Governance

- Diversity of leadership
- Anti-bribery and anti-corruption
- Business ethics
- Corporate resiliency
- Compensation policies
- Lobbying and political contributions
- Escalation protocols

[1]Carbon Disclosure Project – global disclosure system for companies, cities, states and regions to provide data on their environmental performance through questionnaires including topics like climate change, water, supply chain, forests and cities

Why is this topic important?

What is ESG and why does it matter?

EY’s 2021 Global Institutional Investor Survey[1] reinforces the fact that ESG performance plays a central role in investor’s decision-making and long-term investment management.

A tipping point

1. The COVID-19 pandemic acts as a powerful ESG catalyst

90%

90% of investors attach greater importance to corporates’ ESG performance in their investment strategy and decision-making, since the COVID-19 pandemic.

Future of ESG investing

2. Performance transparency and analysis capability

89%

89% of investors surveyed said they would like to see reporting of ESG performance measures against a set of globally consistent standards become a mandatory requirement.

The race to net-zero

3. Climate change at the heart of investment decision-making

86% investors said that an important part of their strategy is investing in companies that have aggressive carbon-reduction initiatives.

2021 Global Institutional Investor Survey: Is your ESG data unlocking long-term value?
The sixth edition of this survey included more than 320 institutional investors.

COP26 goals

Call for action from governments, financial institutions and the private sector to keep the 1.5°C target alive

End deforestation by 2030

Over 100 leaders, including US, UK, China, Russia, Canada and Brazil, signed the Glasgow Leaders' Declaration on Forests and Land Use. The declaration endorses over 86% of the world's forests.

Slash methane emissions by 30% by 2030

More than 90 governments joined President Joe Biden in pledging to reduce methane emissions by 2030.

New observatory launched to drive action on reducing methane emissions, the International Methane Emissions Observatory.

Pledge to phase out coal

More than 40 countries committed to ending investment in new coal power generation and phase out coal by 2030 in richer economies and 2040 in poorer economies. However, China and the US did not sign up.

Green the financial system

Network for Greening the Financial System, now formed of 100 central banks, released a declaration establishing its readiness to meet Paris objectives, through adopting Task Force on Climate-related Financial Disclosures (TCFD) recommendations and assessing climate-related risks in the financial systems.

COP26 goals

Call for action from governments, financial institutions and the private sector to keep the 1.5°C target alive

New sustainability reporting standards board

The IFRS Foundation will launch a new International Sustainability Standards Board (ISSB), which will function as a sister board to the globally recognized setter International Accounting Standards Board (IASB), which sets financial accounting standards used in a majority of jurisdictions around the world.

The ISSB will first develop a specific standard regarding climate change disclosures, but the mandate is to develop a broad set of standards covering ESG issues.

Private and public climate funding

Climate Finance Delivery Plan developed in order to meet the goal of mobilizing $100b per year of climate aid for the developing world.

Japan committed extra $10b climate finance over five years.

The Glasgow Financial Alliance for Net Zero – a group of private-sector investors, launched in April with US$5 trillion committed to "achieving net zero emissions by 2050 at the latest" – has now secured over US$130 trillion of private capital committed for this purpose.

Canada and other country-specific commitment highlights

Canada commits to end new direct public support for the international unabated fossil fuel sector by the end of 2022; increase price on carbon from $40 per tonne to $170 per tonne by 2030; achieving net zero emissions in its electricity grid by 2035; and put a cap on oil and gas sector today to move towards net zero by 2050.

The US unveiled a plan to reduce methane emissions by about 75% with tighter regulations on the oil and gas sector, including targeting methane flaring and leaks from oil wells and pipelines.

India targets net-zero by 2070.

Current state of ESG ecosystem

Global ESG regulatory and industry environments are changing rapidly

2020

SEC Investor Advisory Committee
May 2020 – Recommended SEC begin to update reporting requirements to include ESG factors.

SEC – Human Capital
August 2020 – Issued revised Human Capital Disclosures guidelines.

IFAC
September 2020 – The International Federation of Accountants (IFAC) publicly called for the IFRS Foundation to set up a sustainability standards board alongside the IASB to set global sustainability/ESG "standards".

Partnership for Carbon Accounting Financials
November 2020 – Issued Global GHG Accounting and Reporting Standard for financed emissions.

Top Canada Pension Funds ask for better ESG disclosures
November 2020 – Heads of eight Canadian pension funds ask companies to improve their ESG disclosures to give investors consistent and complete data.

Bank of Canada and OSFI launch pilot project on climate risk scenarios
November 2020 – Use climate-change scenarios to better understand the risks to the financial system related to a transition to a low-carbon economy.

2021

US re-joins Paris Agreement
January 2021 – US re-joined the Paris Agreement and is expected to introduce ESG-related regulations.

SEC announces Enforcement Task Force to focus on Climate and ESG
March 4 – Task force will develop initiatives to proactively identify ESG-related misconducts. Call for public input on climate disclosures.

SEC issues comment letters on climate disclosures
September 2021 – SEC began issuing comment letters to listed companies on climate disclosure in annual reports, emphasizing direct and indirect impacts of climate regulatory developments, business trends and physical risks.

Mandatory climate reporting in the UK
By 2022 – UK government expects all listed companies and large asset owners to disclose in line with TCFD.

Canada Securities Administrators propose climate-related disclosure requirements
October 2021 – Proposed requirements, largely consistent with the TCFD recommendations, will address the need for more consistent and comparable information.

COP26
November 2021 – Convening of global governments to take action against climate change.

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Polling question

How prepared is your organization to adopt/meet emerging ESG-related disclosure requirements?

A. Not at all – this will require significant effort

B. A little prepared – we have a strategy to start reporting

C. Somewhat prepared – we are already tracking some relevant information

D. Prepared – we already publicly monitor and disclose some of the same information

E. Well prepared – we already publicly monitor and disclose this information

What we expect from the SEC

Climate

- Proposal expected early 2022
- Range of disclosure options possible from Scope 1 and 2 as minimum, to Scope 3 inclusion as maximum
- Proposal likely to require disclosures in annual reports
- Outright reliance on any existing disclosure framework or standards appears less likely
- Assurance requirement is being considered and would be consistent with recent EU proposal for a Corporate Sustainability Reporting Directive (CSRD)
- SEC staff has started to issue comments asking for more consistency between sustainability and annual reports climate disclosures

Human capital

- Already required (since November 2020) in annual reports but the rules allow almost total discretion and do not require quantification of metrics
- Proposal may be issued before climate – expected to be less complex
- Topics expected to be considered by the SEC:
  - Workforce demographics, stability (turnover), skills and capabilities, culture, health and safety, productivity and compensation
  - Human rights commitments

EY

EU proposes Corporate Sustainability Reporting Directive (CSRD) in April 2021 with far-reaching implications

The EU estimates it will increase the number of companies required to disclose sustainability information from 11,000 to approximately 50,000

Far-reaching scope, with EU companies and non-EU companies that are listed in the EU, or that are unlisted but large subsidiaries operating in the EU

Assurance will be required

If agreed to by Parliament, effective for years ending December 2023

Businesses will need to consider how they:

- Identify and gather sustainability-related information
- Set targets and KPIs (revising existing targets and KPIs if necessary)
- Draw up policies
- Manage social, environmental and governance risks

Other ways to prepare:

- Adapt internal quality control and risk management systems – and review their effectiveness
- Perform additional due diligence on supply chains
- Establish efficient procedures
- Ensure appropriate governance and monitoring is in place
- Review arrangements for external assurance of sustainability information

In November, 2021, the IFRS Trustees announced the formation of a new International Sustainability Standards Board

- In September 2020, the IFRS Foundation issues its consultation paper on sustainability reporting for comment which identified growing and urgent demand for comparable and transparent sustainability standards driven by numerous stakeholders, including investors, central banks, regulators, public policy makers and auditing firms
- Feedback on the paper confirmed an urgent need for global sustainability reporting standards and support for the IFRS Foundation to play a role in their development
- In November, 2021, the IFRS Trustees announced the formation of a new International Sustainability Standards Board (ISSB) to develop a global baseline which will set recommendations for ESG reporting designed for an investor audience. The ISSB's Enhanced Climate Standard Prototype will:
  - Focus on investor stakeholders' information needs
  - Develop a climate change disclosure standard first, and aim to develop a set of standards to encompass other ESG issues in the future
  - Build upon established work of TCFD and alliance of standard-setters (SASB, GRI, etc.)
  - Develop a globally consistent and comparable sustainability reporting baseline
- A first set of recommendations is expected to be released in early 2022

- The IFRS Foundation will oversee two independent standard-setting boards:
  - The International Accounting Standards Board (IASB)
  - The International Sustainability Standards Board (ISSB)

The CSA proposes mandatory climate-related disclosure requirements

On October 18, 2021, the CSA launched a consultation on proposed mandatory climate-related disclosure requirements for Canadian reporting issuers. These recommendations follow those set out by the Ontario Capital Markets Modernization Taskforce, as well as in the Ontario 2021 budget earlier this year. The CSA has provided a list of questions for stakeholders and is seeking written comments on the Proposed Instrument by January 17, 2022.

Overview of proposed requirements[1]

- Purpose:
  - Facilitate an "equal playing field" for all issuers through comparable and consistent disclosure.
  - Remove costs associating with reporting to multiple disclosure frameworks and reducing market fragmentation.
- Application: All Canadian reporting issuers, except for investment funds, issuers of asset-backed securities, designated foreign issuers, SEC foreign issuers, certain exchangeable security issuers and certain credit support issuers.
- Disclosure requirements: Climate-related information in compliance with the four core elements of the TCFD recommendations:
  - Governance: The board's oversight of and management's role in assessing and managing climate-related risks and opportunities.
  - Strategy: The short- to long-term climate-related risks and opportunities the issuer has identified and the impact on its business, strategy and financial planning, where such information is material.
  - Risk management: How an issuer identifies, assesses and manages climate-related risks and how these processes are integrated into its overall risk management.
  - Metrics and targets: The metrics and targets used to assess and manage climate-related risks and opportunities, where information is material.
- Modifications to TCFD recommendations:
  - Issuers will not be required to disclose scenario analysis, including a 2˚C or lower scenario.
  - Whether issuers will need to disclose Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and their related risks is yet to be determined. The CSA is asking for opinions on two options:
    - Mandatory disclosure of all three scopes and their related risks on a comply or explain basis, meaning if organizations choose not to disclose they will need to provide a reason as to why not.
    - Mandatory disclosure of Scope 1 emissions with disclosure of Scope 2 and Scope 3 emissions on a comply or explain basis.
- Location of disclosure: Disclosures will need to be included in the issuer's annual management's discussion and analysis, or in its annual information form, or its management information circular.
- Timing: Disclosure requirements are anticipated to come into effect by December 31, 2022 and will be phased-in over a one-year period for non-venture issuers (December 31, 2023) and over a three-year period for venture issuers (December 31, 2025).

[1] Climate-related Disclosure Update and CSA Notice and Request for Comment — Proposed National Instrument 51-107 Disclosure of Climate-related Matters

"[These measures] are a milestone for Canada, making us among the first G7 nations to propose mandating climate-related disclosures.

Grant Vingoe,
CEO and Chairman, Ontario Securities Commission

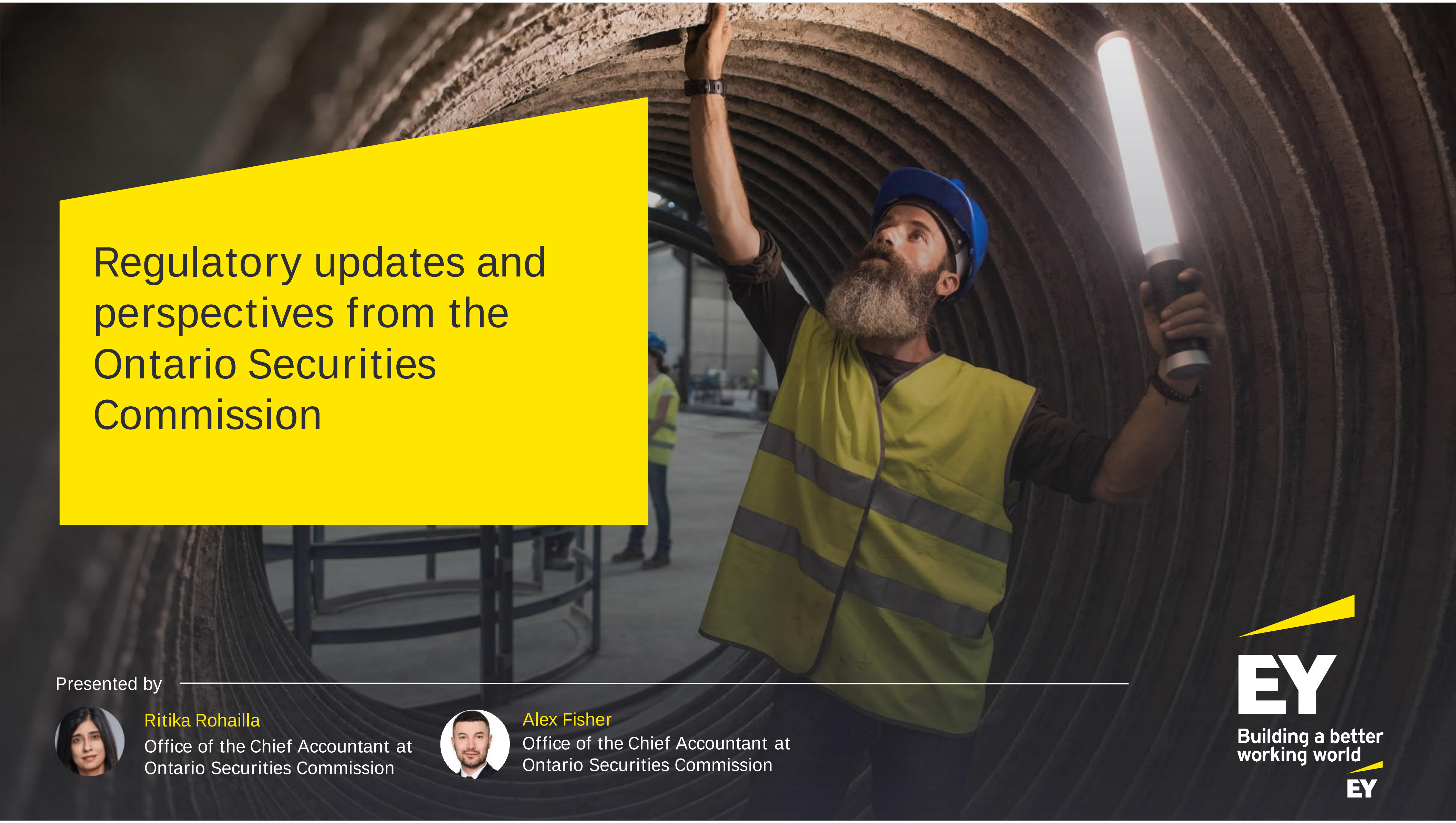
GHG Emission Scopes Explained

Scope 1: Direct emissions from the activities of an organization or those under its control

Scope 2: Indirect emissions from electricity and heat purchased and used by an organization

Scope 3: All other indirect emissions from activities of an organization, including production of goods and provision of services from suppliers, use of sold products by customers, business travel, and investments

Click here for more information.



Regulatory updates and perspectives from the Ontario Securities Commission

Presented by

Ritika Rohailla
Office of the Chief Accountant at Ontario Securities Commission

Alex Fisher
Office of the Chief Accountant at Ontario Securities Commission

EY Building a better working world

Regulatory Update – Ontario Securities Commission

Alex Fisher
Ritika Rohailla
Office of the Chief Accountant

December 2021

OSC ONTARIO SECURITIES COMMISSION

Agenda

- National Instrument 52-112 Non-GAAP and Other Financial Measures
- Climate Related Disclosures

ONTARIO SECURITIES COMMISSION

Disclaimer

The views I am about to express are my own, and are not necessarily representative of the Ontario Securities Commission or its staff.

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure

- New securities law
  - non-GAAP
  - other financial measures
- Replaces Staff Notice 52-306 Non-GAAP Financial Measures
- Disclosures outside financial statements (e.g., in MD&A, press release, social media, AIF etc.)

Non-GAAP		Other Financial		
Non-GAAP Financial Measure	Non-GAAP Ratio	Total of Segments Measure	Capital Mgmt. Measure	Supp. Financial Measure
Example	Example	Example	Example	Example
Adjusted Net Income	Adjusted Net Income per Share	Total of Segments Adjusted EBITDA	Normalized Debt	Same-Store Sales[1]

[1] Assuming "sales" is calculated in accordance with accounting policies used to prepare the sales line item presented in the primary financial statements.

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National Instrument 52-112: Effective Date

Reporting Issuers

October 15, 2021

Non-Reporting Issuers

December 31, 2021

Year-end	Initially Applied
October 31	Annual Filings - October 31, 2021
December 31	Annual Filings - December 31, 2021
March 31	Annual Filings - March 31, 2022
August 31	Annual Filings - August 31, 2022
September 30	Annual Filings - September 30, 2022

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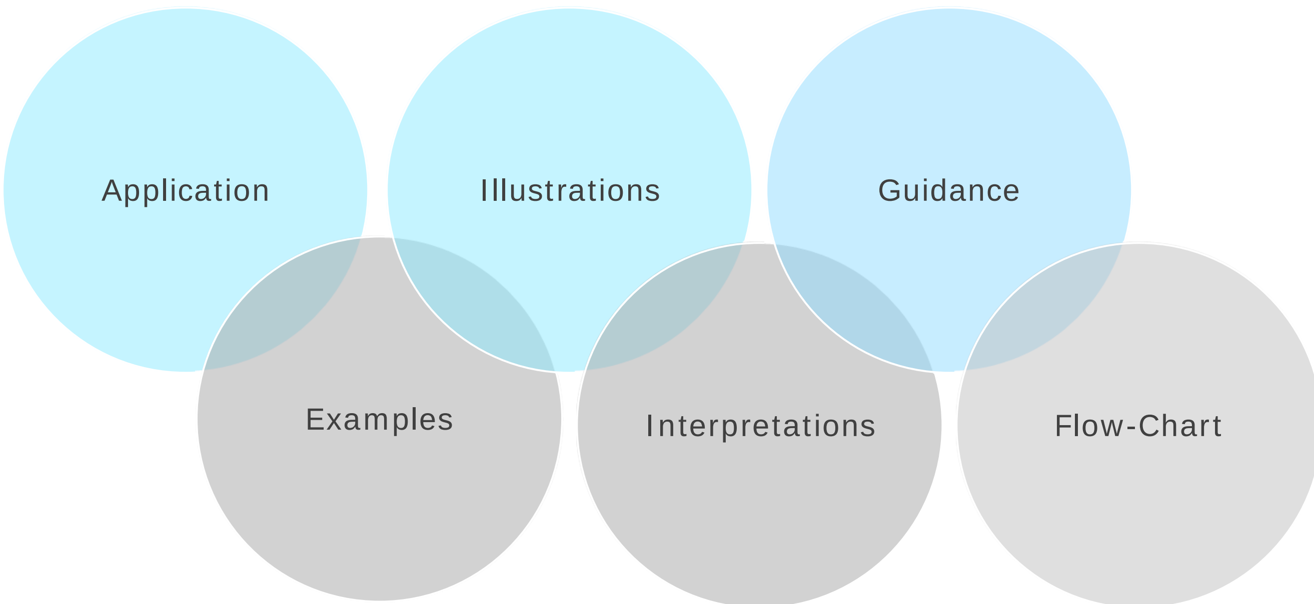
National Instrument 52-112: Disclosure Summary

	Attribute	Disclosures	Non-GAAP			Other Financial Measures		
			Historical	Forward-looking	Ratio	Total of Segments Measures	Capital Management Measure	Supp. Fin. Measure
1	Labelling	Label appropriately	X	X	X			X
2	Identification	Identify as such	X					
		Disclose non-GAAP financial measure		X D	X F		X F	
3	Relationship	Disclose most directly comparable primary financial statement measure	X			X		
4	Prominence	Present with no more prominence	X	X	X	X	X	
5	Cautionary	Explain does not have a standardized meaning and may not be comparable	X		X			
6	Comparative	Include comparative period	X C		X C	X C	X C	
7	Composition	Explain the composition	X A		X A		X A,G	X A
8	Usefulness	Explain how the measure is useful and the additional purposes, if any, for which management uses it	X A		X A		X A,G	
9	Reconciliation	Provide a reconciliation to the primary financial statement measure	X A,B	X A,B,E		X A,B	X A,B,G	
10	Changes	Explain reasons for changes	X A		X A			

Notes	
A	Ability to incorporate information by reference to the issuer's MD&A.
B	Cannot incorporate information by reference in an earnings release.
C	Comparative information required in MD&A or in an earnings release, subject to certain exceptions.
D	Disclose the equivalent historical non-GAAP financial measure and comply with disclosure requirements for historical non-GAAP financial measures (Section 6).
E	Disclose description of significant differences.
F	Disclose each non-GAAP financial measure used as a component in non-GAAP ratio or capital management measure and comply with requirements for historical non-GAAP financial measures (Section 6).
G	Disclosure not required if such disclosure already made in the notes to the financial statements of the entity to which the measure relates.

Disclaimer: The above is a very simplified summary of the disclosure requirements. To ensure compliance, reference to the specific National Instrument is required.

National Instrument 52-112: Companion Policy



Climate Related Disclosures

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Existing Disclosure Requirements

- Issued various Staff Notices (guidance) over the past decade

2010: CSA Staff Notice 51-333 Environmental Reporting Guidance

2018: CSA Staff Notice 51-354 Report on Climate Change-related Disclosure Project

2019: CSA Staff Notice 51-358 Reporting of Climate Change-related Risks

- Based on existing securities legislation – requirements (MD&A, AIF) to:
  1. Disclose material commitments, events, risks or uncertainties that may affect future performance
  2. Disclose all material risk factors
  3. If a company has implemented environmental policies that are fundamental to operations, a company must describe those policies and steps taken to implement

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Background - Proposed NI 51-107 Disclosure of Climate Related Matters

Background

- Recommendations from the Capital Markets Task Force and ESG discussed in March 2021 Ontario Budget
- On-going concerns about climate-related disclosures
  - Completeness, consistency & comparability
  - Limited quantitative information
  - ‘Cherry pick’ voluntary standards or frameworks
- Increased focus on climate-related issues
  - Mainstream business issue
  - Investors are seeking improved disclosure on governance processes and the material risks, opportunities and financial impacts of climate change
- CSA Review (2021) of Climate Related Disclosures
  - 48 issuers from S&P/TSX Composite index across a wide range of industries
  - Issuers are providing more climate-related information in continuous disclosure filings and voluntary reports (compared to previous review in 2017)
  - However, 41% of the disclosures were limited and lacked specificity

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Proposed NI 51-107 Disclosure of Climate Related Matters

Key Elements	
	• Disclosures contemplated are largely consistent with the Task-Force on Climate Related Financial Disclosure (TCFD) recommendations: • Governance - board's oversight of and management's role in assessing and managing climate related risks and opportunities • Strategy - the short, medium, and long-term climate related risks and opportunities and the impact on business, strategy and financial planning, where such information is material • Risk Management – how climate related risks are identified, assessed and managed and how these processes are integrated into overall risk management • Metrics & Targets – the metrics and targets used to assess and manage climate related risks, opportunities, where information is material

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Proposed NI 51-107 Disclosure of Climate Related Matters

Modifications	• Proposed NI 51-107 modifies the TCFD recommendations in the following ways: • Scenario Analysis (strategy)– proposals exclude the requirements to disclose 'scenario analysis', which is an issuer's description of the resilience of its strategy within different climate related scenarios, including a 2°C or lower scenario • GHG Emission Disclosure (metrics & targets) • Option 1 – Issuers would be required to disclose their Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions and the related risks, or their reasons for not doing so • Option 2 – Issuers would be required to disclose Scope 1 GHG emissions and would have to provide their reasons for not disclosing Scope 2 and Scope 3 GHG emissions if they choose not to disclose these emissions.
Transition	• Proposed Instrument comes into Force December 31, 2022 • Phased in Transition: • Non-Venture: 1 year transition (disclosure included in annual filings due in 2024) • Venture: 3 year transition (disclosure included in annual filings due in 2026)

Overall Objectives of Proposed NI 51-107 Disclosure of Climate Related Matters

- Improve **access to global capital markets** by aligning Canadian disclosure standards with expectations of international investors
- Assist investors in making more **informed investment decisions**
- Facilitate an **equal playing field** for issuers through comparable and consistent disclosure
- **Remove costs** associated with **navigating and reporting based on multiple disclosure frameworks** as well as reducing market fragmentation

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International Developments

International Developments	
	• IFRS Foundation's definitive proposal to establish the International Sustainability Standards Board (ISSB) • Montreal to host one of the central ISSB offices • International Organization of Securities Regulators (IOSCO) – Technical Experts Group formed to advise IFRS Foundation on prototype standards

ONTARIO SECURITIES COMMISSION

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Comment letter trends and IFRS developments

Presented by

Eric Simmons
Partner

Building a better working world

Polling question

Do you expect changes in your disclosures next year over any of the below areas?

Select all that apply.

A. Implications of macroeconomic trends (inflation, supply chain, etc.)

B. Climate-related risks

C. Human capital

D. Cybersecurity

EY

Highlights of trends in 2021 regulatory comment letters – Mining

Highlights of trends in 2021 SEC comment letters

https://www.ey.com/en_us/assurance/accountinglink/sec-reporting-update-highlights-of-trends-in-2021-sec-comment-letters

- Volume of letters down by 20% from the previous year, higher concentration on larger issuers — "Usual suspects" near the top (non-GAAP, Management's Discussion and Analysis (MD&A), and segment reporting)
- COVID-19 specificity of risk factors, clarity of MD&A disclosure of the effects of the pandemic and the impact of government assistance
- Mining: Expand disclosures on exploration plans and elaborate on categorization as proven or probable reserves
- Looking ahead:
  - Climate change: SEC's 2010 guidance on climate-related disclosures (SEC has published a sample comment letter). May also ask:
    - How registrants have considered whether to disclose the material effects of risks related to changes to their business that may be necessary to respond to climate risk
    - Whether information included in sustainability reports should be included in annual reports
  - Cybersecurity risks: e.g., "You indicated, to date, unauthorized users have not had a material effect on your company. Please tell us how you reached such a conclusion."

Highlights of trends in 2021 regulatory comment letters – Mining

Recent Canadian regulatory action publications:

- Staff Notice 51-362 – Staff Review of COVID-19 Disclosures and Guide for Disclosure Improvements:
  - Focused on expanding disclosures on COVID-19 impacts on the company's operations, financial condition, and entity-specific measures taken to reduce the COVID-19 impact on their business.

- CSA's continuous disclosure reviews:
  - Last published in 2020
    - Financial statements: Impairment, intangibles, operating segments
    - MD&A: Forward-looking information, liquidity and capital resources, transactions between related parties, discussion of operations, and non-GAAP financial measures
    - Other: Compliance with other regulatory matters including overly promotional disclosure, insider reporting, early warning reporting, material change reporting, and mineral project disclosure
    - Technical reports: Criteria used to delineate resources, procedures performed by qualified person to validate data, and disclosure of both tonnage and grade of reserves/resources

IASB Extractive Industries Project

IASB considering developments since issuance of IFRS 6 Exploration for and Evaluation of Mineral Resources, which was a temporary standard

Outreach produced tentative decisions on scope and objectives of the project:

	Do not explore	Explore
Matters in the scope of IFRS 6	Requirements/guidance on: ▶ Unit of account to apply to exploration and evaluation (E&E) expenditure ▶ Which E&E expenditures to capitalize and when to start and stop capitalization ▶ Accounting for intangible E&E expenditure and research and development expenditure ▶ Impairment of E&E assets	▶ Improve disclosures about E&E expenditure and activities ▶ Remove IFRS 6's "temporary status"
Matters outside the scope of IFRS 6	▶ Application of other standards (i.e., leases, inventory, property, plant and equipment, provisions) within extractive activities ▶ Collaborative arrangements ▶ Disclosures not specifically required by IFRS standards	
Reserve and resource information	▶ Reserve and resource information in financial statements	

Outreach indicated interest in improving disclosure about the accounting policy for E&E expenditures

The Board will consider what research to do for this project

Pre-production revenue

Standard effective January 1, 2022:

- Prospective from date of earliest comparative period to assets that were not ready for use at this date
- Restate from January 1, 2021 (if providing one year of comparatives) or January 1, 2020 (if providing two years of comparatives)

Implementation issues:

- Determining the "cost" of pre-production revenue (e.g., what is 'normal capacity', allocation of overheads)
- Applicable to E&E?
- Determining the unit of account (i.e., whole of mine vs. subsequent development activities)

Other related issues:

- Criteria for identification of inventories (e.g., marginal ore stockpiles)
- No direct impact on accounting for commercial production (e.g. depreciation, cessation of capitalization of borrowing costs, etc.)
- Operating and capital cost guidance

Other topics and reminders

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction:

- Recognize deferred taxes on decommissioning costs and leases (no “initial recognition exception”)
- Applies to annual reporting periods beginning on or after January 1, 2023 (earlier adoption permitted)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

- Implications especially for instruments with at-risk covenant tests in <12 months
- Tentatively deferred to no earlier than January 1, 2024

Costs necessary to sell inventories – IFRIC agenda decision

- Include all costs needed to make the sale, not just additional costs required by the particular conditions of the inventories to make the sale

Reminder: IFRS 3 Amendments to the Definition of a Business came into effect in 2020

- Optional concentration test (substantially all value concentrated in a single identifiable asset or group of similar identifiable assets)


Questions?

Thank you!

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