Building a better working world

METALS AND MINING

Financial Reporting Developments

November 26, 2024

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- Aaron Shi and Kunwar Khan

EY

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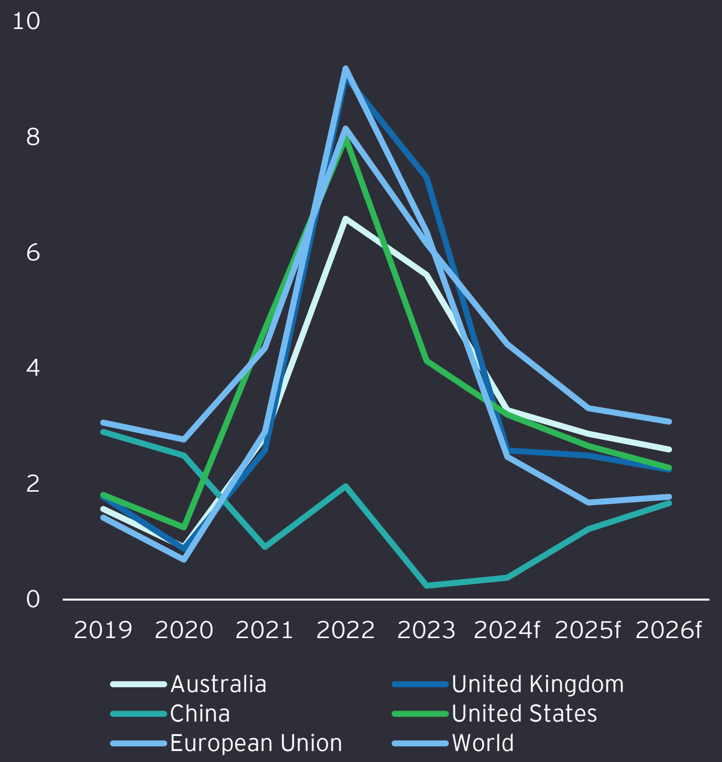
Industry snapshot and commodity update

Some signs of economic recovery in 2025, but continued stress on manufacturing, and looming impact of Trump victory on tariffs and commodities

Inflation* (CPI) (% change y-o-y)
2019-2026f



Source: EY Insights analysis of Oxford Economics, July 2024

* Inflation in most Latin American countries is declining. However, with high inflation some countries like Argentina (133% in 2023; and 287% forecast in 2024) the data for Latin America averages on the high side so not included.

Purchase Manager's Index
January – October 2024

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
China	49.2	49.1	50.8	50.4	49.5	49.5	49.4	49.1	49.8	50.1
Brazil	52.8	54.1	53.6	55.9	52.1	52.5	54.0	50.4	53.2	52.9
India	56.5	56.9	59.1	58.8	57.5	58.3	58.1	57.5	56.5	57.5
Russia	52.4	54.7	55.7	54.3	54.4	54.9	53.6	52.1	49.5	50.6
US	50.7	52.2	51.9	49.9	51.3	51.6	49.6	47.9	47.3	48.5
Eurozone	46.6	46.5	46.1	45.7	47.3	45.8	45.8	45.8	45.0	45.9
Japan	48.0	47.2	48.2	49.6	50.5	50.1	49.2	49.5	49.6	49.0

Source: EY Insights analysis of Refinitiv Workspace economic and commodity Indicators, October 2024

- Western economies in transition period
  - Central banks easing interest rates.
  - U.S. manufacturing PMI trended below 50 for the fourth consecutive month on uncertainty ahead of elections and as the hurricane disrupted supply chains.
  - Sharp contraction in Germany and France continue to weigh on the EU manufacturing sector.
- China:
  - On November 8, 2024, announced a in $1.4 trillion debt relief with focus on local government debt, rather than more direct measures.
  - Threats of Trump tariffs could trigger accelerated factory relocation elsewhere.
- Russia:
  - Manufacturing activity improved in October as output and new orders improved and producers recorded a rise in employment.

Biden's administration focused on addressing climate change, while Trump has historically prioritized an "America First" policy

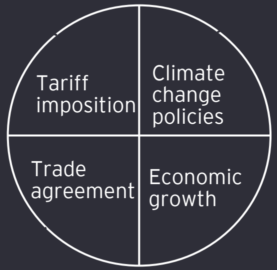
Key policies during Trump administration (2017-2021)

Section 232 tariffs (Mar-18)

- The US Government **imposed 25% tariff** on a range of steel articles imports like stainless steel products, pipes, and tubes from all countries except Canada and Mexico and **10% on aluminium products**.
- The tariff aimed to boost the US steel industry domestic production, reduced dependency on imports, and steady domestic supply for key sectors like defence.

US-Korea Free Trade Agreement (revised Sept-18)

- The US **lifted 25% steel tariff** on South Korean imports while capping South Korean steel exports to the US at 70% of past levels.
- With aim of increasing automobile exports, the revised trade deal in Spet-18 allowed US automakers to **double their car exports** from 25,000 to 50,000 to South Korea annually.

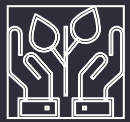


Key policies during Biden administration (2021-2024)

Climate change policies

- Biden **rejoined the Paris Climate Agreement** and set ambitious goals for reducing carbon emissions and transitioning to clean energy.
- **Build Back Better** focuses on investing in renewable energy, electric vehicles, and climate resilience.
- **US methane emission reduction plan (Dec-23)** aims to eradicate ~58mt methane emissions between 2024 and 2038.

Inflation Reduction Act (Aug-22)



- IRA aims to reduce inflation by investing in clean energy, lowering healthcare costs, and increasing corporate taxes, with a goal of **reducing GHG emissions by 31%** below 2005 levels by 2030.
- **~US$370b allocated** to convert retired fossil fuel infrastructure into new plants, boosting clean energy growth.

Section 301 tariffs (Mar-18 and expansions to tariffs in May-24)

- The US Government **imposed a tariff rate of 25%** on products imported from China, including certain motor parts and equipment owing to Chinese theft of US intellectual property.
- On May 14, 2024, the Biden administration proposed **expanding Section 301 tariffs on Chinese imports**, including solar panels, electric vehicles, batteries, green energy components, port cranes, steel, aluminium, medical syringes, and personal protective equipment.

Source: EY Insights analysis of publicly available sources

Looking ahead – Trump 2025 and beyond

TRADE

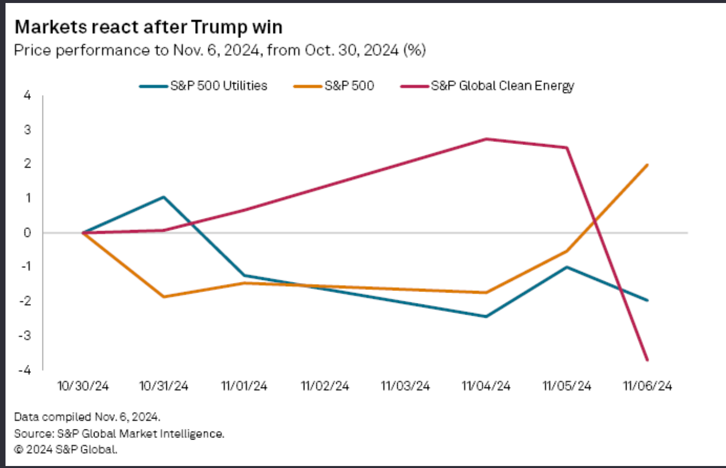
- Potential 60% tariff on Chinese goods, 10-20% tariffs on goods from other countries.
- Speculation of further impacts on aluminium and steel (targeted by tariffs during Trump's previous administration)

ENERGY TRANSITION

- Risk of repeal of measures introduced in Biden's Inflation Reduction Act to boost investment in clean energy,
- Potential new measures to battle dependency on China's advanced energy transition technology.
- Magnified pressure on lithium, nickel and other battery metals, and potential for downward pressure on copper.

GEOPOLITICS AND BROADER ECONOMY

- Trump tarriff impacts on inflation could limit further interest rate reductions. Increased treasury yields and US Dollar put negative pressure on gold.
- Nevertheless, gold continues as a safe haven against geopolitical risks – and a Trump administration could mean unpredictability around some global conflicts.



"Bi-lateral U.S.-China tariffs are already factored into projections, but a multi-lateral trade war which drags in Europe and key Asian economies is not, …

We see tariffs as a headwind to demand projections across many industrial metals over the first half of 2025."

Colin Hamilton, BMO director of commodities research[1]

1 November 6, 2024

EY Mining Center of Excellence

COE overview

The M&M CoE is an innovation hub, creating value for the sector through collaboration of technical mining specialists, EY professionals and networks across the Americas:

The onset of Energy Transition will drive a sector renaissance that requires increasingly digital operations, excellence in technical capabilities and closer industry collaboration for rapid innovation. The CoE will support our clients' ambitions by hosting relevant and appropriate capabilities and solutions

Technical expertise

Bringing advanced knowledge and understanding of the unique business landscape, including reserves and resources, mine planning and tailings management.

Digital transformation

Connecting the dots to link investments to value realization through strategic roadmaps, prioritization of initiatives and disciplined execution.

Operations management

Improving efficiency and productivity in operations through data-driven diagnostics, culture uplift and integrated planning and execution.

Decarbonization and ESG

Supporting adoption of carbon footprint analytics, greater energy optimization and increased health and safety.

DRIVING THE FUTURE OF METALS & MINING FORWARD.

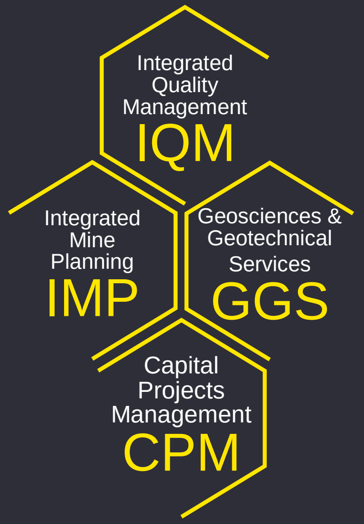
The **CoE** will help our clients navigate the rapidly changing landscape of the Low Carbon Economy through sustainable transformation aligned with internal and external stakeholders. In the CoE, we work with our clients to accelerate ambitious business transformation agendas.

- **Helping our clients think differently**
  We provide a business-led POV fueled by a unique and integrated mix of resources with the ability to get into the details of our clients' business – whether it's at a corporate level, operational level or discreet processes.
- **Thinking big, testing small & scaling fast**
  We co-create mining-ready sustainable solutions alongside our clients based on their most critical challenges, accelerating pace to success by leveraging the right people, assets and artifacts.
- **Bridging the gap beyond borders**
  Given the global footprint of mining, the CoE leverages the vast mining network within EY, maintaining Arctic-to-Patagonia collaboration in everything we do, so that we drive global vision with local flavors in implementation.

COE capabilities and offerings

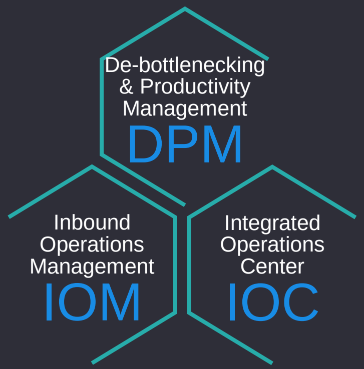
TECHNICAL SERVICES

Connect mining technical services to business decision making, bringing advanced knowledge and understanding of the unique business landscape, including reserves, resources, mine planning, quality management, tailings management and capital projects management.



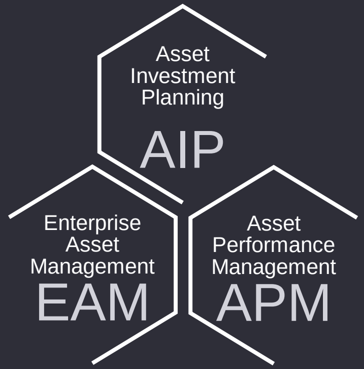
INTEGRATED OPERATIONS

Improving efficiency and productivity across operations and assets through data-driven diagnostics, culture uplift, fast and proactive decision-making and end-to-end integration of inbound and outbound flows with fast and proactive decision making.



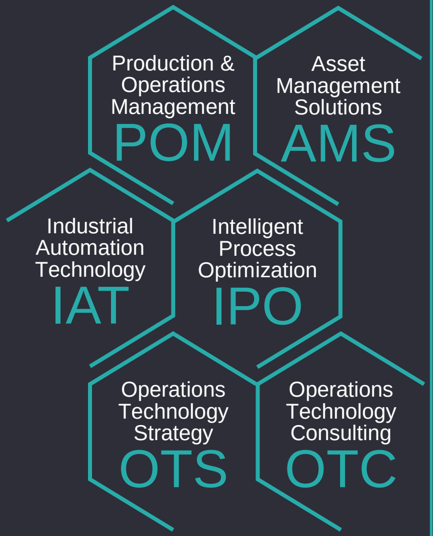
ASSET STRATEGY & PERFORMANCE

Leverage the value returned by assets throughout the life cycle by balancing risks, performance and costs through better investment decisions, effective maintenance management, and asset monitoring.



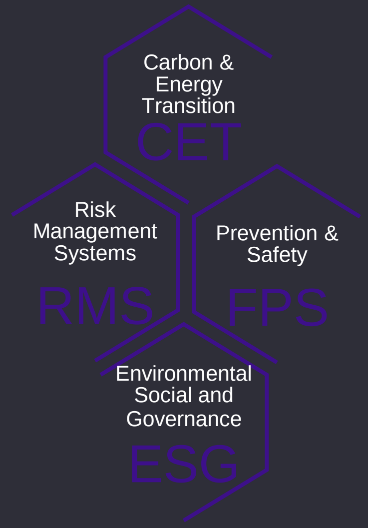
OT SOLUTIONS

Ability to identify and deliver value through operational technology, working from strategic planning to discipline in execution, managing technology, blueprint, specification, implementation of management systems, automation and process optimization (Level 1,2 and 3).



SAFETY & SUSTAINABILITY

Accelerating the powershift agenda, adopting carbon footprint analytics, improving energy optimization, increasing health and operational safety standards for a sustainable development of the sector.



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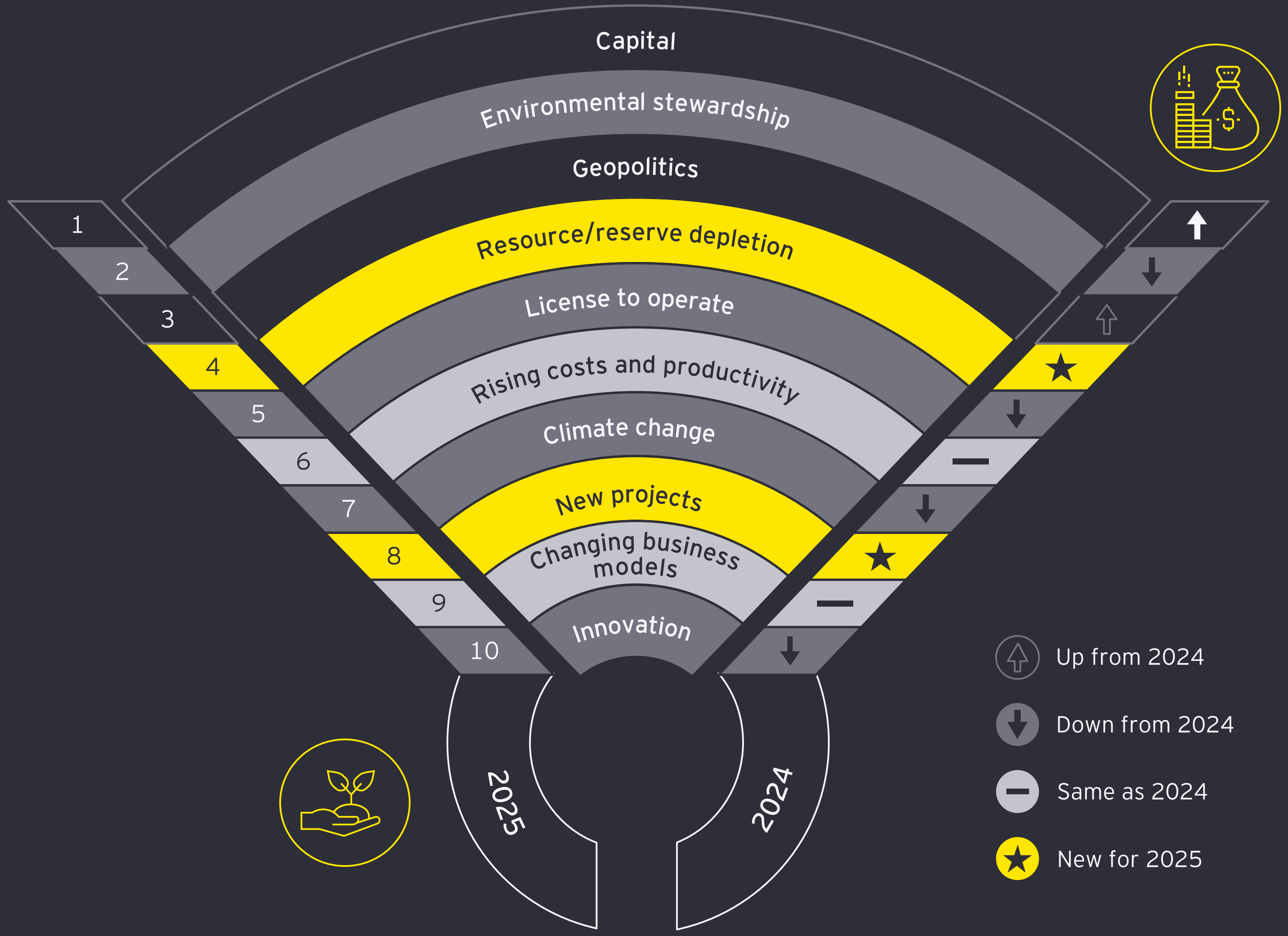
Top 10 Mining business risks & opportunities

Top 10 business risks and opportunities 2025

- **Capital** moves to No.1 this year as the challenges of buying and building to meet demand become more critical.
- Environmental stewardship is a key priority that has become the standout ESG issue, with LTO also rating highly.
- Resource and reserve depletion is on the list for the first time, and new projects is back (last on in 2018).
- Some of the risks that have fallen off the list are surprising: workforce, digital and cyber.



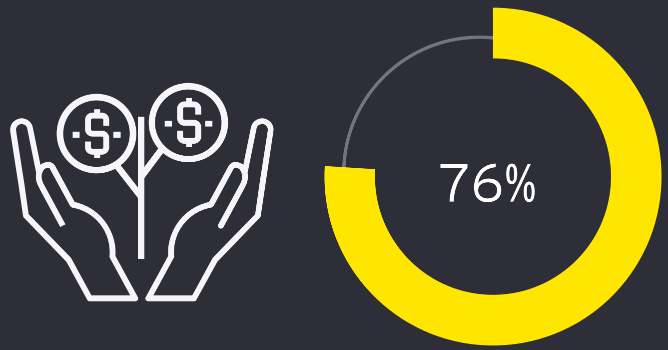
EY

1. Capital
Balance capital discipline with growth

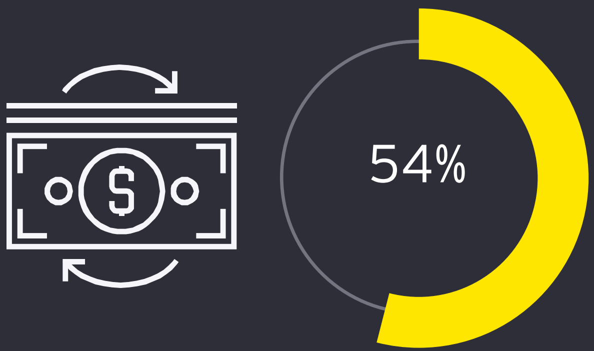
- Focus is still on acquiring assets vs. building new projects.
- Building new projects must be part of the equation to meet expected demand.
- Returns (dividends and buybacks) have reduced in 2024.
- Capital allocation to battery metals remains challenging given lower prices and ongoing volatility.

Do you expect to actively pursue any of the following initiatives over the next 12 months?

Divestments, spin-offs or initial public offerings



M&A



JVs and strategic partnerships

Source: EY CEO outlook Survey April 2024.

2. Environmental stewardship

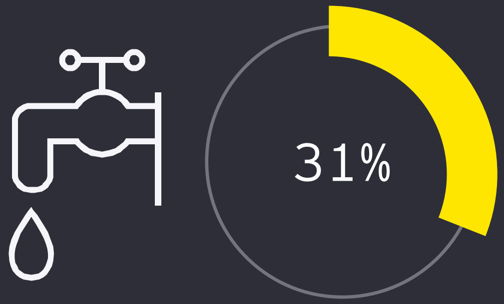
Miners have elevated environmental stewardship above a broader focus on ESG

- Minimizing waste will be key to achieving nature-positive goals, with the added benefit of better mine performance.
- Leading mining companies are supporting a nature-positive future by 2030, and almost half of respondents are extremely or very confident in meeting nature-positive obligations.
- Indigenous knowledge and sustainable land management experience make communities essential partners in meeting nature-positive goals.
- Growing expectations around sustainability performance and more complex obligations are stretching small in-house sustainability teams.

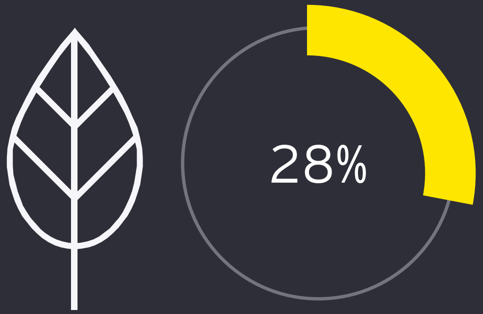
Mining companies expect more scrutiny by investors on environmental issues, including:

Waste management

Water stewardship



Nature/biodiversity



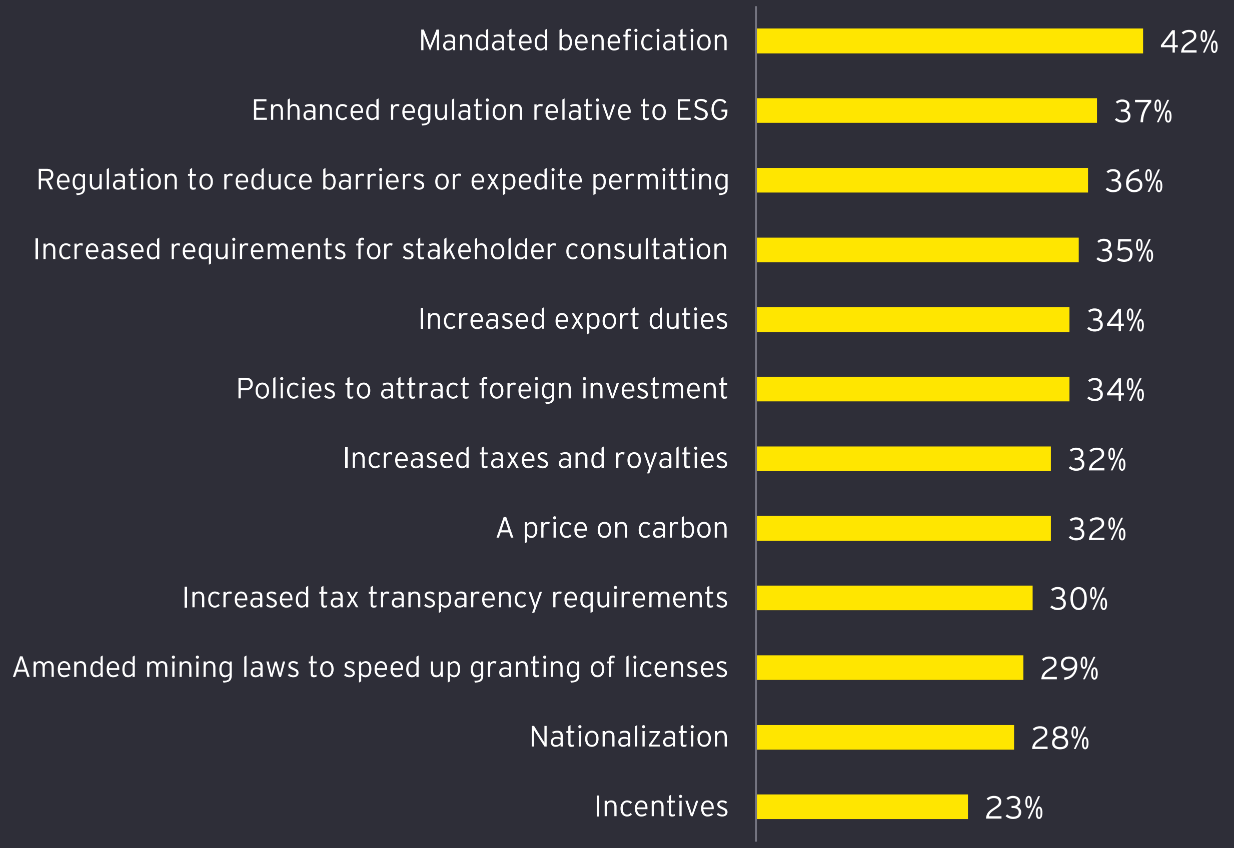
Note: Respondents could choose more than one option.

3. Geopolitics

Race for mineral supply creating geopolitical uncertainty

- Geopolitics has become a complicated mix of alliances and rivalries.
- The energy transition and the desire for self-sufficiency and "share of value" have increased the complexity.
- Transparent supply chains are a necessity.
- New trade tariffs and export controls are being imposed.
- The 2024 election supercycle has accelerated uncertainty – e.g., the US election and the impact on energy policy.
- Resource nationalism is affecting tax rules.

Respondents expect a wide range of government action over the next 12 months



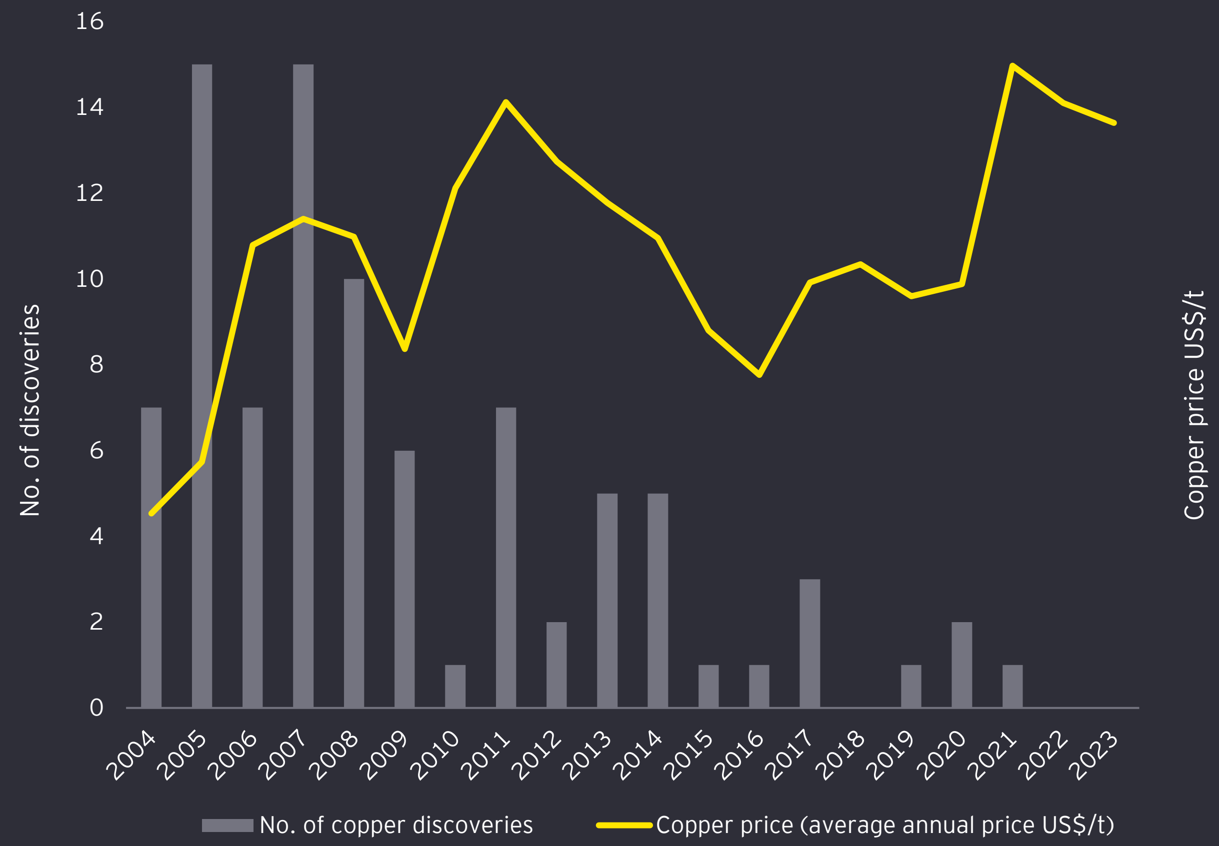
Note: Respondents could choose more than one option.

4. Resource and reserve depletion

Supply shortfall may occur if there isn't sufficient investment in exploration and mine development

- 40 new copper mines are needed by 2050.
- Copper exploration cost is US$91/tonne (2011) to US$802/tonne (2020).
- Lower ore grades increase extraction complexity.
- Exploration budgets are mostly directed to gold.
- Shift of some budget from gold to copper, lithium and nickel (2023): +12%, +77%, +45%.

Major copper discoveries have declined 2004–23



Source: S&P Global Market Intelligence exploration data; Macrotrends; EY analysis.

Under the radar

This year's survey saw four risks fall out of the top 10 radar

- **Strong governance policies** are essential for managing risks in new markets, upholding human rights commitments and preventing greenwashing accusations.
- **Investment in digital remains strong**, although likely seen as more business as usual.
- **Workforce:** There are significant challenges in attracting and retaining talent, yet 55% of our respondents did not include it in their top 10 ranking.
- **Cybersecurity:** Miners appear to be in cyber "maintenance mode," and more than half say they are well positioned to take on future cyber threats.

ESG Changing landscape and Bill C-59

Sustainability reporting developments around the world

A snapshot

Many Canadian companies will need to understand and comply with multi-jurisdictional sustainability regulations and reporting standards, therefore formulating a clear and comprehensive disclosure strategy is imperative.

Canada

- *Canadian Sustainability Standards Board* – final standards due Q4 2024 **(imminent)**
- *Canadian Securities Administrators* – indicated they will seek comment on a revised rule for climate-related disclosures only **(in due course)**
- Mandatory reporting for federally incorporated private companies & sustainable finance taxonomy **(plans announced)**

European Union (EU)

- *Corporate Sustainability Reporting Directive (CSRD) –European Sustainability Reporting Standards (ESRS)**
- *EU Taxonomy Regulation*
- *Corporate Sustainability Due Diligence Directive (CSDDD)**
- *EU Regulation on Deforestation-free Products (EUDR)*

*(effective once adopted into local law)

US

- *The Securities and Exchange Commissions (SEC)* – final climate-related disclosure rules issued March 6, 2024 (**stayed**)
- *California state law* – Governor signed climate action bills on October 7, 2023 **(first bill already effective)**

International

- *The International Sustainability Standards Board (ISSB)* – issued their S1 and S2 standards June 26, 2023 **(effective, requires local adoption)**
- Research projects ongoing

Sustainability developments in Canada

What you need to know

- In March 2024, the CSSB released Exposure Drafts to advance the adoption of sustainability disclosure standards in Canada, including a consultation paper that outlines the criteria for modifying the IFRS Sustainability Disclosure Standards for use in Canada.
- The CSSB is currently finalizing deliberations on the feedback and CSDS 1 & 2 are expected to be issued in December 2024.

Deviations proposed from ISSB standards	CSDS 1 - General Requirements for Disclosure of Sustainability-related Financial Information	CSDS 2 - Climate-related Disclosures
• Timing relief (effective January 1, 2025) • Topics relief (topics outside of climate not required in the first 2 years) • Scope 3 emissions relief (not required in the first 2 years) • Comparative information relief (not required upon initial adoption)	Outlines the general requirements for the preparation and presentation of sustainability-related financial disclosures, including core content disclosures relating to governance, strategy, risk management and metrics and targets.	Specifies the climate-related financial disclosures, including disclosures about climate resilience, greenhouse gas emissions and climate-related targets.

Exposure draft - transition options

Timing of adoption of CSSB standards

Illustrative timing for calendar year end companies assuming all relief provided by the Exposure Draft remains in final standards, and company chooses to adopt Jan 1, 2025

2025
Reporting in 2026

- Topics – climate only
- Exclude Scope 3 GHG emissions
- Report after the financial statements
- Comparatives – none

2026
Reporting in 2027

- Topics – climate only
- Exclude Scope 3 GHG emissions
- Reporting at the same time as the financial statements
- Comparatives – climate only

2027
Reporting in 2028

- Topics – all
- Scope 1, 2 and 3 GHG emissions
- Reporting at the same time as the financial statements
- Comparatives – climate only

2028
Reporting in 2029

- Topics – all
- Scope 1, 2 and 3 GHG emissions
- Reporting at the same time as the financial statements
- Comparatives – all topics

Canadian comment letter themes

Investors want more **consistent & robust disclosures**; preparers want more **time** to implement

Many respondents suggest the CSSB consider aligning with the US SEC climate rules

Do you agree that the 2-year transition relief for disclosures beyond climate-relates risks and opportunities is adequate?

- Many agreed 2-years was adequate
- Some thought 1-year was sufficient
- Some did not agree 2-years was adequate

How critical is sustainability-related financial disclosures at the same time as related financial statements?

- Majority indicated it was critical or somewhat critical
- A few indicated it was not critical

For Scope 3 Disclosures, is proposed two-year relief sufficient?

- Many agreed it was sufficient, a few did not
- Some indicated disclosure should be voluntary

EY Thought Leadership
Link

Is transition relief required for climate resilience disclosure?

- Some indicated no relief should be provided
- Some indicated disclosure should be voluntary
- A few indicated some relief should be provided (ranging from 1-3 years)

- Mix of respondents across a variety industries
- Not all responded to every question
- Some generally not supportive of CSDS

What next in Canada

What you need to know

- ***CSSB:*** Once the CSSB concludes deliberating feedback from the Exposure Drafts, it will issue its final pronouncement in December 2024.
- ***CSA:*** To become mandatory under Canadian securities legislation, the CSSB standards must first be incorporated into a CSA rule. The CSA anticipates seeking comment on a revised rule setting out climate-related disclosure requirements only. When the CSA publishes its revised rule, it will seek public comments on a number of matters, including the scope of application and the need for additional time and/or guidance for reporting issuers to comply with certain disclosure requirements.
- ***Federal Government:*** Separately, plans for mandatory reporting for large federally incorporated private companies have been announced, as well as plans for a sustainable finance taxonomy.

Current status:

Sustainability disclosure standards currently remain voluntary in Canada, with the CSSB continuing to engage with Canada's Securities Administrators who determine the mandatory application rules for publicly listed entities in Canada.

National Instrument 51-107 *Disclosure of Climate-relates Matters* ***(Pending)***	Private company sustainability reporting & taxonomy ***(Due)***

Amendments to the Canadian Competition Act (Bill C-59): Greenwashing

Who should be aware of the amendments?

Applies to **any entity conducting business** including:

(a) manufacturing, producing, transporting, acquiring, supplying, storing and otherwise dealing in articles, and

(b) acquiring, supplying and otherwise dealing in services.

It also includes the raising of funds for charitable or other non-profit purposes.

The information provided does not, and is not intended to, constitute legal advice; instead, all information, content, and materials are for general informational purposes only.

Scope	Prohibition on product-specific misleading environmental benefits claims but extends to encompass broader environmental representations and campaigns
Penalties	Monetary penalties, greater of: a) $10m ($15m subsequent orders) b) 3x the benefit derived from the misrepresentation, or, if cannot be readily determined, up to 3% of annual revenues
Methodology	Representations must be substantiated in accordance with internationally recognized methodology
Timeframe	**June 20, 2024:** Amendment came into effect July 22, 2024 to September 27, 2024 feedback period
Entity Risks	Financial, reputational, operational, contractual, civil liability

Misrepresentation examples

Composition
"made from recycled materials"

Manufacturing process claims
"made with renewable energy"

Product disposal claims
"100% compostable or recyclable"

Product comparisons
"uses 25% less water than their previous"

Vague claims
"Products are eco-friendly"

Future target claims
"Achieving carbon neutrality by 2030"

Why ESG integrity is at a crossroad between aspiration and regulation

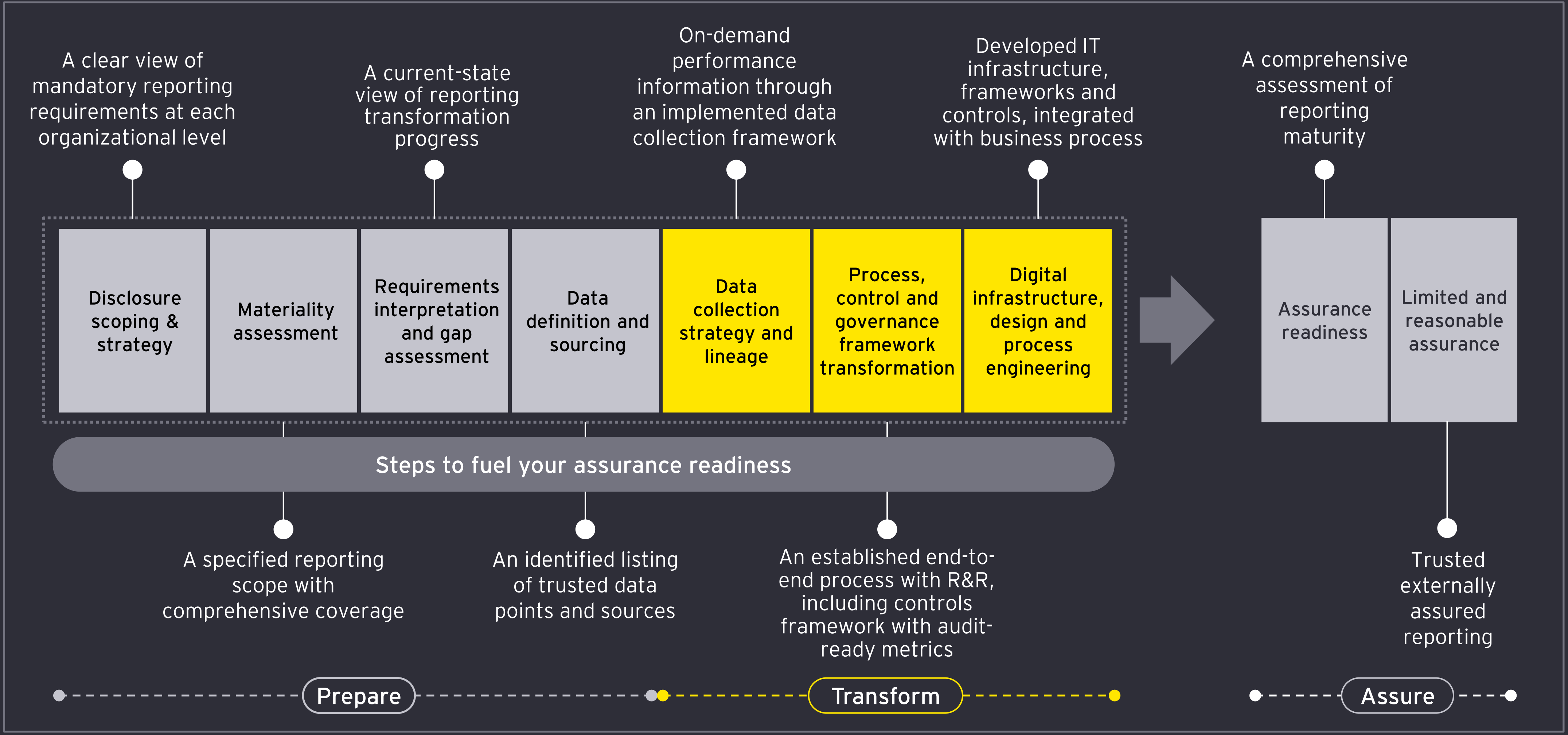
37%

of organizations see complying with new and changing ESG regulations as the greatest challenge in meeting compliance obligations.

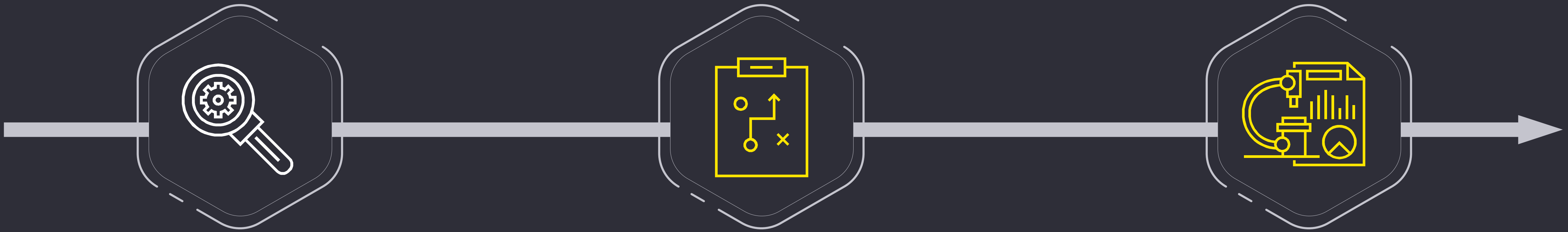
7 areas where organizations struggle most

1. Mapping and measuring the sustainability journey.
2. Ensuring CSOs are more involved in key decision-making.
3. Adding sustainability solutions to deal with regulatory requirements rather than building them in.
4. Implementing the right processes, systems and internal controls to strengthen transparency and reporting.
5. Building a robust risk management program.
6. Avoiding the hidden perils of greenwashing.
7. Bearing the weight of market and regulatory scrutiny, as well as the pressure to make meaningful advances in the organization's sustainability transformation.

The Sustainability disclosure process is a journey, without an end, and involves many steps that the finance function can work on



Avoiding the hidden Perils of Greenwashing – Sustainability pre-assessment and assurance



Pre-assessment

- A **pre-assessment** that performs procedures similar to those performed in a limited assurance engagement, with the objective of providing findings and recommendations
- **Benefits** of a pre-assessment include:
  - Early identification of gaps in calculation methodology or processes that could lead to errors in reporting, specifically taking into consideration the selected reporting criteria
  - Recommendations which consider industry and global best practices

Limited assurance

- A **limited assurance engagement**, with the objective of issuing a conclusion.
- This involves performing procedures such as inquiries, analytics and detailed testing, on a limited sample basis.

Reasonable assurance

- A **reasonable assurance engagement**, with the objective of issuing an opinion.
- This involves performing procedures similar to those performed for a limited assurance engagement, as well as detailed testing for a sample that is representative of the population.
- Reasonable assurance engagements may also include evaluating the design and implementation of controls

Moving from voluntary to mandatory reporting

Success factors to an effective disclosure transformation

Key success factors based on our hands on experience

1. Assign a multi-disciplinary team to drive the adoption/address the different requirements (Canadian Securities Administrators, C-59, S-211)

2. Develop a comprehensive implementation roadmap validated and understood by all impacted stakeholders to drive awareness throughout the organization and set expectations of effort required in the short and medium term (materiality assessments, climate scenario analysis, etc.)

3. Identify no regret actions between the different frameworks and requirements

4. Dedicate resources to change management and focus on developing the new business processes supporting the reporting requirements (data collection, integrating Sustainability risks to ERM framework, etc.)

5. While often being perceived as a compliance exercise, focus on the strategic value added of the disclosure requirements to stress test your Sustainability strategy and priorities

Sustainability reporting – EY video series

Beyond the bottom line: How CFOs can drive sustainable value

This six-part video series will help CFOs and finance teams prepare their organizations for the upcoming mandatory sustainability disclosure landscape.

Videos in the series:

Beyond the Bottom Line
Link

1. Current state assessment and gap analysis for your sustainability reporting
2. Finance's new target operating model
3. Building your implementatio n roadmap
4. Systems, data integration and third-party support
5. The evolution of reporting in the run up to compliance
6. Process and controls, and preparing for assurance

Fireside chat with Ocean Partner's CEO

Regulatory updates and perspectives from the Ontario Securities Commission

Ontario Securities Commission

Regulatory Update

Ontario Securities Commission

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ONTARIO SECURITIES COMMISSION

Agenda

Climate-related Matters

Financial Reporting Trends and Focus Areas

Regulatory Perspective – New IFRS Accounting Standards

Climate-related Matters

Climate Related Disclosures Journey: Rule-making

Oct. 2021
Proposed National Instrument 51-107 published for comment

Mar. 2022
Proposed SEC rules and ISSB exposure drafts published for comment

Oct. 2022
CSA update to the market

Apr. 2023
CSSB chair and initial members appointed

June 2023
Final ISSB standards published and CSSB became operational

July 2023
CSA welcomes ISSB standards and IOSCO endorsement

Oct. 2023
CSA update to the market

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Climate Related Disclosures Journey: Rule-making (cont.)

Feb. 2024
ISSB issues preview of adoption guide

Mar. 2024
SEC approves climate rules

Mar. 2024
CSSB publishes exposure drafts for comment

Mar. 2024
CSA welcomes CSSB consultation and sets out rule-making process

Apr. 2024
SEC stays rules pending resolution of litigation

June 2024
Comment period closes for CSSB consultation

Climate – Canadian Path Forward

1. We are engaging with the CSSB

2. We intend to conduct further consultations to adopt disclosure standards based on ISSB standards, with modifications as necessary

Climate – Key Rule-Making Considerations

- Policy rationale for approach
- Proportionality and scalability
- Quantitative disclosures
- Liability considerations

Financial Reporting Trends and Focus Areas

Business Combinations

Observation:

Business combinations based on exchanging significant amounts of equity interests and recording mainly goodwill or intangible assets at the acquisition date

	Areas of Deficiency
Financial Statements	• Qualitative description of the factors that make up the goodwill balance *[IFRS 3 B64(e)]*
MD&A Disclosure	• Why did management decide to pay a significant amount over the fair value of the net identifiable assets? • Discuss specifics of intangible assets to explain what it represents, including material components and stage of development
Other	• If record impairment loss for goodwill or intangible assets within 12 months from date of acquisition, substantial MD&A disclosure needed: ○ What were circumstances leading to the impairment ○ What key inputs or assumptions that changed for impairment compared to purchase price allocation

Goodwill Impairment Considerations

Observation:

Issuers do not provide sufficient information about CGUs

Issuers do not provide required disclosure for instances where a reasonably possible change to key assumption(s) would cause CGU carrying amount to exceed the recoverable amount.

	Areas of Deficiency
Financial Statements	• Description of CGU required when impairment loss recognized or reversed *[IAS 36.130(d)(i)]* • If goodwill in a CGU represents a significant portion entity's total goodwill, additional information required about the CGU and recoverable amount determination *[IAS 36.134]*

MD&A Disclosure	• Overall performance discussion should:
	  • Discuss reasons leading to the impairment at the CGU level
	  • How continuing operations contributed to the recoverable amount being lower than carrying amount
	  • Information on 'close call' results from impairment assessment that indicate limited headroom remaining for goodwill

Other	• IOSCO paper – Recommendations on Accounting for Goodwill

Disaggregation of Revenue

Observation:

Issuers do not disaggregate revenues in a manner that allows readers to understand how nature, amount, timing and uncertainty of revenue affected by economic factors.

	Areas of Deficiency
Financial Statements	• Preparers are not adequately considering whether multiple categories of disaggregation may be needed *[IFRS 15.114]* • Preparers need to consider how revenue is presented for other purposes, such as disclosure outside of financial statements *[IFRS 15 B88]* • Presenting one reportable segment does not exempt an issuer from required revenue disaggregation disclosure.
MD&A Disclosure	• Analysis should be provided for each category of disaggregated revenue
Other	• Neither IFRS 15 or MD&A requirements contain an exemption from disclosing information because preparer is of view that it is "commercially sensitive".

Overly Promotional Disclosure

Observations:

- Promotional activities that are untrue or unbalanced to the extent that investors may be mislead
- Notable areas of concern are 'greenwashing' and 'AI washing'

	Key Considerations
Greenwashing	• Disclosing net-zero target with no indication what is included in target and no credible plan to achieve target • Claiming product or service ESG "friendly" or "compliant" without disclosure citing basis for claim
AI Washing	• Unsubstantiated statements about use of AI technology ○ "Company uses most advanced AI technology" ○ "Company leading competitors in use of AI to support its business"

Regulatory Perspectives

New IFRS Accounting Standards

IFRS 18 Presentation and Disclosure in Financial Statements

Responds to investors demands

All entities affected

Disclosing the impact of IFRS 18

- Progressively more detailed as effective date approaches

Non-GAAP financial measures

- Reflect on number disclosed *outside* financial statements

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IFRS 19 Subsidiaries without Public Accountability: Disclosures

- Permits certain subsidiaries of reporting companies to voluntarily provide reduced financial statement disclosures.

- Entities "without public accountability".

Acceptance in Regulatory Filings	
Reporting Issuer Financial Statements	X
Issuer Financial Statements: IPO, Short-Form Prospectus, or Information Circular	X
Acquisition Financial Statements[1]	+
Registrant Financial Statements	X
Financial Statements Filed under an Existing Undertaking	X

[1] If eligible subsidiary, additional disclosure considerations.

Recent IFRS developments

IFRS 18 – Summary of the new requirements

IASB issued the final IFRS 18 standard in April 2024:

- Replaces IAS 1, carries over certain sections
- Aims to improve comparability & transparency of communication
- Effective for annual reporting periods beginning on or after January 1, 2027
- Early application permitted
- To be applied retrospectively

1. New categories and required subtotals in statement of profit or loss
2. Enhanced requirements on aggregation and disaggregation
3. Disclosures about management-defined performance measures (MPMs)

IFRS 18: Categories and subtotals in the statement of profit or loss

Statement of profit or loss

Revenue	Operating
Cost of sales	Operating
Gross profit	Operating
Other operating income	Operating
Selling expense	Operating
Research and development expenses	Operating
General and administrative expenses	Operating
Goodwill impairment loss	Operating
Other operating expenses	Operating
Operating profit	
Share of the profit from associates and joint ventures	Investing
Gains on disposals of associates and joint ventures	Investing
Profit before financing and income tax	
Interest expense on borrowings and lease liabilities	Financing
Interest expense on pension liabilities	Financing
Profit before income tax	
Income tax expense	Income taxes
Profit from continuing operations	
Loss from discontinued operations	Discontinued operations
Profit for the year	

IFRS 18 introduces three new categories to provide a consistent structure of the statement of profit or loss:

1. Operating
2. Investing, and
3. Financing

...and two new subtotals:

1. Operating profit
2. Profit before financing and income tax

NEW ITEMS

Required items

IFRS 18: Aggregation and disaggregation

Roles of primary financial statements and the notes

- Primary financial statements are to provide a **useful structured summary**
- Notes are to provide further information and supplement the primary financial statements

Principles for aggregation and disaggregation

Considering similar and dissimilar characteristics

- in the **primary financial statements** would result in a useful structured summary
- in the **notes** would result in material information

Aggregating items and using meaningful labels

Use **meaningful labels**

- use the label 'other' only when unable to find a more informative label
- label as precisely as possible

Additional disclosures required if aggregated amounts of immaterial items are sufficiently large that users might question whether the amount includes material items

IFRS 18: Management-defined performance measures (MPMs)

Subtotals of income *and* expenses not specified by IFRS Accounting Standards

Used in the entity's public communications outside financial statements

Measures that communicate management's view of an entity's financial performance

IFRS 18: What are management-defined performance measures?

Performance measures

Financial performance measures

Subtotals of income *and* expenses

MPMs
- Adjusted profit or loss
- Adjusted operating profit
- Adjusted EBITDA

IFRS-defined / specified
- Operating profit
- Operating profit before depreciation amortisation and specified impairments

Other measures that are not subtotals of income and expenses
- Free cash flow
- Return on equity
- Net debt
- Adjusted revenue

Non-financial performance measures
- Number of subscribers
- Customer satisfaction score
- Store surface

Source: ifrs.org

IFRS 18: Practical considerations for MPMs in the mining industry

	Adjusted Operating Costs, Cash Costs, C1 Cash Costs	All-in Sustaining Costs, All-in Costs	A "per-unit" measure (e.g., Cash Costs / lb)
1. Subtotals of income ***and*** expenses not specified by IFRS Accounting Standards	⚠	✗	⚠
2. Used in the entity's public communications outside financial statements	✓	✓	✓
3. Measures that communicate management's view of the entity's financial performance	✓	✓	✓

Important considerations

- What is included or excluded in the underlying definition and formula for calculating a measure (i.e., World Gold Council guidelines for precious metal cost reporting, Wood-McKenzie guidelines for base metal cost reporting, etc.)
- What is included or excluded in the actual computation by the company (e.g., by-product or co-product credits, etc.)
- Potential applicability of IFRS 18.B117 to numerators or denominator in a ratio
- The way management's use of the measure is being described and communicated in the company's disclosures
- Impact of any changes to existing measures on stakeholder communication, compensation and/or contractual arrangements
- Impact on internal controls, processes and systems

Exposure Draft: Business Combinations – Disclosures, Goodwill and Impairment

- The IASB is proposing amendments to the disclosure requirements in IFRS 3 and to the impairment test in IAS 36.
- The objective is to provide users with additional information about the performance of a business combination and improve the timeliness of recognizing impairment losses on goodwill.

IFRS 3

The proposals are introduced as part of a standard-setting project on business combinations that aims to explore whether entities can, at a reasonable cost, provide users with more useful information about business combinations.

IAS 36

IAS 36: The proposals are aimed to improve the timeliness of impairment losses on goodwill by:

- Providing guidance on allocating goodwill between CGU's
- Additional disclosure requirements
- Simplifying the calculation of VIU

The proposed changes will impact entities that:

- Enter into a business combination; and/or
- Perform an impairment test

Exposure Draft: Business Combinations – Disclosures

IFRS 3 Proposed Amendments – Highlights

Proposed additional financial statement disclosure requirements for all ***material*** acquisitions

- At acquisition date – strategic rationale (i.e., reason for acquisition that is aligned with entity's overall business strategy) and expected synergies for acquisition
  - Specify each category of expected synergies (for example, revenue, cost and other) and for each category disclose:
    - Estimated amounts or ranges
    - Estimated cost or range to achieve the synergies
    - Time expected to start and how long expected to last

Proposed additional financial statement disclosure requirements for all *strategic* acquisitions

- Additional information about the performance of business combinations, specifically, information about the entity's acquisition-date ***key objectives*** and ***targets*** and the extent to which those key objectives and targets are met in subsequent periods
  - Information about actual performance
  - Statement of whether actual performance is meeting/has met key objectives and targets
- Based on information key management personnel (KMP) use to review whether acquisition-date objectives and related targets are met
- Disclose for as long as KMP review that information to assess whether acquisition-date key objectives and related targets are met

Exposure Draft: Business Combinations – Disclosures

IFRS 3 Proposed Amendments – Highlights

Strategic business combination (any of the following apply)

Quantitative			Qualitative
Acquiree's operating profit ≥ 10% of Acquirer's operating profit	Acquiree's revenue ≥ 10% of Acquirer's revenue	Assets acquired (including goodwill) ≥ 10% of Acquirer's total assets	The business combination resulted in the acquirer entering into a new major line of business or geographic area

- The disclosure requirements would be based off of information Key Management Personnel (KMP) use to review strategic acquisitions rather than a list of specified information because:
  - KMP are assumed to review the acquisition's performance
  - Objectives for acquisitions are usually company specific

Exposure Draft: Goodwill and Impairment

IAS 36 Proposed Amendments – Highlights

Impairment losses not recognized in a timely manner

Reducing shielding

- Amendments proposed to *IAS 36.80* to clarify that each CGU or group of CGUs to which goodwill is allocated shall represent the lowest level within the entity at which the *business associated with the goodwill* is monitored for internal management purposes

Management over-optimism

- Add disclosure requirements regarding the reportable segments in which a CGU or a group of CGU's containing goodwill is included

Impairment test too costly or complex

Value in use

- Remove constraints on cashflows used in VIU calculation
- Removal of the requirement to use pre-tax cashflows and pre-tax discount rate

Additionally, IASB reiterated that it will not be proposing to amortize goodwill and will instead retain the impairment-only model

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