

Principles for Periodic Disclosure by Listed Entities

Consultation Report



OICU-IOSCO

**TECHNICAL COMMITTEE
OF THE
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

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This paper is for public consultation purposes only. It has not been approved for any other purpose by the IOSCO Technical Committee or any of its members.

Foreword

The IOSCO Technical Committee has published for public comment this consultation report on Principles for Periodic Disclosure by Listed Entities. The Report makes preliminary recommendations for disclosures that could be provided by issuers in periodic reports, particularly annual reports, while previously offered securities are outstanding. The *Periodic Disclosure Principles* also touch on other issues related to periodic disclosure, such as the timeliness of disclosures, disclosure criteria and storage of information.

The Report will be finalised after consideration of comments received from the public.

How to Submit Comments

Comments may be submitted by one of the three following methods **on or before 31 August 2009**. To help us process and review your comments more efficiently, please use only one method.

1. E-mail

- Send comments to Greg Tanzer, Secretary General, IOSCO at the following email address: PeriodicDisclosure@iosco.org.
- **The subject line of your message should indicate “Public Comment on the Principles for Periodic Disclosure by Listed Entities: Consultation Report”.**
- Please do not submit any attachments as HTML, GIF, TIFF, PIF or EXE files.

OR

2. Facsimile Transmission

Send a fax for the attention of Greg Tanzer using the following fax number:
+ 34 (91) 555 93 68.

OR

3. Post

Send your comment letter to:

Greg Tanzer
Secretary General
International Organization of Securities Commissions
C / Oquendo 12
28006 Madrid
Spain

Your comment letter should indicate prominently that it is a “Public Comment on the Principles for Periodic Disclosure by Listed Entities: Consultation Report”

Important: All comments will be made available publicly, unless anonymity is specifically requested. Comments will be converted to PDF format and posted on the IOSCO website. Personal identifying information will not be edited from submissions.

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Principles for Periodic Disclosure by Listed Entities

I. Introduction

In the increasingly globalized securities markets, widely accepted international disclosure standards play an important role in facilitating cross-border capital raising. International agreement on disclosure standards enables issuers to tap the global markets more quickly, while assuring a high level of investor protection internationally. IOSCO has recognized that disclosure of reliable, timely information that is readily accessible contributes to liquid and efficient markets by enabling investors to make investment decisions based on all the information that would be material to their decisions.

To make it easier for multinational issuers to make cross-border public offerings and initial listings of securities, IOSCO developed and endorsed the *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers* for equity securities in 1998 (*International Equity Disclosure Standards*) and the *International Debt Disclosure Principles for Cross-Border Offerings and Listings by Foreign Issuers* for debt securities in 2007. At the time that it endorsed the *International Equity Disclosure Standards*, IOSCO encouraged its members to accept in their respective home jurisdictions a disclosure document that contains the information set forth in the *International Equity Disclosure Standards*. These standards represent an important step forward in developing an international consensus on disclosure standards for public offerings and initial listings of securities.

Equally significant is the disclosure that is provided to the secondary markets after an issuer has made an initial listing of securities and, in some jurisdictions, after an issuer has made a public offering of securities. Although in many jurisdictions retail investors may participate in primary offerings by issuers, as a practical matter retail investors in most of these jurisdictions tend to participate in the market primarily through secondary market trading rather than initial public offerings. Disclosure of high quality information to the markets on an ongoing basis is crucial after a security has been listed. In recognition of the importance of ongoing disclosure, IOSCO published *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities (Principles for Ongoing Disclosure)* in 2002. This guidance established a set of common, high-level principles for jurisdictions reviewing and/or developing an ongoing disclosure and material development reporting regime for listed entities.¹

Disclosure of material events on an ad hoc basis alone is not sufficient for investors to be able to make investment decisions. Even though issuers may be required to disclose material events to the public shortly after they occur, these disclosures are ad hoc and investors are not able to make investment decisions on these types of disclosures alone. For this reason, issuers should be required to make certain periodic reports, such as annual reports and other interim reports, in which certain prescribed disclosures must be provided at regular intervals to the public. These periodic reports facilitate investor decision-making and monitoring of the markets by making it

¹ Consistent with the use of the term in the *Principles for Ongoing Disclosure*, ongoing disclosure includes current disclosure that must be provided on an as needs and immediate basis, as well as periodic reports that are provided according to set timeframes.

possible for investors to compare the performance of the same company over regular intervals, and by enabling investors to make useful comparisons among different companies. Although the *Principles for Ongoing Disclosure* set forth general guidelines for ongoing disclosure, *specific guidance on periodic disclosure is also important to help promote consistently high quality disclosure provided in the periodic reports of issuers whose securities are traded in the international, as well as domestic, markets.*

Uses of Annual Reports

In particular, periodic reports, such as annual reports, provide prospective investors and current security holders of a company with important information, including financial information such as audited financial statements. Financial information is the most elemental disclosure that is contained in an annual report, and provides the basis of other related information that may be disclosed in the report, such as the management's assessment and analysis of the company's past performance and prospects.

Additionally, in some jurisdictions, the annual report may form the foundation of a fast track system for making offerings of securities to the public. IOSCO published a report in March 2001, entitled *Adapting IOSCO International Disclosure Standards for Shelf Registration Systems*, that describes ways in which the *International Equity Disclosure Standards* could be adapted to a fast track offering structure. Since the publication of that report, one IOSCO member has expanded the use of short form prospectuses, which in turn permits more issuers to use the shelf registration system. Another IOSCO member has expanded the use of shelf registration statements to permit the largest, most widely followed public companies to make public offerings through use of an automatic shelf registration statement that becomes effective immediately upon filing with the relevant securities regulator. These automatic shelf registration statements provide issuers with the flexibility to take advantage of market windows and raise capital more quickly by preparing a registration statement that incorporates by reference information contained in the issuer's most recent annual report and any subsequent interim reports. When the issuer is ready to issue additional securities, it publishes a shorter, supplemental document that contains information required to complete the prospectus with respect to the securities being offered and to update the information provided in the registration statement.

IOSCO members differ in the amount and type of disclosure that they require in annual reports. Some jurisdictions require a very extensive and detailed annual report. In other jurisdictions, the same type of information related to the issuer that is provided in a prospectus for a public offering may be provided by issuers in their annual reports on a voluntary basis, including disclosure of management's discussion and analysis of the company's financial condition and results of operations and a description of the issuer's business, among other things. This permits issuers to tap the capital markets more quickly. Issuers' reports of material events that occur between periodic reports supplement the extensive disclosure that is provided on an annual and quarterly basis. The regulatory regime in those countries typically emphasizes continuous disclosure reporting. Under both regimes, investors get the material information necessary to make investment decisions.

Because of the importance of periodic reports to a well-functioning disclosure system, the Technical Committee has developed the *Principles for Periodic Disclosure by Listed Entities* that apply regardless of the specific regulatory approach taken. These high level *Principles* are aimed at *facilitating agreement on common high level principles to provide guidance to jurisdictions that are developing or reviewing their periodic disclosure requirements for listed entities.*

Scope

These *Principles* are primarily concerned with setting guidance for the periodic reports of companies that have securities listed or admitted to trading on a regulated market in which retail investors participate. Throughout the *Principles*, the terms “issuer” and “listed entity” refer to entities organized in corporate form.

Although individual jurisdictions may conclude that other disclosures are needed to address the specific concerns of their markets, these *Principles* should provide a useful framework for any jurisdiction seeking to establish or review its periodic disclosure regime. The principles-based format of the *Principles* allows for a wide range of application and adaptation by securities regulators. In some jurisdictions, all of the principles would apply regardless of the type of securities issued by a company, or characteristics of the company, such as its size and whether or not it is domestic or foreign. In other jurisdictions, regulators may wish to adapt the *Principles* according to the characteristics of the issuer or the securities involved. Many of the principles contain examples to illustrate how different approaches may be used to reach the same disclosure objective.

Presentation

The information covered by these *Principles* may be included in the financial statements or elsewhere in the filing(s) that constitute the annual report, as appropriate.

II. Definitions

Unless the context indicates otherwise, the following definitions apply to certain terms used hereinafter in these *Principles*:

Affiliate – A person or entity who, directly or indirectly, either controls, is controlled by or is under common control with, a specified person or entity.

Annual Report – As used in the *Principles*, the term Annual Report refers to information about an issuer that covers a full financial year, including the annual financial statements, that is included in a single document or a set of documents. The content requirements for an Annual Report are set forth in a jurisdiction's accounting regulations, securities regulations or company law.

Directors and Senior Management – This term includes (a) the issuer's directors, (b) its executive officers, and (c) members of its administrative, supervisory or management bodies.

Interim Report – A report for a period shorter than an issuer's full financial year, as required by a jurisdiction's securities regulations or company law. For example, this would include quarterly or half yearly reports.

III. Principles for Periodic Disclosure by Listed Entities

The Technical Committee has identified the following principles as essential for any periodic disclosure regime.

A. Periodic reports should contain relevant information.

1. Annual reports

The information provided in the annual report should be provided as of the latest practicable date, except where the applicable law or regulation requires the information to be provided for the financial year covered by the report or as of a specified date.

a. Annual reports should contain audited financial statements.

At a minimum, listed companies should be required to provide audited financial statements that cover the entire prior financial year in their annual reports. The audit report must be given by an independent audit firm that is subject to oversight by a body that acts and is seen to act in the public interest. The *IOSCO Principles for Auditor Oversight* set forth general principles for the oversight of audit firms and auditors that audit financial statements of companies whose securities are publicly traded in the capital markets. Current security holders, as well as potential investors, need information about the issuer's financial position, performance and cash flows in order to assess its liquidity and solvency and in order to make informed decisions about their investment strategy with respect to the issuer's securities. The issuer's financial statements are an important source of this information. Accurate and reliable publicly available financial

information enhances investors' confidence in the public markets. The principles discussed in this section assume that the issuer will be required under relevant laws and regulations to provide consolidated financial statements according to high quality internationally accepted accounting standards.

1.) Consolidated Statements and Other Financial Information

Consolidated financial statements, audited by an independent auditor and accompanied by an audit report, should be provided to enable investors to make accurate assessments about the issuer's financial position, and assist investors in making meaningful comparisons of an issuer's current financial position to prior periods, as well as to other companies. A complete set of consolidated financial statements should at least include: a balance sheet; income statement; statement showing either (i) changes in equity other than those arising from capital transactions with owners and distributions to owners, or (ii) all changes in equity (including a subtotal of all non-owner movements in equity); cash flow statement; related notes and schedules required by the comprehensive body of accounting standards pursuant to which the financial statements are prepared; and if not included in the financial statements, a note analyzing the changes in each caption of shareholders' equity presented in the balance sheet. Distributions to equity holders, such as dividends, are also typically included in the financial statements. Comparative financial statements that cover the issuer's most recent financial years and that are audited in accordance with a comprehensive body of auditing standards provide investors with material information about trends in the issuer's performance and financial condition.

Annual reports should contain an audit report that covers each of the periods for which audited financial statements are required to be provided by the relevant securities regulator or applicable law. Audits that are conducted on the issuer's financial statements by independent auditors play a crucial role in fostering investor confidence in the reliability of the financial statements. Audit reports provide investors with assurance that the financial statements have been properly prepared in accordance with the applicable financial reporting framework. If the auditors have refused to provide a report on the financial statements or if the report contains qualifications, modifications or disclaimers, this information would be highly relevant to investors and should be reproduced completely, as well as the reasons given for them.

2.) Significant Changes

An indication in the annual report of whether any significant change has occurred since the date of the financial year covered by the annual report helps ensure that it reflects all material events that could have an impact on an investor's decision making. Useful information includes changes that have a significant impact on the issuer's financial condition, performance or its ability to fulfill its obligations on the securities it has issued.

b. Annual reports should also contain a Management's Discussion and Analysis (MD&A), also referred to as Operating and Financial Review (OFR).²

² In some jurisdictions, this discussion is referred to as the Management's Report.

In addition to their audited financial statements, listed companies should provide in their annual reports an OFR/MD&A discussion. Through this discussion, management explains the factors that have affected the company's financial condition and results of operations for the historical periods covered by the financial statements, as well as management's assessment of the factors and trends that are anticipated to have a material effect on the company's financial condition and results of operations in the future. As noted in IOSCO's February 2003 report, "General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations," the OFR/MD&A enables investors to see the company "through the eyes of management" and improves the financial disclosure by providing the context within which financial statements should be analyzed.

OFR/MD&A provides a balanced explanation by management of factors that have affected the issuer's financial condition and results of operations for the periods covered by the financial statements included in the annual report. This disclosure provides a context within which the financial results and financial position portrayed in the financial statements can be interpreted, and enables investors to see the issuer through the eyes of management. It may provide information about the quality and potential variability of the issuer's earnings and cash flow. As a result, investors are in a position to have a better understanding of the issuer's financial position.

Disclosure about the causes of material changes from year to year in financial statement line items, to the extent necessary for an understanding of the issuer's business as a whole, would be highly relevant to investors. In addition, a discussion based on segment information should be provided if it would be material to an understanding of the issuer's business and its overall financial condition and operating performance.

1.) Operating Results

Disclosure about the significant factors that materially affected the issuer's income from operations, including unusual or infrequent events or new developments and the extent to which income was affected by these factors, facilitates a better understanding of the issuer's results of operations. Significant factors could include, for example, the impact of inflation, the impact of foreign currency fluctuations, and any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, the company's operations. Disclosure about any significant components of revenues and expenses that are necessary to understand the issuer's results of operations can also be useful.

2.) Liquidity and Capital Resources

Information about the issuer's short-term and long-term liquidity, *i.e.*, its ability to generate adequate amounts of cash to meet its cash obligations, provides useful information about whether the issuer can fulfill its obligations on its securities. This includes discussion of the financial key performance indicators. For example, relevant information may include the issuer's internal and external sources of liquidity; a discussion of the risk of illiquidity of assets that may be held to settle the liabilities of the issuer; any material, unused sources of liquidity; and any material restrictions on all sources of liquidity. This could include a discussion of why these material

sources of liquidity are not being used. If a material deficiency is identified in the issuer's ability to meet its cash obligations, the course of action that the issuer has taken or proposes to take to remedy the deficiency is useful information for potential investors in its securities. Examples of disclosure that can be relevant include the level of borrowings at the end of the period covered by the financial statements and the characteristics and maturity profile of borrowings.

With respect to capital resources, an example of disclosure that may provide important information about the issuer's capital requirements is information about the issuer's material commitments for capital expenditures as of the end of its latest financial year. In addition, information about the general purpose of such commitments and the anticipated sources of funds needed to fulfill such commitments can also be highly relevant.

3.) Trend Information

Disclosure about the facts and circumstances surrounding known material trends and uncertainties can help investors have a better understanding of the issuer's prospects. Highly relevant information in that regard includes the potential impact of currently known trends, events and uncertainties that are reasonably likely to have material effects on the issuer's net sales or revenues, income from operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition. Useful information could, for example, include disclosure of the most significant recent trends in production, sales and inventory, and costs and selling prices since the latest financial year. If a profit forecast is also included, a clear description of the assumptions upon which the issuer has based its forecast would help investors assess the soundness of that forecast.

4.) Off-Balance Sheet Arrangements

Through off-balance sheet transactions (contractual arrangements not included in the balance sheet), an issuer can incur profits and losses that are not fully transparent to investors. Disclosure of all material off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on the issuer's financial position, are relevant to investors. Disclosure of such information that the issuer believes is necessary for an understanding of these arrangements and their material impact on the issuer's financial position is important.

5.) Critical Accounting Estimates

Estimates and assumptions involved in applying accounting policies can have a material impact on an issuer's reported operating results, financial condition and changes in financial condition, as well as on the comparability of reported information over different reporting periods. Disclosure of these estimates and assumptions is important, and should be disclosed to the public. In determining which critical accounting estimates or assumptions are relevant, the issuer should consider whether the nature of the estimate or assumption is material because of the subjectivity and judgment required to account for highly uncertain matters, as well as whether the estimate or assumption will have a material impact on financial condition or operating performance. The issuer should also disclose the methodology for determining its critical

accounting estimates, and explain why its accounting estimates or assumptions could change, such as if there is any uncertainty attached to an estimate or assumption. An analysis of the sensitivity of the issuer's critical accounting estimates and assumptions to change, based on other outcomes that are reasonably likely to occur and that would have a material effect, would be useful to investors.

c. Material Related Party Transactions

Disclosure about material related party transactions is important to investors because it helps provide a materially complete picture of the issuer's financial relationships and identifies potential conflicts of interest. Related parties include, among others, the issuer's Directors or executive officers, any nominees for Director, beneficial holders of a significant amount of the issuer's securities and the immediate family members of all of these persons, as well as affiliates of the issuer. Related party disclosure usually includes items such as the nature of the relationships, description of the transaction, business purpose and amount of transactions entered into by the issuer with related parties. In some jurisdictions, this disclosure also includes information about the issuer's policies and procedures for the review, approval or ratification of transactions with related parties, such as whether a special committee is responsible for approving these transactions.

d. Compensation Disclosure

Clear, concise and understandable disclosure of the compensation paid to the issuer's Directors and Senior Management for all services rendered to the issuer and its subsidiaries is highly relevant to investors, as well as to the board of directors. This disclosure helps those parties entrusted with determining the appropriate kind and amount of compensation to pay these key executives and Directors to make better decisions in this regard. This disclosure also enables investors and others to monitor the amount of the issuer's resources that is being allocated to compensating its Directors and Senior Management, and helps them assess how the compensation paid to Directors and key members of Senior Management relates to the company's overall financial performance. In addition, clear and intelligible disclosure promotes comparability of this information for the same issuer from year to year, as well as with other issuers.

Compensation disclosure usually includes the salaries, fees, bonuses, stock options and amounts set aside by the issuer to pay pension or other similar benefits (including special severance packages or retirement benefits). A discussion of any material factors necessary to an understanding of the compensation arrangements would be helpful to investors. In some jurisdictions, compensation information for Directors and Senior Management is disclosed on an individual, rather than on an aggregate, basis. Furthermore, in some jurisdictions the principles and rules for determining each part of the compensation package are required to be disclosed.

With respect to Senior Management, in some jurisdictions in which the compensation information on an individual basis is expected, issuers may be required to disclose both a single number that reflects total compensation paid to each key executive, as well as a narrative discussion that explains material information necessary to an understanding of the issuer's

compensation policies and decisions regarding those executives. This narrative discussion focuses on the material principles underlying the issuer's executive compensation policies and decisions and the most important factors relevant to an analysis of those policies and decisions. This analysis describes: (i) the objectives of the issuer's compensation programs, (ii) what the compensation program is designed to reward, (iii) each element of compensation, (iv) why the issuer chooses to pay each element, (v) how the issuer determines the amount or formula of each element to pay, and (vi) how each compensation element and the issuer's decisions regarding that element fit into the issuer's overall compensation objectives and affect decisions, regarding other elements. This disclosure is intended to provide investors with material information necessary to an understanding of the issuer's compensation policies and decisions regarding its key executive officers.

In other jurisdictions, compensation information on an individual basis is provided for members of the board of directors, but only aggregated information for the members of the supervisory body as a group is provided.

e. Corporate governance disclosure

An issuer's good corporate governance practices can improve investor confidence that effective controls exist within the company, that the Directors and executive officers are held accountable for their actions, and that shareholders will be able to exercise their rights. Adequate disclosure helps investors assess an issuer's corporate governance practices. Although some countries require companies to comply with certain corporate governance laws or regulations, others recommend that certain corporate governance codes be followed by requiring issuers to either comply with these codes, or to explain why the codes are not being complied with, e.g., a "comply or explain" regime. In the "comply or explain" regime, issuers are frequently required to disclose the issuer's current level of compliance with the relevant code, as well as the issuer's anticipated level of compliance in the future. Regardless of the approach taken, disclosure about certain key corporate governance practices is recommended as useful to investors.

1.) Directors and Senior Management

Information about the issuer's Directors and Senior Management assists investors in assessing the quality of the issuer's leadership and the issuer's potential performance. Because the issuer's Directors and Senior Management are critical to the success of the issuer's operations, the annual report often identifies these individuals and provides key biographical details, such as their business experience (including experience with a parent, subsidiary or other affiliate of the company) and functions within the company. Information disclosed also frequently includes disclosure about whether any of the Directors serve as Directors of other public companies. In addition, disclosure may also include information about the nature of any family relationships between any Directors and members of Senior Management. In some jurisdictions, disclosure is also provided about whether any of the Directors or members of Senior Management were convicted in a criminal proceeding, or found by a court or regulator to have violated the applicable securities laws in the past few years. Involvement in these types of legal proceedings may be material to an evaluation of a Director or executive's ability or integrity.

2.) Director independence

Directors play a critical role in the corporate governance of an issuer, and need to be able to exercise objective and independent judgment in order to carry out their duties effectively. Disclosure in the annual report about which Directors are independent, with reference to the applicable standards (such as company law or the standards of the regulated market on which the issuer's securities are listed or admitted to trading) would be useful to investors. If the applicable regulated market contains independence requirements for committees of the board of directors, each Director who is a member of the compensation, nominating or audit committee and who is not independent according to those requirements should be disclosed. In some jurisdictions independent Directors are required by law to be members of a separate supervisory body, so that disclosure about the independence of these Directors would not be necessary.

3.) Audit committee

Because the audit committee serves as a check and balance on an issuer's financial reporting system by providing independent review and oversight of its financial reporting processes, internal controls and independent auditors, certain disclosures about the audit committee are required in the annual report. For instance, the issuer should state whether it has an audit committee or a committee that performs similar functions, as well as the identity of each committee member. In cases in which the entire board is acting as the audit committee, this should be disclosed. If, in the opinion of the issuer's board of directors, the issuer has at least one financial expert serving on its audit committee, it could be helpful to disclose this, as well as whether that person is independent according to the definition of independence used by the markets on which the issuer's securities are listed or admitted to trading. The existence of a financial expert on the audit committee could be viewed as highly relevant to investors, as this individual would have an enhanced level of financial sophistication or expertise that would enable her to serve as a resource for the audit committee. Moreover, the independence of the financial expert would mean that s/he did not participate in the preparation of the issuer's financial statements. In some jurisdictions, the relevant education and experience of each audit committee member must be disclosed.

4.) Compensation committee

Compensation decisions rendered by a board should be free of conflicts of interest. To provide investors with relevant information about who determined the compensation for the issuer's Senior Management and Directors, it would be useful if the annual report identified each person who was a member of the compensation committee, if such a committee exists, or board committee performing a similar function, and any potential conflicts of interest they may have.

Interlocking relationships between companies and members of their respective compensation committees can also present conflicts of interest. For example, in some jurisdictions a conflict can occur if an executive officer of the issuer served as a member of the compensation committee or as a Director of another entity, one of whose executive officers served on the issuer's compensation committee. It can be helpful to investors to disclose this information.

As a means of underscoring the compensation committee's responsibilities, some jurisdictions require the annual report to contain a narrative analysis of compensation arrangements. In addition, some jurisdictions require the annual report to contain a statement by the compensation committee or other board committee performing a similar function that it has reviewed and discussed the analysis with the issuer's management, and that it has recommended to the board that this analysis be included in the issuer's annual report.

5.) Code of ethics

Ethical conduct is at the heart of good corporate governance. The issuer may find it useful to adopt a code of ethics that establishes the framework for conduct by the board and key executives. A code of ethics adopted by an issuer that deals with the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and that encourages the prompt internal reporting of violations of the ethics code by the issuer's key executive officers helps promote investor confidence that the issuer is committed to good corporate governance practices. Some jurisdictions view disclosure of whether the issuer has adopted a written code of ethics that applies to its key executives as relevant to investors.

f. Disclosure related to market risk sensitive instruments

Disclosure of the issuer's exposures to market risk associated with activities in derivative financial instruments (e.g., futures, forwards, swaps, options), other financial instruments (e.g., investments, loans, structured notes, mortgage-backed securities), and derivative commodity instruments (e.g., commodity futures, commodity swaps) enable investors to more accurately assess the primary risk of loss to the issuer. Market risk includes interest rate risk, foreign currency exchange rate risk, commodity price risk, and liquidity risk among other things. This disclosure is particularly relevant to investors in light of the sophisticated financial instruments that many public companies are increasingly relying on both to boost profitability and to hedge against risk.

Quantitative information about market risk should be presented in the currency used to prepare the issuer's financial statements. Relevant quantitative information includes the sensitivity of an issuer's market risk sensitive instruments to potential changes in market conditions. The disclosure should indicate the nature and extent of the risks from these instruments, as well as how the issuer is managing those risks. For example, where disclosure of fair value is required under the applicable accounting standards, the disclosures should include both the amount of the fair value and the way it is determined (including how liquidity risk, credit risk and market risk are factored into the issuer's fair value estimates). To reflect the different applicable accounting treatments, issuers should categorize market risk sensitive instruments into instruments entered into for trading purposes, and instruments entered into for purposes other than trading.

Disclosure about market risk helps investors analyze the quantitative information presented in the annual report. To the extent material, issuers could disclose their primary market risk exposures, and how these exposures are managed. This disclosure could include a discussion of the objectives, general strategies, and instruments, if any, that are used to manage these exposures. Investors would also find it useful to know if there are changes in either the issuer's

primary market risk exposures or how those exposures are managed, when compared to what was in effect during the most recently completed financial year, as well as what is known or expected to be in effect in future reporting periods.

g. Security ownership in the issuer, and related stockholder matters.

1.) Security ownership

Disclosure about the ownership of certain significant shareholders in the voting securities of the issuer can help investors monitor the accumulation of these securities by individuals who would have the ability or potential to change or influence the control of the issuer's management. This information helps investors make informed investment decisions based on market prices that reflect this information. The information disclosed includes identification of the class of securities held, the amount and nature of voting securities held, and the percent of the class of securities that this ownership represents. Issuers should disclose any arrangements known to the issuer that may result in a change in control of the issuer at a subsequent date, or alternatively have an impact on the effective exercise of votes in an issuer. This could include information about any pledge by any person of the securities of the issuer or any of its parents, which may result in a change in control of the issuer at a subsequent date.

For any person (including any group of persons) who is known by the issuer to be the owner of more than a specified percent of any class of the issuer's voting securities, the issuer should disclose the class of securities held, identify the owner, the amount and nature of the ownership, and the percent of the class of securities held. A group, as used in this context, refers to two or more persons that act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of an issuer. In some jurisdictions, the information is obtained for beneficial owners of the securities. For any person(s) who is known by the issuer to be the owner of more than the specified percent of the issuer's voting securities pursuant to a voting agreement, information about the voting agreement should be provided.

In some jurisdictions, the issuer must disclose ownership information for members of its management with respect to each class of its equity securities or of any of its parents or subsidiaries. This information is typically provided on an individual basis for all Directors and Director nominees, and for certain executive officers (such as the principal executive officer, principal financial officer, and the three most highly compensated executive officers other than the principal executive officer and principal financial officer at the end of the last completed year). Disclosure of this information for the Directors and executive officers of the issuer as a group would also be useful.

This information is usually obtained on an ongoing basis. Most regulators expect to be notified if a holding exceeds or falls below certain determined thresholds on an ad hoc basis. In some jurisdictions, the security holder notifies both the issuer and the regulator without undue delay, and the issuer or the regulator (once it has been notified by the issuer) must publish this information promptly. Further transparency is provided in a few jurisdictions through a databank

on the regulator's website that includes this information. In other jurisdictions, the security holder files the information with the regulator and the information is publicly available upon filing.

When an issuer's securities are listed in several jurisdictions, significant security holders may be subject to reporting obligations relating to their shareholdings in the issuer in those jurisdictions. It would be helpful to investors if the issuer disclosed that significant security holders may be subject to different reporting obligations in the different jurisdictions in which it is listed or registered.

2.) Equity Compensation Plan Disclosure

Because equity compensation grants and awards may result in a significant reallocation of ownership between existing security holders and management and employees, information about an issuer's equity compensation plans would be useful to investors. These plans have a potential dilutive effect, so information about the total number of securities that an issuer has authorized for issuance under its equity compensation program would help investors to assess the effect that an issuer's equity compensation plans could have on their ownership, or to compare the equity compensation plans of an issuer with those of its competitors. In addition, in some jurisdictions a number of plans are adopted without the approval of security holders. As a result, these plans escape security holder scrutiny. Disclosure about the issuer's equity compensation plans, including those not approved by security holders, would help investors make informed voting and investment decisions.

To provide useful disclosure to investors, issuers should disclose certain information as of the end of its most recently completed financial year. This information should include the number of securities to be issued upon the exercise of outstanding options, warrants and rights, or pursuant to any compensation plan and individual compensation arrangement of the issuer under which equity securities of the issuer are authorized for issuance or offered to employees; the exercise price of the outstanding options, warrants and rights, or issue price; and the number of securities remaining available for future issuance under equity compensation plans other than the securities to be issued upon the exercise of outstanding options, warrants or rights. This disclosure could apply to all equity compensation plans in effect as of the end of the issuer's last completed financial year. For each compensation plan under which equity securities of the issuer are authorized for issuance that was adopted without the approval of security holders, the issuer should provide a narrative description of the material features of the plan.

2. Interim periodic reports

- a. Interim periodic reports should contain information that will enable investors to track the performance of a company over regular intervals of time and should provide sufficient financial information to enable investors to assess the current financial status of a company.**

The interim periodic reports, such as quarterly and half yearly reports, provide certain updated disclosures about the issuer that can assist investors in assessing a company's financial position and its operations. In comparison to current reports or announcements of price sensitive information, which issuers file in response to specific events and are not tied to a specific period, interim periodic reports provide information on a regular basis about trends and developments in an issuer's business, especially trends in revenues or earnings that result from changes or developments in an issuer's core business. In some jurisdictions, companies are required to provide relatively complete financial statements in their quarterly reports. In other jurisdictions, listed companies are required to provide a condensed set of financial statements at mid-year, and, at certain other points in the year, issuers of equity admitted to trading or listed on regulated markets are also required to publish additional interim statements with only select information. In any case, the information provided for a given period should provide investors with a description of the company's financial position for the period covered in the report.

The principles discussed in this section assume that the issuer will be required under relevant laws and regulations to provide consolidated interim financial statements according to high quality internationally accepted accounting standards. When interim financial statements are contained in the periodic report, they should usually include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information is viewed by many regulators as satisfied if issuers present the most recently completed year-end balance sheet. The interim financial statements also are most useful if they include selected note disclosures that will explain events and changes that are significant to an understanding of the changes in financial condition and performance of the issuer since the last annual reporting date.

If such interim financial statements are not audited or reviewed, regulators should consider requiring disclosure of this, as investors would find this information highly relevant. Issuers are encouraged to have any interim financial statements included in the periodic report reviewed by an independent auditor to provide some assurance as to the reliability of the information presented. If an independent auditor has performed such a review and the review is referred to in the periodic report, regulators should consider requiring issuers to provide a copy of the auditor's interim review report in the periodic report. In some jurisdictions, if the independent audit committee has reviewed the interim financial statements, this is also disclosed to investors.

b. Interim periodic reports should contain MD&A or a management's statement, as appropriate.

When issuers include interim financial statements in their interim reports, the interim report should update the information provided in the last annual report, providing a year-to-date comparison, as well as a comparison of interim periods. This should include management's discussion and analysis of factors that have affected the company's financial condition and results of operation for the periods covered by the interim financial statements. The MD&A also includes management's assessment of the factors and trends that are anticipated to have a material effect on the company's financial condition and results of operations in the future.

If interim financial statements are not included in the interim periodic report, then the interim report should contain a statement by management of the material events and transactions that have taken place during the relevant period and their impact on the financial position of the issuer and its controlled undertakings and a general description of the financial position and performance of the issuer and its controlled undertakings during the relevant period.

c. Interim periodic reports may also include other disclosures, such as related party transactions disclosure.

In certain circumstances, material related party transactions that occurred during the interim period covered by the report can be highly relevant to investors. In some jurisdictions, interim reports may also include information that updates information previously provided in the issuer's annual report. This may include disclosure about material changes in risk factors; disclosure about market risks; Senior Management's conclusions regarding the effectiveness of the issuer's disclosure controls and procedures; disclosure about material pending legal proceedings, other than ordinary routine litigation, to which the issuer is a party; and disclosure about matters submitted to a vote of security holders during the period covered by the report;

B. For those periodic reports in which financial statements are included, the persons responsible for the financial statements provided should be clearly identified, and should state that the financial information provided in the report is fairly presented.

In many jurisdictions, the persons who are responsible for the information contained in the report are identified within the periodic report. In other jurisdictions, the identity of the responsible parties is specified by law. In any case, these persons, who are usually the Directors or certain key executive officers of the reporting company, are required to state that, to the best of their knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the periodic report. The persons responsible can be held liable according to the law of the specific jurisdiction.

C. The issuer's internal control over financial reporting should be assessed or reviewed.

A key aspect of management's responsibility for the preparation of financial information is its responsibility to establish and maintain an internal control system over financial reporting. Effective internal controls and procedures for financial reporting ensure that companies have processes designed to provide reasonable assurance that the issuer's transactions are properly authorized; the issuer's assets are safeguarded against unauthorized or improper use; and the issuer's transactions are properly recorded and reported to permit the preparation of its financial statements in conformity with high quality internationally accepted accounting standards. An effective internal control system could enhance the quality of financial reporting by helping to minimize financial, operational and compliance risks.

Internal control requirements may be established by law, regulations, or listing requirements. Some jurisdictions place the responsibility on Directors or an audit committee, rather than Senior Management. The issuer's Senior Management, Directors or audit committee assess or review the issuer's internal control over financial reporting on at least an annual basis in some jurisdictions. In some jurisdictions, this assessment is provided with any periodic reports, including interim reports, that contain financial statements.

This assessment or review may be provided to the board of directors, and/or published. Some jurisdictions have detailed requirements mandating certain disclosures in these reports. These jurisdictions require a statement of management's responsibility for establishing and maintaining an adequate internal control over financial reporting for the issuer, as well as management's assessment, as of the end of the issuer's most recent financial year, of the effectiveness of this internal control.

In addition, some jurisdictions require a statement identifying the framework used by management to evaluate the effectiveness of the issuer's internal control. Some jurisdictions further require management's assessment to include disclosure of any material weaknesses in the issuer's internal control over financial reporting that is identified by management. If any material weaknesses are identified, management is not permitted to conclude that the issuer's internal control over financial reporting is effective. In some of these jurisdictions, the accounting firm that audited the financial statements included in the annual report is also required to state in the annual report that it has issued an attestation report on management's assessment of the issuer's internal control over financial reporting.

In other jurisdictions, disclosure is required by management in the annual report of the main features of the company's internal control and risk management systems in relation to financial reporting processes. Furthermore, a company is usually expected to form an audit committee that bears responsibility for monitoring the financial reporting process and the effectiveness of the company's internal control and risk management systems. The auditor is responsible for reporting to the audit committee any material weaknesses in the issuer's internal controls in relation to the financial reporting process that have come to the attention of the auditor as a result of the performance of the audit.

D. Information should be available to the public on a timely basis.

The information provided in the periodic report should also be timely. The size of the issuer may be taken into consideration when establishing the due dates for periodic reports. Small and medium-sized issuers may need more time to prepare their reports because of their more limited resources. An appropriate time period should be established by the relevant laws, regulations or listing rules in which the periodic report must be made available to the public.

E. Periodic reports should be filed with the relevant regulator.

Periodic reports should be filed with the relevant regulator to permit regulators to review the reports, when appropriate, to ensure compliance with the relevant laws and regulations. The means of filing may include transmission of the periodic report to the relevant regulator, or by sending the relevant regulator notice of the filing on a separate registry, among other things.

Regardless of the means used, the relevant regulator has means of obtaining the report for its regulatory purposes.

F. The information should be stored to facilitate public access to the information.

The relevant law or regulation should ensure that there is storage of the periodic information in order to facilitate public access to the information. Storage of that information should also be at the lowest cost possible for investors. Electronic storage is one means of achieving this objective. This information should be stored in a central location, whether with the relevant regulator or another authorized repository, and be available for a sufficient period of time

The periodic report should be presented in a format that facilitates analysis of the information contained in the periodic report. To that end, some regulators are investigating the use of interactive data technology as a means of providing a quick and easy means for investors and others to extract, analyze and compare financial information that has been filed with regulators. The enhanced search and comparison capabilities afforded by the use of interactive data could improve investors' ability to understand the available financial information, and could enable issuers to communicate their financial results more effectively.

G. Disclosure criteria

The information disclosed in periodic reports should be fairly presented, not be misleading or deceptive and should not contain any material omission of information. Moreover, information disclosed in a periodic report should be presented in a clear and concise manner without reliance on boilerplate language.

If information related to an issuer's periodic reports is disseminated by other means, such as provided on a company's website, it should be consistent with the information provided in the issuer's periodic reports to the relevant regulator.

H. Equal access to disclosure

The disclosure of material information that is contained in a periodic report to certain investors or other interested parties before it is disclosed to the public may reduce investor confidence in the fairness of those markets. Prohibiting such disclosures will reduce the likelihood of insider trading or abusive use of such information. However, in some jurisdictions such disclosures may be allowed in certain circumstances, or where other types of regulations are considered to adequately deal with insider trading or abusive use of material non-public information. For example, these exceptions could include communications with advisers and rating agencies, or communications made in the ordinary course of business. Such communications may include communications with persons with whom the company is negotiating, or intends to negotiate, a commercial, financial or investment transaction; and communications with representatives of the company's employees or trade unions acting on their behalf. In all these cases, the recipients of this information have a duty to keep the information confidential. In other jurisdictions, there are very limited exceptions for price sensitive information.

Equal access to disclosure should be provided to all investors at the same time. In some jurisdictions, dissemination of information effected via different means, such as press releases and newspaper notices of the availability of the periodic reports on the issuer's website or elsewhere, is viewed as providing investors with equal access at the same time. In other jurisdictions, equal access is viewed as provided by free public access to the periodic reports on the regulator's website when the reports are filed with the regulator, so that it is available to all investors and the public at the same time.

I. Equivalence of Disclosure

If the entity is listed or admitted to trading in more than one jurisdiction, the material periodic information made available to one market should be made available promptly to all markets in which the entity is listed.