



Corporate Disclosure Update for Black Swan Events:

Now is Not the Time for
Boilerplate

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Your Presenters



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Outline

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- The fundamentals for drafting COVID-19 risk factors

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- The art of drafting forward-looking statements

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- Requirements and common mistakes in Management's Discussion and Analysis

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- Conclusion

The background of the slide is a complex, abstract representation of financial data. It features a dark teal and blue color palette. Overlaid on this are various elements: a candlestick chart with red and green bars, several line graphs with different colors (blue, orange, green), and scattered numerical values such as '92.97', '58', '51.53', and '92.8'. The overall effect is that of a busy, data-driven environment, likely representing a stock market or financial analysis software.

Introduction

Introduction

- No “One size fits all” disclosure
- Need to be proactive, not reactive
- Much of the current COVID disclosure has been inadequate



The Fundamentals for Drafting Risk Factors

COVID Centered Risk Factor

1. "Our business, results of operations and financial condition could be adversely affected by an outbreak of contagious disease, such as the recent COVID 19 outbreak..."
2. "Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as the recent COVID-19 (coronavirus), may adversely affect the Corporation..."
3. "Natural Disasters, Terrorist Acts, Civil Unrest, Pandemics and Other Disruptions and Dislocations, such as the recent COVID-19 (coronavirus), may adversely affect the Corporation..."
4. "Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus..."

Commonly Considered Risks

- operations in affected regions;
- business dependence on aspects of international trade, including impact of possible restrictions on international shipping;
- operational and supply chain delays and disruptions;
- labour shortages and facility or premise shutdowns;
- social unrest;
- impacts of government regulation and prevention measures;
- business continuity, management contingency and emergency succession plans;
- impact of volatility in the capital markets, including ability to obtain necessary financing;
- Interest rates;
- insurance coverage;
- material contracts – termination or changes due to market instability or force majeure
- sudden increase or decrease in demand for goods and services; and
- increased costs.

Don't Forget to Update COVID Disclosure from Earlier This Year!



Need to Update Past Disclosure: Examples

- Interruption of Operations
- Effect on consumer demand
- Work-related measures
- Market Volatility, credit risk, and financial performance

For those Unscathed:

- To date the outbreak has not had a material adverse impact on our operations. However, the future impact of the outbreak is highly uncertain and cannot be predicted, and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.

3 Special Tips

1

**Impact of
materializing
risks on other
risks**

2

**Certain risk
factors should
direct readers
to the COVID
risk factor**

3

**Rank in order
of importance**

The Art of Drafting Forward-Looking Statements



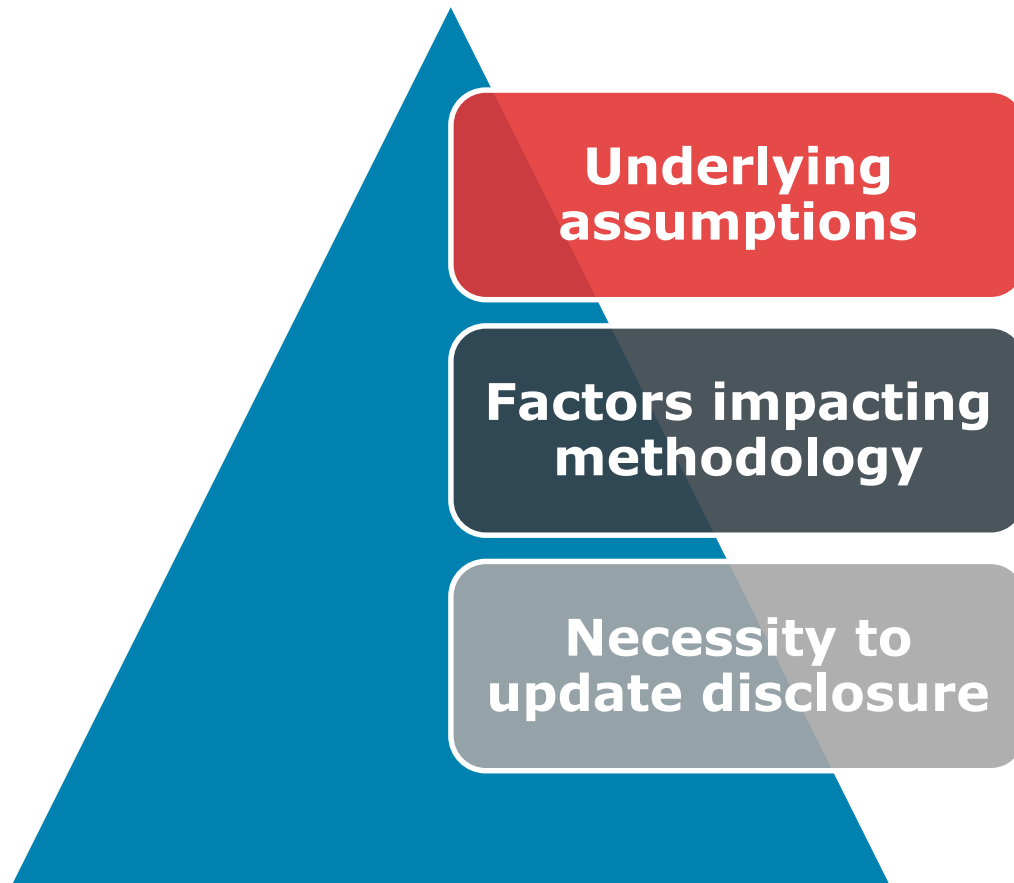
Forward-looking Statements Need Love Too

- Underlying assumptions
- Limit the time period
- Adequate identification of material risks
- Update or cease

The background features a magnifying glass with a silver handle and a clear lens, positioned over a document. The document contains financial data, including a table with columns labeled 'Share', 'Number', 'Number of S', 'Average num', and 'Share pri'. The text is partially obscured by a dark teal horizontal band. A network of white lines and dots is overlaid on the entire image, creating a digital or analytical aesthetic. The overall color palette is dominated by teal and light blue tones.

Requirements and Common Mistakes in MD&A

Critical Accounting Estimates



Going Concern Risk

- Critical to identify and disclose
 - MD&A requirements as well as GAAP
- Responsibility lies on management to identify
- Relevant throughout the MD&A:
 - Overall performance
 - Operations
 - Liquidity
 - Capital resources

Liquidity and Capital Resources

- Trends and fluctuations
- Defaults or arrears
 - Actual or the risk of
- Ability to make key payments and satisfy debt covenants
- Discussion on defaults
 - Actual or the risk of
- Expected source of funds



The past is the past

Earnings Guidance: the challenge

- An issuer must discuss in its MD&A any events or circumstances resulting from COVID-19 in the reported period that are reasonably likely to cause actual results to differ materially from any previously disclosed material forward-looking information for a period not yet completed, together with the expected differences.

Earnings Guidance: when to update?

- News release now vs wait for the MD&A
- Update vs withdraw guidance
- Canadian securities legislation: issuers must not disclose financial guidance unless, among other things, it is based on assumptions that are reasonable in the circumstances

A low-angle shot of the Canadian flag waving in front of a modern glass skyscraper. The flag is the central focus, with its red and white colors and maple leaf clearly visible. The building's grid of windows and dark frames creates a strong geometric pattern in the background. The sky is a clear, bright blue.

Conclusion

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