



Recommendations for Secondary Market Disclosure

FINAL REPORT

The Board of the
International Organization of Securities Commissions

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For interested jurisdictions, there is a separate document which includes a Recommendation for Sustainability-related Secondary Market Disclosures¹.

¹ The U.S. Securities and Exchange Commission and U.S. Commodity Futures Trading Commission objected to the inclusion of this Recommendation in the primary set of Recommendations in the Final Report. The inclusion of this Recommendation in the Addendum should not be viewed as an expression of the U.S. members' views or an endorsement by the U.S. members.

Introduction

For over 25 years, IOSCO principles, standards and recommendations have played a critical role in facilitating cross-border capital raising.

Consensus among IOSCO members around such disclosure principles, standards and recommendations has enabled issuers to access the global markets more quickly and enhanced investor protection across jurisdictions. IOSCO has recognized that disclosure of reliable, accurate and timely information that is readily accessible contributes to liquid and efficient markets by enabling investors to make informed decisions based on the information material to their decisions.

The IOSCO *Objectives and Principles of Securities Regulation*² are endorsed by both the G20 and Financial Stability Board and include 38 Principles which represent consensus on sound practices for regulating securities markets. These practices may be practically implemented under the relevant legal framework of IOSCO members to achieve the “objectives of regulation”.

Principle 16 states:

There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors’ decisions.

The Recommendations are intended to provide further guidance that relevant regulators may consider using in jurisdictions that are establishing or reviewing their securities regulations on the application of Principle 16 as it relates to disclosure by listed entities for the secondary markets.

Previous guidance issued by IOSCO

Primary markets

To facilitate multinational issuers to make cross-border public offerings and initial listings of securities, IOSCO issued the *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers*³ for equity securities in 1998 (“International Equity Disclosure Standards”) and

² <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD561.pdf>

³ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD81.pdf>

the *International Debt Disclosure Principles for Cross-Border Offerings and Listings by Foreign Issuers*⁴ for debt securities in 2007 (“International Debt Disclosure Standards”, and together with the International Equity Disclosure Standards, the “Primary Market Disclosure Standards”).

At the time that it issued the International Equity Disclosure Standards, IOSCO recommended that its members accept in their respective home jurisdictions a disclosure document containing the information set forth in the International Equity Disclosure Standards, subject to host country review or approval processes. These standards represented an important step forward in developing an international consensus on disclosure standards for public offerings and initial listings of securities.

Secondary markets

Equally significant is the disclosure that is provided to the secondary markets after an issuer has made an initial listing of securities or a public offering of securities. Although in many jurisdictions retail investors may participate in primary offerings by issuers, as a practical matter such investors in most jurisdictions tend to mainly participate in the market through secondary markets trading rather than initial public offerings. Reliable, timely secondary markets disclosure that is readily accessible is crucial so that investors have the material information they need to determine whether to purchase or sell a security after it has been listed. Such information includes periodic disclosure covering designated periods of time (e.g., annual, quarterly), as well as event-driven disclosure of material events.

In recognition of the importance of secondary markets disclosure, IOSCO published *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities*⁵ (“Ongoing Disclosure Principles”) in 2002. This guidance established a set of common, high-level principles for jurisdictions developing or reviewing a secondary markets disclosure reporting regime for listed entities, with particular focus on event-driven disclosure.

Event-driven disclosure can provide current information for investors to better enable them to make informed decisions. Listed entities disclose material events on a current basis rather than waiting until they are required to make periodic disclosure, such as annual reports and interim reports. Periodic disclosure facilitates investor decision making and monitoring of the markets by making it possible for investors to compare the performance, financial condition and future prospects of the same listed entity over regular intervals,

⁴ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD242.pdf>

⁵ <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD132.pdf>

and by enabling investors to make useful comparisons among different listed entities. Although the Ongoing Disclosure Principles set forth general guidelines for secondary markets disclosure, specific guidance on periodic disclosure is also important to help promote consistently high-quality disclosure provided in the periodic reports of listed entities whose securities are traded in the international, as well as domestic, markets.

For this reason, IOSCO published the *Principles for Periodic Disclosure by Listed Entities*⁶ in 2010 (“Periodic Disclosure Principles,” and together with the Ongoing Disclosure Principles, the “Secondary Markets Disclosure Principles”). The Periodic Disclosure Principles were aimed at facilitating consensus on common high-level principles to provide guidance to jurisdictions that are developing or reviewing their periodic disclosure requirements for listed entities, so that investors who participate through secondary trading, and who are most in need of regulatory protection, can benefit from this type of disclosure on an ongoing basis.

The fundamental principle of “full, accurate and timely disclosure” referred to in Principle 16 is that the listed entity should provide information that is material to an investor’s decisions. The body of information available to an investor should contain both information disclosed at the IPO stage, covered under the Primary Market Disclosure Principles, as well as secondary markets disclosure, covered by the Secondary Markets Disclosure Principles.

Other relevant guidance

Over the years, IOSCO has published other guidance directed at listed entities that is relevant to secondary markets disclosure by listed entities, in particular:

- General Principles Regarding Disclosure of Management’s Discussion and Analysis of Financial Condition and Results of Operations (February 2003);⁷
- Statement on Non-GAAP Financial Measures (June 2016);⁸
- IOSCO Statement on Financial Reporting and Disclosure during Economic Uncertainty (November 2022).⁹

⁶ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD317.pdf>

⁷ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD141.pdf>

⁸ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD532.pdf>

⁹ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD720.pdf>

Why IOSCO is issuing the Recommendations

Investors' needs and expectations related to disclosure by listed entities have evolved substantially over the years, including, but not limited to, disclosure of material risks and opportunities. Moreover, IOSCO's prior policy work on this topic has occurred over a period of decades in the form of various stand-alone publications. As such, the Recommendations update, consolidate and modernize the Secondary Markets Disclosure Principles so that all IOSCO relevant guidance pertaining to disclosure by listed entities for the secondary markets is contained in a single document. By doing so, the Recommendations seek to address issues regarding duplication, gaps in coverage and outdated references while providing more clarity and precision where necessary.

The Recommendations therefore supersede the Secondary Markets Disclosure Principles (but not the Primary Market Disclosure Principles) for purpose of non-binding guidance to IOSCO members. Where relevant, they refer to other guidance issued by IOSCO.

Scope of the Recommendations

The Recommendations are primarily concerned with providing guidance to jurisdictions that are developing or reviewing their regulations for secondary markets disclosure by listed entities with a public reporting obligation. They are not intended to apply in relation to non-reporting entities nor to collective investment schemes, although regulators may consider them for other entities with public reporting obligations.

IOSCO, while recognizing that different regulatory approaches with varying levels of prescriptiveness may be taken in jurisdictions with respect to secondary markets disclosure, believes that these approaches should not preclude consensus at a high level, around the framework outlined below. These Recommendations should provide IOSCO members with a framework to consider for developing or reviewing their own disclosure regimes, in light of their own legal and regulatory regimes, and unique market characteristics.

The principles-based format of the Recommendations allows for a wide range of application and adaptation by securities regulators. Regulators may wish to consider adapting the Recommendations according to the characteristics of the listed entity such as its size, whether it is domestic or foreign, or the type of securities issued. In some places throughout this report, the guidance contained in the Recommendations includes examples to illustrate how different approaches may be used to reach the same disclosure objective. The usage of the term "may" in the narrative following a recommendation indicates

that the approach described, while a good disclosure practice, is not uniform across all jurisdictions.

The Recommendations do not cover disclosure that would be required in connection with a listed entity's annual or special meeting of shareholders, including proxy solicitation and voting results. These disclosures are generally part of the corporate law framework governing listed entities and are outside the scope of the Recommendations. However, under the laws and regulations of some jurisdictions, some of the annual disclosures referred to in Chapter 2, such as information regarding the listed entity's corporate governance practices, may be required to be provided in the listed entity's proxy statement.

Accordingly, the purposes of the Recommendations are to complement the Primary Market Disclosure Principles by:

- setting forth a recommended framework for secondary markets disclosure for listed entities, and
- providing best practices for regulators and other relevant market participants to consider in developing or reviewing a secondary markets disclosure regime for listed entities.

Structure of the Recommendations

The Recommendations are divided into three main parts:

- Chapter 1 provides guidance that applies to secondary markets disclosure generally. This guidance pertains mostly to general issues such as materiality, frequency and timeliness of disclosure and access to and availability of information. Both periodic disclosure and event-driven disclosure seek to provide investors with decision-useful information and as such have many commonalities.
- Chapter 2 provides guidance that applies specifically to either periodic disclosure or event-driven disclosure. This guidance pertains mostly to the content of such disclosure. Periodic disclosure and event-driven disclosure seek to provide investors with different kinds of information and as such require different guidance as to their content.
- Chapter 3 provides guidance on accountability for disclosure and internal controls. These controls and procedures are essential to ensure that disclosure is timely and reliable.

Glossary

In these Recommendations:

“Annual report” means a single document or a set of documents containing information that covers a full financial year, whether or not referred to as an “annual report.”

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

“Board of Directors” or **“Board”** includes a listed entity’s administrative or supervisory body or other body with similar functions and “Director” includes any member of such body.

“Event-driven disclosure” means current disclosure of information in response to specific events or developments and not tied to a specific period. Some jurisdictions refer to “event-driven disclosure” as “current” or “ad hoc” or “price sensitive” disclosure.

“Executive officer” means any officer or person who has authority and responsibility for planning, directing and controlling the activities of the listed entity. Persons covered by this definition are determined by the requirements of the particular jurisdiction.

“GAAP” means generally accepted accounting principles, such as a set of accounting rules, standards, and procedures issued or revised by the U.S. Financial Accounting Standards Board (FASB) or the International Accounting Standards Board (IASB).

“Listed entity” means an entity organized in corporate form that has securities listed or admitted to trading on a regulated market in which retail investors participate and is subject to reporting requirements with a regulator.

“MD&A” means management’s discussion and analysis of financial condition and results of operations, also referred to as operating and financial review or management report or management commentary.

“Periodic disclosure” means disclosure of information on a periodic basis (yearly, half-yearly or quarterly) and tied to a specific period.

“Regulator” means the securities regulator in a jurisdiction and may include the stock exchange in jurisdictions where it has similar responsibilities to a securities regulator.

Chapter 1: Recommendations applicable to all disclosure

Materiality and fair presentation

Recommendation (i): Listed entities should be required to disclose material information.

Material information is essential for investor decision-making.

Listed entities should disclose information that would be material to an investor's investment decision.¹⁰ Each jurisdiction defines materiality in the context of its own legal and regulatory regime. Some jurisdictions may define material information to be information that is likely to affect an investor's assessment of value and prospects of the listed entity, or information that would reasonably be expected to have a significant effect on the market price or value of the securities of the listed entity.

Laws and regulations may require a listed entity to determine what information is material or may specify what type of information is deemed to be material. Jurisdictions may also require listed entities to disclose specific information even without reference to materiality.

Recommendation (ii): Listed entities should be required to present information fairly.

Information disclosed should be fairly presented and not be misleading or deceptive. Moreover, information should be presented in a clear and concise manner by using plain language to the extent possible. Information should be specific to the listed entity without reliance on boilerplate language.

¹⁰ Principle 16 of IOSCO's *Objectives and Principles of Securities Regulation*, provides: "There should be full, accurate and timely disclosure of financial results, risk and other information which is material to investors' decisions."

Material information should not be obscured. Material information may, for example, be obscured if information regarding a material item, transaction or other event is scattered throughout a report, or disclosed using language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated. In addition, the ability of users to understand a report may be reduced if material information is hidden because of disclosure of immaterial information.

Non-GAAP measures and forward-looking information are two areas for consideration for which many jurisdictions have developed guidance or rules on their presentation. For example, disclosure of non-GAAP measures should not be misleading or be more prominent than GAAP information. Sufficient information should accompany non-GAAP financial measures or be provided by reference to where the information is available in order to avoid investor confusion.¹¹ Another example is forward-looking information, such as projections, forecasts, financial outlooks or targets. A listed entity should have a reasonable basis for forward-looking information and should disclose the factors and assumptions on which the forward-looking information is based.

Recommendation (iii): Listed entities should be required to ensure that information disclosed across all channels is consistent.

Investors increasingly rely on social media or other channels for obtaining information. To avoid potentially misleading investors, listed entities that use social media or other channels to disclose material information should ensure such disclosure is consistent with information that is published in response to regulatory requirements.

Frequency and timeliness

Recommendation (iv): Listed entities should be required to provide periodic and event-driven disclosure.

¹¹ Statement on Non-GAAP Financial Measures, final report of the Board of IOSCO, June 2016, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD532.pdf>.

Because investors need periodic disclosure (annual and interim reports) as well as event-driven disclosure to make informed investment decisions, listed entities should be required to provide both types of information.

Annual reports

Annual reports provide prospective investors and existing securityholders of a listed entity with material information, including financial and non-financial information.

The information provided in the annual report should normally cover an annual reporting period and include information for that period required by law or regulation. In addition, subsequent events that occur between the end of the reporting period and the date that report is filed may be required to be included.

Interim reports

Generally, interim reports should contain information that will enable investors to track the performance of a listed entity over regular intervals of time that are shorter than a year and should provide sufficient financial information to enable investors to assess the current financial status of a listed entity. Interim reports provide information about trends and developments in a listed entity's business and should update disclosure since the last annual report or interim report, as applicable. Interim reports could be quarterly, half-yearly, or of such frequency as prescribed by law or listing rules.

Event-driven disclosure

Listed entities should also be required to disclose information about certain material events or developments as they occur, instead of waiting for the next periodic report.

Refer to the Recommendation in Chapter 2 with respect to the content of the annual report, interim reports, and event-driven disclosures, including the type of events or developments that should be disclosed.

Recommendation (v): Listed entities should be required to disclose information on a timely basis.

An appropriate time period should be established by law or regulation for information to be made available to the public by listed entities. The appropriate time period depends on whether the disclosure is periodic or event-driven:

- For periodic disclosure, information should be disclosed within a reasonable amount of time from the end of the relevant reporting period, e.g., 30 to 90 days for interim reports, and 60 to 120 days for annual reports.
- For event-driven disclosure, an appropriate time period may mean promptly after the event or development has occurred or its materiality has been determined.

Recommendation (vi): Listed entities that are listed in more than one jurisdiction should be required to disclose information on a timely basis in all jurisdictions.

A listed entity may have securities listed in more than one jurisdiction. In such situations, the material periodic disclosure and event-driven disclosure made available to one market should be made simultaneously or promptly available, depending on the jurisdiction's law or regulation, to all markets in which the entity is listed under its consent.

Recommendation (vii): Listed entities should not be allowed to disclose information to selected investors before it is released to the public.

The disclosure of material information to selected investors or other interested parties before it is disclosed to the public may reduce investor confidence in the fairness of the markets. The prohibition of such disclosures reduces the likelihood of insider trading or abusive use of such information.

Disclosure should be provided to all investors. However, narrow exceptions to such disclosures may be allowed in certain circumstances. In such cases, recipients of the information should be required to keep the information confidential.

Access and availability

Recommendation (viii): Listed entities should be required to file information with the relevant regulator.

Reports containing periodic and event-driven disclosures required to be filed should be filed with, or provided to, the relevant regulator to enable it to review the information, when appropriate, to check compliance with the relevant requirements.

The means of filing may include transmission of the report to the relevant regulator, or sending the relevant regulator notice of the filing on a separate registry.

Recommendation (ix): Listed entities should be required to publicly disseminate information.

Listed entities should ensure that the information is promptly made available to the market by using efficient, effective and timely means of dissemination to assure easy and fast access by all investors to the disclosed information. Dissemination of information may be effected via different means, such as press releases and newspaper notices of the availability of the documents containing periodic or event-driven disclosures on the listed entity's website or elsewhere, or by free public access to such documents on the regulator's website or an authorized repository when the documents are filed with the regulator.

Recommendation (x): Listed entities should be encouraged to provide information in a machine-readable format.

Regulators may require the use of machine-readable formats to provide a means for investors and others to extract, analyze and compare 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 information, and could enable listed entities to communicate information, including their financial results, more effectively.

Recommendation (xi): Information should be stored in order to facilitate public access to it.

Regulators should ensure that there is storage of the documents containing periodic or event-driven disclosures in order to facilitate public access to them. The information should be stored electronically to the extent possible, whether with the relevant regulator or another authorized repository. Storage of the information should also be at the lowest cost possible for investors. Information stored electronically should allow investors to have access to it in a digital, user-friendly format or, if not stored electronically, to have access to it in a central location. Also, the information should be available for a sufficient period of time.

Chapter 2: Recommendations applicable to periodic or event-driven disclosures

Periodic disclosure

Annual reports

This section includes recommendations on the content of disclosures in an annual report. The order and organization of the recommendations are not intended to be guidance on specific presentation of the disclosure. The location of certain disclosures in the annual report varies across jurisdictions and depends on the requirements of a particular jurisdiction.

Recommendation (i): Annual reports should be required to contain 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 MD&A.¹² Accurate and reliable publicly available financial information enhances investors' confidence in the public markets.

Accounting standards used by listed entities to prepare financial statements should be of a high and internationally acceptable quality.¹³

Contents of the financial statements

¹² Additionally, in some jurisdictions, the annual report may form the foundation of a fast-track system for making offerings of securities to the public, as described in the IOSCO report, *Adapting IOSCO International Disclosure Standards for Shelf Registration Systems*, March 2001. Since the publication of that report, some IOSCO members have expanded the use of shelf registration statements.

¹³ Principle 18 of IOSCO's *Objectives and Principles of Securities Regulation*.

Listed entities should be required to provide a complete set of audited financial statements¹⁴ that should at least comprise:

- a statement of financial position (or balance sheet) as at the end of the most recent financial year,
- a statement of financial performance (or profit and loss and other comprehensive income) for the financial year,
- a statement of changes in equity for the financial year,
- a statement of cash flows for the financial year,
- comparative information in respect of the preceding period,
- related notes and further statements, if relevant, required by GAAP.

Disclosure of distributions to securityholders, such as dividends, should be included in the financial statements.

Contents of the notes to the financial statements

The notes to the audited financial statements should contain disclosure of material information required by GAAP that faithfully represents the listed entity's assets, liabilities, equity, income and expenses, cash flow, and is comparable, both from period to period for a reporting entity and in a single reporting period. This should include disclosure of the following:

- The judgments that management has made in the process of applying its accounting policies that have the most significant effect on the amounts recognized in the audited financial statements.
- Information about the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
- Material events after the reporting period covered by the audited financial statements.
- The existence of related parties and transactions, outstanding balances, including commitments with such parties.

Information provided outside the financial statements (e.g., MD&A, investor presentations, press releases and earnings calls) should be consistent and complement information provided in the notes to the financial statements.

¹⁴ Where the listed entity is required under the relevant laws and regulations to provide consolidated financial statements, the annual report should comprise such audited consolidated financial statements, the consolidated MD&A and the related responsibility statements also covering the undertakings included in the consolidation.

Independent auditor's report

Annual reports should contain an independent auditor's report that covers each of the periods for which audited financial statements are required to be provided. Audits that are conducted on the listed entity's financial statements by an independent audit firm play a crucial role in fostering investor confidence in the reliability of the financial statements. Audit reports provide investors with reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

The independent auditor's report includes an opinion as to whether the financial statements present fairly, in all material respects, the financial position and financial performance of a listed entity.

Audit standards used by independent auditors should be of high and internationally accepted quality.¹⁵

Recommendation (ii): Annual reports should be required to contain a description of the listed entity's business and operations.

A listed entity should describe the general development of its business which may include any material changes to its business strategy.

A listed entity should describe its business and operating segments that are reportable segments in the listed entity's financial information presented in its financial statements. Such a description could include, for example, the listed entity's products and services, production and distribution methods, principal markets, competitive conditions and dependencies.

Recommendation (iii): Annual reports should be required to contain information about material risks affecting the listed entity.

A listed entity should provide a discussion of the material factors that affect its business and make an investment in the listed entity risky. The risk factors discussion should be organized logically with relevant headings. The presentation of risks that could apply generically to any company is discouraged. Risk factors should concisely explain how each risk affects the listed entity or the securities.

¹⁵ Principle 21 of IOSCO's *Objectives and Principles of Securities Regulation*.

Recommendation (iv): Annual reports should be required to contain management's discussion and analysis of financial condition and results of operations.

In addition to their audited financial statements, listed entities should provide in their annual reports an MD&A.

Through the MD&A, management provides material information relevant to an assessment of the financial condition and results of operations of the listed entity including an evaluation of the amounts and certainty of cash flows from operations and from outside sources. The MD&A should also highlight material events and uncertainties known to management that are reasonably likely to cause reported financial information not to be necessarily indicative of future operating results or of future financial condition. The MD&A enables investors to see the listed entity from management's perspective and improves the financial disclosure by providing the context within which financial statements should be analyzed.¹⁶

Where the financial statements reflect material changes from year to year in one or more line items, an MD&A may include a discussion and analysis of the following:

- underlying reasons for these changes in quantitative and qualitative terms for an understanding of the listed entity's business as a whole,
- discussion based on segment information when it would be material to an understanding of the listed entity's business and its overall financial condition and operating performance, and
- other information that management of the listed entity believes would be necessary for an understanding of its financial condition, changes in financial condition and results of operations.

The MD&A may be required to include the following information:

Operating Results – Disclosure about the significant factors that materially affected the listed entity's income from operations, including nonrecurring events or new developments and the extent to which income was affected by these factors, facilitates a better understanding of the listed entity's results of operations. Significant factors could include, for example, the impact of inflation,

¹⁶ Also refer to the *General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations*, Report of the Technical Committee of IOSCO, February 2003, available at <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD141.pdf>.

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 listed entity's operations. Disclosure about any significant components of revenues and expenses that are necessary to understand the listed entity's results of operations may also be useful.

Liquidity and Capital Resources – The MD&A should describe the listed entity's ability to generate and obtain adequate amounts of cash to meet its requirements and its plans for the short-term and the long-term. The discussion could analyze material cash requirements from known contractual and other obligations. Such disclosure could specify the type of obligation and the relevant time period for the related cash requirements. The disclosure may include:

- the listed entity'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 listed entity,
- any material, unused sources of liquidity, including a discussion of why these material sources of liquidity are not being used,
- any material restrictions on all sources of liquidity, and
- if a material deficiency is identified in the listed entity's ability to meet its cash obligations, the course of action that the listed entity has taken or proposes to take to remedy the deficiency.

Examples of disclosure that may also 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 listed entity's capital requirements is information about the listed entity's material commitments for capital expenditures as of the end of its latest financial year. This information could include the general purpose of such commitments and the anticipated sources of funds needed to fulfil such commitments.

Trends and Uncertainties – Disclosure about the facts and circumstances surrounding known material trends and uncertainties can help investors have a better understanding of the listed entity'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 listed entity'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. Such information could, for example, include disclosure of

the most significant recent trends in production, sales and inventory, costs and selling prices since the latest financial year and changes among equity, debt, and any off-balance sheet financing arrangements. If a profit forecast is also included, a clear description of the material assumptions upon which the listed entity has based its forecast would help investors assess the soundness of that forecast.

Accounting Estimates – Qualitative and quantitative information may be necessary to understand the uncertainty and impact that the critical accounting estimates may have on the listed entity’s financial condition or results of operations if material. MD&A can cross-reference to the same set of estimates and assumptions in the financial statements.

Recommendation (v): Annual reports should be required to contain information related to market risk sensitive instruments.

Disclosure of the listed entity’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 listed entity. Market risk includes interest rate risk, foreign currency exchange rate risk, commodity price risk, and liquidity risk among other things.

Quantitative information about market risk should be presented in the currency used to prepare the listed entity’s financial statements. Relevant quantitative information includes the sensitivity of a listed entity’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 significant inputs used to determine (including how liquidity risk, credit risk and market risk are factored into the listed entity’s fair value estimates). To reflect the different applicable accounting treatments, listed entities 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, listed entities 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 listed entity'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.

Recommendation (vi): Annual reports should be required to contain information about material legal proceedings affecting the listed entity.

Listed entities should describe any material legal proceedings, other than ordinary routine litigation. Similar information should be included for such proceedings known to be contemplated by government authorities. The information required to be disclosed may include:

- the name of the court or agency where the proceedings are pending,
- the date instituted,
- the principal parties in the proceeding,
- a description of the factual basis alleged to underlie the proceedings, and
- the relief sought.

Recommendation (vii): Annual reports should be required to contain information on the listed entity's corporate governance practices.

A listed entity's corporate governance practices can improve investor confidence that effective controls exist within the listed entity, 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 a listed entity's corporate governance practices.

Listed entities may be required to comply with certain corporate governance requirements, while others recommend that certain corporate governance practices or codes be followed and require listed entities to either comply with these practices or codes, or explain why they are not being complied with, i.e., a "comply or explain" regime. In the "comply or explain" regime, listed entities may be required to disclose their current level of compliance with the relevant practice or code, as well as their anticipated level of compliance in the future.

Experience and qualifications of the Board and executive officers

Information about the listed entity's directors and executive officers assists investors in assessing the quality of the listed entity's leadership and potential performance.

Because the listed entity's directors and executive officers are critical to the success of the listed entity's operations, the annual report should identify these individuals and provide key biographical details. The required details vary by jurisdiction and may include the following:

- the country of residence and principal occupations of each director and executive officer,
- business experience (including experience with a parent, subsidiary or other affiliate of the listed entity) and functions within the listed entity,
- information about the nature of any family relationships between any directors and executive officers,
- whether any of the directors serve as directors of other listed or non-listed entities,
- the periods during which each director has served as a director of the listed entity and when the director's term will expire,
- the shareholdings of each director and executive officer in the listed entity,
- the indebtedness of each director and executive officer toward the listed entity, and
- whether a director or executive officer of the listed entity has been, within a specified period of time, convicted in a criminal proceeding found by a court or regulator to have violated the securities law, or subject to a bankruptcy proceeding.

Director independence

Directors play a critical role in the corporate governance of a listed entity and need to be able to exercise objective and independent judgment in order to carry out their duties effectively. It is important for investors to understand the level of independence that the board has from management. 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 listed entity's securities are listed or admitted to trading) would be material to investors.¹⁷ Information about a director's relationship with

¹⁷ 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 when it is clear from other information that all members of the supervisory body are independent directors.

shareholders, other directors and stakeholders may help investors to evaluate a director's independence.

In addition, listed entities may be required to provide the following information:

- whether a majority of directors are independent and if not, what the board of directors does to facilitate its exercise of independent judgement in carrying out its responsibilities,
- if the chair of the board is not independent, whether there is an independent lead director, and
- if the board has neither a chair nor a lead director who is independent, what the board does to provide leadership for its independent directors.

Standing committees

Board standing committees can serve an important role and can support a board's effectiveness. Board standing committees can develop policy options and recommendations for the board's consideration and carry out specific tasks on the board's behalf. It is important for investors to understand how the board has chosen to structure itself and organize its work in order to fulfil its obligations.

Typically, a board of directors will have an audit committee, a compensation committee and a nominating committee.

Audit Committee – An audit committee is typically responsible for recommending the appointment of an external auditor to the board of directors for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the listed entity, as well as setting the compensation of the external auditor.¹⁸

Because the audit committee serves as a check and balance on a listed entity's financial reporting system by providing independent review and oversight of its financial reporting processes, internal controls and independent auditors, the following information may be required to be provided with respect to the audit committee:

- whether the board has an audit committee or a committee that performs similar functions (in cases in which the entire board is acting as the audit committee, this should be disclosed),
- the mandate of the audit committee,

¹⁸ Also refer to the *IOSCO Report on Good Practices for Audit Committees in Supporting Audit Quality*, January 2019, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD618.pdf>

- the identity of each committee member, and whether or not the member is independent, and is or not a non-executive director,
- whether in the opinion of the listed entity's board of directors, the audit committee has at least one financial expert and whether that person is independent,
- the relevant experience of each audit committee member,
- whether the audit committee has reviewed and discussed the audited financial statements with management, as well as whether it has engaged in discussions with the external auditor, and
- any policies for the engagement of the external auditor for non-audit services.

Compensation Committee – A compensation committee is typically responsible for determining or recommending to the board compensation for the chief executive officer, other executive officers and directors.

The following information may be required to be provided with respect to the compensation committee:

- whether the board has a compensation committee or a committee that performs similar functions,
- the mandate of the compensation committee,
- the identity of each committee member and whether that person is independent, and
- if the board does not have a compensation committee, or if the compensation committee is not composed entirely of independent directors, what steps the board takes to encourage an objective process for determining director and executive compensation that mitigates the risk of conflicts of interest.

Compensation decisions rendered by a board should be free of conflicts of interest. Interlocking relationships between listed entities and members of their respective compensation committees can present conflicts of interest. For example, a conflict can occur if an executive officer of the listed entity served as a member of the compensation committee or as a director of another entity, one of whose executive officers served on the listed entity's compensation committee. It can be helpful to investors to disclose this information.

Nominating committee – A nominating committee may be responsible for identifying individuals qualified to become new board members or executive officers and recommending to the board the new director nominees for the next annual meeting of securityholders.

The following information may be required to be provided with respect to the nominating committee. This list is non-exhaustive, and some examples may not be applicable or required under the laws of certain jurisdictions:

- whether the board has a nominating committee or a committee that performs similar functions,
- the mandate of the nominating committee,
- the identity of each committee member and whether that person is independent,
- if the board does not have a nominating committee, or if the nominating committee is not composed entirely of independent directors, what steps the board takes to encourage an objective nomination process
- any written policy respecting the nomination process, and
- How the board manages any conflicts of interest that arise or could arise during the nomination process.

Ethical business conduct

Ethical conduct is at the heart of good corporate governance. A board has a key role in setting high ethical standards for the listed entity. A board should adopt a code of ethical business conduct that establishes the framework for conduct by the board and executive officers. A code of ethics 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 by the board, executive officers and employees of violations of the listed entity's ethics code, helps promote investor confidence that the listed entity is committed to good corporate governance practices.

To the extent material, information to investors might include the following:

- whether the board has adopted a written code of ethical business conduct that applies to its directors and executive officers,
- if the board has adopted a code, how the board monitors compliance with the code and whether there have been any material departures from the code, and
- if the board has not adopted a code, the steps that it takes to promote a culture of ethical business conduct.

Recommendation (viii): Annual reports should be required to contain information on the compensation of directors and specified executive officers.

Clear, concise and understandable disclosure of the compensation paid to the listed entity's directors and executive officers for all services rendered to the listed entity and its subsidiaries is highly relevant to investors. Information about director and executive officer compensation provides insight into the overall stewardship and governance of listed entities.

The information helps investors understand:

- how decisions about executive compensation are made,
- the amount of the listed entity's resources that are being allocated to compensating directors and executive officers,
- whether those decisions are aligned with investors' interests, and
- how compensation incentives relate to the listed entity's overall performance.

In addition, clear and comprehensible disclosure promotes comparability of this information for the same listed entity from year to year, as well as with other listed entities.

Quantitative information

Quantitative compensation disclosure should include the salaries, fees (in the case of directors), bonuses, and stock-based compensation, with a view to providing insight into the total compensation package. Deferred payments and amounts set aside by the listed entity to pay pension or other similar benefits (including special severance packages or retirement benefits) may also be required to be disclosed in some jurisdictions.

Compensation information for directors and executive officers may be disclosed on an individual, rather than on an aggregate, basis. In some jurisdictions, aggregated information may be provided for the members of the supervisory body as a group.

Qualitative information

A narrative discussion that explains material information necessary to an understanding of the listed entity's compensation policies and decisions regarding executive officers should be provided. This narrative discussion should focus on the material principles underlying the listed entity's executive compensation policies and decisions and the most important factors relevant to an analysis of those policies and decisions. Some of these disclosures could include the below examples. This list is non-exhaustive, and some examples may not be applicable or material, depending on the facts, and circumstances, or required under the laws of certain jurisdictions:

- the objectives of the listed entity’s compensation program,
- what the compensation program is designed to reward,
- each element of compensation,
- why the listed entity chooses to pay each element,
- how the listed entity determines the amount or formula of each element to pay, and
- how each compensation element and the listed entity’s decisions regarding that element fit into the listed entity’s overall compensation objectives and affected decisions regarding other elements of compensation.

Recommendation (ix): Annual reports should be required to contain information on the capital structure of the listed entity.

Listed entities should be required to describe their capital structure, including the designation and material characteristics of each class of authorized security, including voting rights, provisions for exchange, conversion, exercise, redemption and retraction, dividend rights and rights upon dissolution or winding-up, that are material from a securityholder's standpoint. Constraints on the ownership of the listed entity’s securities could also be described, as well as any credit ratings that were assigned to the securities.

Recommendation (x): Annual reports should be required to contain information on the ownership of significant holders of voting securities.

Disclosure about the ownership of significant holders of voting securities of a listed entity can help investors monitor the accumulation of these securities by persons or companies who would have the ability or potential to control the listed entity.

For any person (including any group¹⁹) who is known by the listed entity to be the owner of more than a specified percent of any class of the listed entity’s voting securities, the listed entity should disclose:

- the class of securities held and the voting rights they represent,
- the identity of the owner,

¹⁹ 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 a listed entity.

- the amount and nature of the ownership, and
- the percent of the class of securities held.

Ownership thresholds that trigger disclosure may vary depending on jurisdictional requirements. The information may be obtained from beneficial owners of the securities.

Listed entities should also disclose any arrangements known to the listed entity that may result in a change in control of the listed entity at a subsequent date, or alternatively have a material impact on the effective exercise of votes in a listed entity. This could include information about any pledge by any person of the securities of the listed entity or any of its parents, which may result in a change in control of the listed entity at a subsequent date.

Listed entities may be required to disclose ownership information for their directors and executive officers with respect to each class of equity securities or of any of their parents or subsidiaries. This information may be provided on an individual basis for all directors and relevant persons (who may, in some jurisdictions, include director nominees), and for certain executive officers (such as the principal executive officer, principal financial officer, and other highly compensated executive officers at the end of the last completed year). Disclosure of this information for the directors and executive officers of the listed entity as a group would also be useful.

Recommendation (xi): Annual reports should be required to contain information on material related party transactions.

Disclosure about material related party transactions is important to investors because it helps provide a more complete picture of the issuer's financial relationships and identifies potential conflicts of interest.

Related parties may include, among others:

- executive officers,
- directors and nominees for director,
- beneficial holders of a significant amount of the listed entity's securities,
- close members of the family of all of these persons, and
- affiliates of the listed entity.

Related party disclosure may include items such as:

- nature of the relationship and identify the related persons or entities,
- description of the transaction,

- business purpose,
- amount of the transaction entered into by the listed entity with the related party, and
- any ongoing contractual or other commitments resulting from the transaction.

The disclosure may also include information about the listed entity'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.

Interim reports

Recommendation (xii): Interim reports should be required to contain interim financial statements.

Interim reports should contain either a complete set of financial statements or a set of condensed financial statements as of the end of the relevant period. Interim reports should provide an update on the latest complete set of annual audited financial statements to assist investors in assessing a listed entity's financial position and its operations and understand an entity's capacity to generate earnings and cash flows and its liquidity.

Listed entities should provide interim financial statements that conform to the same recognition, measurement and disclosure principles as those applied in the annual report. Interim financial statements should include comparative statements for the comparable interim periods (current and year-to-date), except for the statement of financial position, with comparatives as of the end of the immediately preceding financial year. The interim financial statements also are most useful if they include selected explanatory notes that will explain events and changes that are significant to an understanding of the changes in financial condition and performance of the listed entity since the last annual reporting date.

Interim Review

Listed entities may be required to have any interim financial statements included in the interim report reviewed by an external auditor to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with an applicable financial reporting framework. If an independent

auditor has performed such a review, a listed entity may be required to provide a copy of the auditor's interim review report in the interim report, depending on the law or regulation in such jurisdiction. In addition, in some jurisdictions, if the audit committee has reviewed the interim report, this also may be required to be disclosed to investors. If interim financial statements have not been audited or reviewed, this should also be disclosed.

Recommendation (xiii): Interim reports should be required to contain management's discussion and analysis of financial condition and results of operations.

The interim report should contain an MD&A that updates the information provided in the last annual report, providing a year-to-date comparison, as well as a comparison of interim periods, depending on the requirements of a jurisdiction. This should include management's discussion and analysis of material events and factors that have affected the listed entity's financial condition and results of operation for the periods covered by the interim financial statements, to enable the reader to assess material changes in financial condition and results of operations since the most recent annual period.

The MD&A should include a discussion of material changes from those discussed in the MD&A contained in the annual report. The MD&A should also include management's assessment of the factors and trends that are anticipated to have a material effect on the listed entity's financial condition and results of operations in the future.

Event-driven disclosure

Recommendation (xiv): Listed entities should be required to disclose material events or developments as they occur.

Events or developments disclosed under event-driven disclosure requirements should be events or developments that are material. The determination of the materiality of such events or developments can be left to the listed entity or some regulators may identify events or developments that are either required to be disclosed or that are presumably or typically material (sometimes based on quantitative thresholds) and would therefore generally be required to be disclosed.

Generally, events or developments need to be sufficiently crystalized to require disclosure. Continued developments that affect the events or developments that have been disclosed may themselves be developments that would require further disclosure. Requirements for event-driven disclosure may provide for exceptions, or delays if certain conditions are met, depending on the relevant local regulatory and legal requirements.

Event-driven disclosure should be factual, balanced and complete. Listed entities should provide a brief but accurate summary of the nature and substance of the event or development, which should contain sufficient information to enable a reader to appreciate the significance and impact of the event or development.

Current events or developments required to be disclosed vary across jurisdictions. Below are examples of current events or developments that may be material and required to be disclosed in some jurisdictions depending on the specific circumstances. These examples are intended for illustrative purposes. This list is non-exhaustive, and some examples may not be applicable or material, depending on the facts, and circumstances, or required under the laws of certain jurisdictions:

Events or developments affecting the corporate structure of the listed entity

- Material reorganizations, amalgamations, or mergers
- Material amendments to the articles of incorporation or bylaws

Events or developments affecting the capital structure of the listed entity

- Changes in share ownership that may affect control of the listed entity
- Public or private issuance of additional securities
- Repurchases or redemptions of securities
- Splits of securities or offerings of warrants or rights to buy securities
- Share consolidations, share exchanges, or stock dividends
- Changes in the dividend payments or policies
- Modifications to the rights of securityholders
- Decision to privatize
- Listing of securities on an exchange or quotation system
- Movement of securities from one exchange or quotation system to another
- Delisting of securities from an exchange or quotation system

Events or developments affecting the governance of the listed entity

- Changes to the board of directors
- Changes in the executive officers, including the departure or appointment of the CEO, CFO, COO or president (or persons in equivalent positions)
- Waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- Notice of non-compliance with a listing standard
- Regulatory actions against the listed entity, directors or executive officers.

Events or developments affecting the financial results of the listed entity

- Material increase or decrease in near-term earnings prospects
- Unexpected material changes in the financial results for any periods
- Public announcement or release of results of operations or financial condition
- Material changes in earnings guidance
- Materially different information regarding key financial or operational results from forecast, market expectation or from that set forth in periodic reports
- Shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- Material changes in the financial condition and business performance
- Events triggering a direct or contingent material financial obligation, including any default or acceleration of an obligation
- Material changes in the value or composition of the listed entity's assets
- Creation of material direct or contingent financial obligations
- Material write-off and restructuring charges
- Material impairments
- Bankruptcy or receivership of the listed entity

Events or developments affecting the accounting and auditing of the listed entity

- Material changes to accounting policy
- Change in auditor
- Change in fiscal year
- Notice that reliance on a prior audit is no longer permissible

Events or developments affecting the business and operations of the listed entity

- Material events or developments that affect the listed entity's resources, technology, products or markets
- Material changes in capital investment plans or corporate objectives
- Material new contracts, products, patents, or services
- Termination or reduction of material business relationships
- Material agreements not made in the ordinary course of business or termination of such material agreements
- Material discoveries by resource company
- Disputes with major contractors or suppliers
- Commencement of, or developments in, material legal proceedings
- Material effects of natural or other disasters

Material acquisitions and dispositions by the listed entity

- Material acquisitions or dispositions of assets, property or joint venture
- Material acquisition or dispositions of other companies, including take-over bids

Events or developments affecting the credit arrangements of the listed entity

- Material new credit arrangements
- Default under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditor
- Changes in rating agency decisions, issuance of a credit watch or changes in outlooks

Other events or developments affecting the listed entity

- Material labour disputes
- Material cybersecurity incidents

Chapter 3: Recommendations applicable to accountability and controls

Listed entities should have controls and procedures designed to ensure that information required to be disclosed in the listed entity's reports of periodic and event-driven disclosures is recorded, processed and reported.

A key aspect of management's responsibility for the preparation of financial information is to establish and maintain an adequate internal control system over financial reporting. Disclosures of internal control over financial reporting can have a positive impact on investors' confidence in a listed entity's financial reports.

Disclosure controls and procedures

Recommendation (i): Listed entities should be required to maintain disclosure controls and procedures.

A listed entity should maintain disclosure controls and procedures for the reporting period. Periodic and event-driven information should be communicated to the listed entity's management, including its executive officers, to allow timely decisions regarding required disclosure.

Management of the listed entity should assess and evaluate, with the participation of executive officers, the effectiveness of the listed entity's disclosure controls and procedures as of the end of the reporting period.

Recommendation (ii): Specific persons within the listed entity should be made responsible for disclosure of information.

The persons responsible may be the directors or certain executive officers of the listed entity. These persons should be identified within the periodic report or specified by law.

The persons responsible may be required to state or certify that they have reviewed the periodic disclosure containing financial or non-financial information and, to the best of their knowledge, it does not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make a statement not misleading and that the financial information presents in all material respects the financial condition, results of operation and cash flows of the listed entity in accordance with the financial reporting framework 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.

Internal controls over financial reporting

Recommendation (iii): The responsible persons should be required to establish, maintain and assess the effectiveness of internal controls over financial reporting.

Effective internal controls over financial reporting can provide reasonable assurance of achieving the desired control objectives, including that:

- the listed entity's transactions are properly authorized,
- the listed entity's assets are safeguarded against unauthorized or improper use, and
- the listed entity's transactions are properly recorded and reported to permit the preparation of its financial statements in conformity with GAAP.

Effective internal controls over financial reporting can enhance the quality of financial reporting by helping to minimize financial, operational and compliance risks.

Furthermore, listed entities are generally expected to form an audit committee that bears responsibility for overseeing or monitoring the financial reporting process and helping to ensure the effectiveness of the listed entity's internal controls over financial reporting.

The audit committee and management inform the auditor in a timely manner, amongst other issues, internal control deficiencies so that any matters, including other matters identified by the auditor, may be properly considered

and addressed by the auditor in assessing risk and the auditor's response as part of the independent audit.²⁰

The responsible persons should assess the effectiveness of the listed entity's internal controls over financial reporting on at least an annual basis.²¹

Recommendation (iv): Relevant disclosure on the listed entity's internal controls over financial reporting should be required.

Some of the disclosure that may be relevant for investors with respect to the internal controls over financial reporting may include:

- A statement of the responsible persons' responsibility for establishing and maintaining effective internal controls over financial reporting for the listed entity.
- A description of the main features of the listed entity's internal controls over financial reporting, including any material exclusions or limitations of scope, as well as the control framework used to design them.
- A description of any change that occurred during the reporting period that has materially affected, or is reasonably likely to materially affect, the listed entity's internal controls over financial reporting.
- The responsible persons' assessment, as of the end of the listed entity's most recent financial year, of the effectiveness of the listed entity's internal controls over financial reporting and the framework used to make the assessment.²²
- A description of any material weakness in the listed entity's internal controls over financial reporting that are identified by the responsible persons, the impact of the material weakness on the listed entity's financial reporting and its plans for remediating the material weakness. If any material weakness is identified, the responsible persons should not conclude that the listed entity's internal controls over financial reporting are effective.

²⁰ Also refer to the *IOSCO Report on Good Practices for Audit Committees in Supporting Audit Quality*, January 2019, available at <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD618.pdf>.

²¹ In addition, the external auditor may also be responsible for reporting to the audit committee any material weaknesses in the listed entity's internal controls over financial reporting that have come to its attention as a result of the performance of the audit.

²² The external auditor that audited the financial statements may also be required to issue an attestation report on the responsible persons' assessment, and this report may be required to be included in the listed entity's annual report.

Appendix – Summary of Feedback

On November 3, 2025, IOSCO published a consultation report on a set of recommendations regarding secondary market disclosure. The consultation period closed on February 3, 2026, and one response was received from a securities regulator.

The feedback emphasised the importance of audits conducted by independent audit firms on listed entities' financial statements, and their role in fostering investor confidence in the reliability of those statements.

In light of this feedback, IOSCO has added a sentence at the end of the section covering *Recommendation (i) Annual reports should be required to contain audited financial statements*, to clarify that audit standards should be of high and internationally accepted quality, in line with Principle 21 of IOSCO's Objectives and Principles of Securities Regulation.