

## TEMPLATE FOR SUBMISSION OF TEXTUAL PROPOSALS DURING THE 27<sup>TH</sup> SESSION: COUNCIL - PART III

### *–Open Ended Working Group*

Please fill out one form for each textual proposal which your delegation(s) wish(es) to amend, add or delete and send to [council2022@isa.org.jm](mailto:council2022@isa.org.jm).

#### 1. Name(s) of Delegation(s) making the proposal:

Canada

#### 2. Please indicate the relevant provision to which the textual proposal refers.

DR 38

#### 3. Kindly provide the proposed amendments to the regulation or standard or guideline in the text box below, using the “track changes” function in Microsoft Word. Please only reproduce the parts of the text that are being amended or deleted.

##### **Regulation 38 Annual report**

1. A Contractor shall, within 90 Days of the end of each Calendar Year, submit an annual report to the Secretary-General ~~in such format as may be prescribed from time to time in the relevant Guidelines, covering regarding~~ its activities in the Contract Area and reporting on compliance with the terms of the exploitation contract.
2. Such annual reports ~~shall be in accordance with relevant standards and guidelines and~~ shall include:
  - (a) Details of the Exploitation work carried out during the Calendar Year, including maps, charts and graphs illustrating the work that has been done and the data and results obtained, reported against the approved Plan of Work;
  - (b) The quantity and quality of the Resources recovered during the period and the volume of Minerals and metals produced, marketed and sold during the Calendar Year, reported against the Mining Workplan;
  - (c) Details of the equipment used to carry out Exploitation, and in operation at the end of the period;
  - (d) An annual financial report, in conformity with internationally accepted accounting principles and certified by a duly qualified firm of public accountants, of the actual and direct Exploitation expenditures, which are the capital expenditures and operating costs of the Contractor in carrying out the programme of activities during the Contractor’s accounting year in respect of the Contract Area, together with an annual statement of the computation of payments paid or payable ~~by the contractor~~ to the Authority, ~~governments, state enterprises, and other contractors, as well as payments and other forms of financial benefit received by the contractor from Sponsoring States,— and~~ reported against the Financing Plan;

(e) Health and safety information, including details of any accidents or Incidents arising during the period and actions taken in respect of the Contractor's health and safety procedures;

(f) Details of training carried out in accordance with the Training Plan;

(g) The actual results obtained from environmental monitoring programmes, including observations, measurements, evaluations and the analysis of environmental parameters, reported against, where applicable, any criteria, technical Standards and indicators pursuant to the Environmental Management and Monitoring Plan, together with details of any response actions implemented under the plan and the actual costs of compliance with the plan;

(h) A statement that all risk management systems and procedures have been followed and remain in place, together with a report on exceptions and the results of any verification and audit undertaken internally or by independent competent persons;

(i) Evidence that insurance is maintained, including the amount of any deductibles and self-insurance, together with the details and amount of any claims made or amounts recovered from insurers during the period;

(j) Details of any changes made in connection with subcontractors engaged by the Contractor during the Calendar Year;

(k) The results of any Exploration activities, including updated data and information on the grade and quality of Resources and reserves identified in accordance with the International Seabed Authority Reporting Standard for Reporting of Mineral Exploration Results Assessments, Mineral Resources and Mineral Reserves;

(l) A statement that the Contractor's Financing Plan is adequate for the following period; and

(m) Details of any proposed modification to the Plan of Work and the reasons for such modifications.

3. Annual reports shall be published in the Seabed Mining Register, except for Confidential Information, which shall be redacted.

#### **4. Please indicate the rationale for the proposal. [150 word limit]**

Standards and/or Guidelines for the Annual Report and the Annual Financial Report will be needed. Guidelines are likely to be needed for more than just formatting of the Annual report. Standards and Guidelines could, among other areas, incorporate evolving best practices regarding financial disclosure in the extractives sector. These could, for example, specify internationally accepted accounting principles to be used (i.e., GAAP or IFRS), the definition of what constitutes a "direct Exploitation Expenditure", and the definition of a "payment and other forms of financial benefit" (e.g., subsidies, deductions, etc.).

Contractor payments to contractors (including the Enterprise), state enterprises, States, and Sponsoring States should be disclosed publicly in line with terrestrial mining best practices. This is in line with International standards, like the Extractives Industries Transparency Initiative (EITI), and national best practices, such as the Extractives Sector Transparency Measures Act (ESTMA) in Canada which requires

that certain businesses involved in the commercial development of oil, gas and minerals report the payments they make to governments in Canada and abroad. Payments to the contractor from Sponsoring States should also be disclosed. This information will be needed to determine the effective tax rate for contractors and to enable reviews of the system of payment.

Thresholds for such information disclosure requirements may need to be defined.

This information should be made accessible through the Seabed Mining Register.

Necessary amendments are needed to DR 89 regarding confidentiality.

Necessary amendments may be needed to DR 83 Recording in Seabed Mining Registry

State enterprises is referred to in AGXI/A/S6(1)(d)(ii). However, something more definitive may be needed into the Schedule or Standards/Guidelines. Payments to sponsoring states will be important for determining a nodule transfer price in the future.