

December 5, 2018

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon  
Superintendent of Securities, Nunavut

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**CANADIAN SECURITIES ADMINISTRATORS NOTICE AND REQUEST FOR COMMENT –  
PROPOSED NATIONAL INSTRUMENT 52-112, NON-GAAP AND OTHER FINANCIAL MEASURES  
DISCLOSURE**

This letter is submitted on behalf of the Institute of Corporate Directors (“ICD”) in response to the invitation to comment on the CSA’s Proposed National Instrument 52-112, *Non-GAAP and other Financial Measures Disclosure*.

**Overview**

We thank the Canadian Securities Administrators for the opportunity to comment on this proposal.

The ICD is broadly supportive of the direction taken by the CSA. We note that many of our members already adhere to the guidance provided by CSA Staff Notice 52-306 (Revised) Non-GAAP Financial

Measures (SN 52-306). As such, we do not anticipate that the requirements in the Proposed National Instrument will significantly alter current practices or present undue burden.

Our comments below offer the perspective of directors, particularly audit committee members, charged with the oversight and disclosure of financial reporting. These are intended to be accretive to the Proposed National Instrument.

### **Bringing more clarity to Non-GAAP Reporting**

The guidance provided in CSA Staff Notice 52-306, largely codified through this Proposed Instrument, provides issuers with a “road map” for disclosing their non-GAAP financial measures. Importantly, this proposal will also better align Canadian practices with those in the United States.

This, however, is not the only non-GAAP roadmap in Canada as there are other oversight bodies, including the Accounting Standards Board (AcSB), working to provide issuers and users more clarity around the correct use of these measures.

In most cases, issuers use non-GAAP measures to better explain their financial position. For their part, users turn to non-GAAP measures to better understand a company’s future prospects. While we do not advocate standardizing non-GAAP measures, we do believe the more our markets can achieve common understandings relative to what is disclosed, the fairer and more functional they will become.

While we understand that the Proposed National Instrument is intended only to regulate non-GAAP financial measures, we would encourage the CSA to work closely with other standards-setters and, potentially, industry associations, to continue bringing additional clarity to other non-GAAP measures in addition to non-GAAP financial measures.

### **Core documents vs. shorter documents**

While we agree that non-GAAP measures should be clearly identified in core documents and should not be given more prominence than the most directly comparable IFRS measure, we would recommend that the CSA consider issuers’ obligations with respect to different types of documents.

Simply put, the type of document should matter – press releases, social media, IR materials and other shorter documents should not be considered equal to substantive filings such as the Annual Information Form (AIF), MD&A, financial statements and prospectuses.

If there is appropriate disclosure in core documents, then an issuer should be allowed to discuss non-GAAP measures in press releases, etc. without the full explanation as long as the core document is referenced in the document.

Further, it is unclear why cross-referencing would not be allowed in the National Instrument when the appropriate disclosure has already been made once in a core document.

Only a small number of skilled users will read and interpret non-GAAP financial measures and this audience will read them in the core documents. We believe, therefore, that it would be an unnecessary burden to require full disclosure by issuers in each subsequent document.

In addition, audit committees may be better able to execute their key role if the definitions of non-GAAP measures are limited to the core documents. Audit committees may have difficulty maintaining effective oversight if the number of documents requiring disclosure and definition increases and/or are issued too frequently. In this regard, there is less chance for confusion if a commonly-agreed definition of a non-GAAP measure is set within a core document and is referred to in shorter documents.

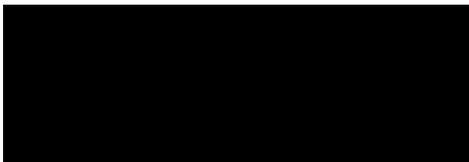
### **Primary financial statements**

We recommend that the regulators clarify the definition of “primary financial statements” as described in the proposal. Specifically, we recommend that it be made more clear that the notes to the financial statements, where segment information is usually contained, are included in this definition.

Related to this, we would ask the regulators to consider whether a quantitative reconciliation of all segment information to information provided in the notes may prove complicated and burdensome. Further, we would ask the regulators to consider whether disclosing all such information risks revealing competitive information.

Once again, we thank the CSA for the opportunity to provide our comments.

Yours Truly,



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President and CEO  
Institute of Corporate Directors

### ***About the ICD***

*The ICD is a not-for-profit, member based association with more than 13,500 members and eleven chapters across Canada. ICD members across all sectors of the economy oversee well in excess of \$1-trillion in market capitalization and institutions that impact the lives of virtually every Canadian. Our purpose is to improve trust and confidence in Canadian organizations by developing and activating directors.*