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Alberta Securities Commission  
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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  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

The Secretary  
Ontario Securities Commission  
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Toronto, ON M5H 3S8  
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M<sup>e</sup> Anne-Marie Beaudoin  
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Autorité des marchés financiers  
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Dear Sirs/Mesdames:

**RE: CSA Notice and Request for Comment – Proposed National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure* and Proposed Companion Policy 52-112, *Non-GAAP and Other Financial Measures Disclosure***

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On behalf of Keyera Corp. (“Keyera”), we appreciate the opportunity to offer our comments in response to the Notice and Request for Comment published by the Canadian Securities Administrators (“CSA”) on September 6, 2018 with respect to the following documents:

- Proposed National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure* (the “Proposed Instrument”);
- Proposed Companion Policy 52-112, *Non-GAAP and Other Financial Measures Disclosure* (the “Proposed Companion Policy”); and
- Related proposed consequential amendments or changes to other Instruments and Policies

(collectively, the “Proposed Materials”).

Keyera understands that two of the main outcomes that the CSA hopes to achieve in proposing to adopt the Proposed Materials are:

1. improvements in the quality of non-GAAP disclosure and other financial measures to support investor understanding; and
2. strengthened enforcement capabilities in the event that non-GAAP disclosure or other financial measures are determined to be misleading.

Having reviewed the Proposed Materials, we are pleased to offer the following general comments organized around these two intended outcomes.

**General Comments Regarding the Quality of Non-GAAP Disclosure**

Keyera shares the desire for quality disclosure, including disclosure of non-GAAP and other financial measures. We believe it is in the interests of all stakeholders in the capital markets, including issuers and investors, to ensure that financial disclosure assists readers in understanding the actual performance of the issuer and is not misleading. For the reasons discussed below, we also believe that non-GAAP and other financial measures are often an important aspect of financial disclosure in that they allow issuers to provide meaningful explanations of their financial performance in light of the nature of their business. We believe this kind of disclosure, completed in a manner consistent with the existing CSA Staff Notice 52-306 (Revised), *Non-GAAP Financial Measures* (“SN 52-306”), helps to enhance investors’ understanding of an issuer’s financial performance.

**Context**

Over the years, International Financial Reporting Standards (“IFRS”) have introduced increasingly complex concepts into financial statements. Contributing to this complexity is the fact that IFRS is principles-based, which creates greater opportunity for interpretation and therefore inconsistency between issuers in financial disclosure. An example of the complexity that IFRS has introduced is the inclusion of an increased number of unrealized gains and losses and other items which do not impact cash. Given the complexities of the accounting treatment of these items, it is difficult for an average reader of financial disclosure to (a) understand how these items are accounted for and (b) how these items may or may not affect the actual performance of the issuer. As a result, non-GAAP and other financial measures are important tools in assisting investors with assessing an issuer’s performance.

The current direction contained in SN 52-306 provides a straightforward framework and set of expectations. If followed by issuers, we believe SN 52-306 provides a reasonable approach to non-GAAP financial disclosure. By providing non-GAAP information in addition to the requirements of IFRS, and by reconciling these key non-GAAP measures to the most directly comparable financial measure provided in the primary financial statements, investors are provided with additional information about an entity’s performance that they may otherwise not have access to or would have to try and estimate on their own.

**Concerns with the Proposed Materials**

We appreciate the concerns identified by the CSA with respect to the quality of certain non-GAAP disclosures and other financial measures by some issuers. However, we believe that the approach taken in the Proposed Materials will result in further increased complexity in financial disclosure, less clarity and more confusion for investors and other readers of the disclosure. The extent of the changes from the existing SN 52-306 have a number of potential unintended consequences and are unlikely to deliver the intended outcomes. In particular:

1. The creation of various new categories of covered disclosure, each with different disclosure requirements, creates an unnecessarily high level of complexity and fails to deliver value to the reader.
2. If every measure defined as a segment measure, capital management measure, or supplementary financial measure requires additional disclosure considerations (whether complex or not), this will add unnecessary length to the disclosures, possibly making them more difficult for a reader to navigate.
  - Providing detailed and specific disclosure requirements for each type of measure becomes overly confusing, resulting in a situation where the disadvantages of the complicated information outweighs any benefit of providing such additional disclosures.
  - The Proposed Materials could also result in instances where a common measure meets the definition of a non-GAAP measure for certain entities but does not for other entities.



3. Given the increased complexity contained in the Proposed Materials, issuers may be discouraged from disclosing non-GAAP and other financial measures in fear of not properly applying the overly complex disclosure regime that is being proposed. The absence of this information would be detrimental to investors because they would not get the benefit of measures that provide meaningful information on the performance of the issuer.
4. Contrary to the assumption included in the Proposed Materials, the complexity necessitated by the proposed disclosure requirements will result in ongoing increased costs for issuers to comply should they choose to disclose non-GAAP or other financial measures.
5. We accept that an issuer should be consistent in how it defines and calculates its non-GAAP and other financial measures in its various public disclosures; however, the proposed scope of application to all written disclosure is impractical and overbroad.
  - Including extensive detail and reconciliations in materials such as investor presentations, on websites or transcribed documents is simply not feasible. Furthermore, these non-core documents are meant to provide timely communication to investors on specific information, and are extracted and summarized from an issuer's core documents.
  - At a minimum, if any broader scope of application of the disclosure requirements, such as those contained in the Proposed Materials is to be pursued, it needs to be clear that incorporation by reference or referring readers to where they can find the necessary disclosures would be an accepted practice.
6. The disclosure requirements in the Proposed Materials will not result in greater comparability of non-GAAP measures between issuers or industries.
  - With IFRS being a principles-based set of accounting standards, it is not uncommon for there to be inconsistent, albeit correct, conclusions among issuers or between industries. Since non-GAAP financial measures must be reconciled to the most directly comparable measure under the issuer's GAAP, there will inherently be inconsistencies in the non-GAAP measures between issuers based on the issuer-specific inputs in the reconciling items.

#### **General Comments on the Enforceability of Non-GAAP Measure Disclosure**

Keyera understands the concerns that have been raised with respect to the inappropriate use of non-GAAP measures that does not follow the guidance in SN 52-306 and also understands the frustration that the CSA has expressed with respect to some issuers who fail to follow SN 52-306. Conceptually, given the importance and prevalence of non-GAAP measures, we can see the merit in having requirements similar to those in SN 52-306 incorporated into a National Instrument rather than a Staff Notice. Such an approach would allow securities regulators to hold those issuers who fail to comply with the requirements accountable, which we believe is more likely to achieve the intended outcomes.

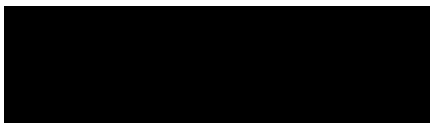
However, we do not believe the Proposed Materials, as currently drafted, are an appropriate replacement for SN 52-306.

### **Concluding Remarks**

Keyera agrees that non-GAAP measures and other financial information provided to investors should assist the reader in understanding the issuer's financial performance and should not be misleading. We believe that the disclosure likely to result from the application of the Proposed Materials would result in: overly complex disclosures that detract from a reader's ability to understand an issuer's financial performance rather than improve it; the need for overly complex analysis and associated costs by issuers in order to try to comply with the disclosure requirements; and a potential reduction in the disclosure of meaningful non-GAAP and other financial measures that are meaningful and useful for investors. Finally, while there may be merit in having the expectations articulated in SN 52-306 further formalized into a National Instrument in order to provide securities regulators with the ability to take appropriate regulatory action with respect to issuers who fail to meet the requirements, the approach in the Proposed Materials is overbroad, impractical and will not serve the interests of issuers or investors. We therefore urge the CSA to revisit the approach contained in the Proposed Materials.

Keyera appreciates the opportunity to submit our comments to the CSA for consideration and looks forward to continued collaboration among the CSA, issuers, investors and other stakeholders in identifying a suitable approach to achieving the desired outcomes.

Sincerely,



Steven Kroeker  
Senior Vice President, Chief Financial Officer  
Keyera Corp.

### ***About Keyera***

*Keyera (TSX: KEY) operates an integrated Canadian-based midstream business with extensive interconnected assets and depth of expertise in delivering midstream energy solutions. Keyera strives to provide high quality, value-added services to its customers across North America and is committed to conducting its business ethically, safely and in an environmentally and financially responsible manner. For more information about Keyera please visit [www.keyera.com](http://www.keyera.com).*