

CSA Notice of Publication***Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure******Policy Statement to Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure******Related Consequential Amendments and Changes***

May 27, 2021

Introduction

The Canadian Securities Administrators (the **CSA** or **we**) are publishing in final form the following materials:

- *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (the **Regulation**);
- *Policy Statement to Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure* (the **Policy Statement**);
- related consequential amendments or changes to:
 - *Regulation 45-108 respecting Crowdfunding*¹;
 - *Policy Statement to Regulation 45-108 respecting Crowdfunding*;
 - *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations*;
 - *Policy Statement to Regulation 51-105 respecting Issuers Quoted in the U.S. Over-the-Counter Markets*²;
 - *Policy Statement to Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards*.(collectively, the **Materials**).

The original proposals for the Materials (the **Original Materials**) were published on September 6, 2018. In connection with the Original Materials we conducted 38 outreach sessions across seven cities in Canada and received 42 comment letters. In response to the original feedback

¹ The securities regulatory authorities in British Columbia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut are not proposing these consequential amendments or the changes to the related Policy Statement because Regulation 45-108 does not apply in these jurisdictions.

² The Ontario Securities Commission is not proposing this consequential change as *Regulation 51-105 respecting Issuers Quoted in the U.S. Over-the-Counter Markets* and its Policy Statement do not apply in Ontario.

received, we made substantive changes, and reissued the proposals for the Materials (**Revised Materials**) on February 13, 2020. In connection with the Revised Materials we conducted 14 outreach sessions across four cities in Canada allowing us to further actively engage with stakeholders. We received 26 comment letters from various stakeholders, including issuers, investors, accounting firms, standard setters, industry associations and law firms.

The list of commenters on the Revised Materials is attached as Annex A. We wish to thank all commenters for contributing to the second consultation. A summary of the comments we received and our responses to those comments are attached as Annex B. In response to the feedback we received, we have made targeted, non-material, changes that primarily clarify and streamline the application and disclosure requirements. As these changes are not material, we are not republishing the Materials for a further comment period.

The text of the Materials and of the related consequential amendments and changes is published with this Notice.

An annex to this Notice includes, where applicable, additional information that is relevant in a local jurisdiction only.

This Notice will also be available on the websites of CSA jurisdictions, including:

www.lautorite.qc.ca

www.albertasecurities.com

www.bcsc.bc.ca

nssc.novascotia.ca

www.fcnb.ca

www.osc.gov.on.ca

www.fcaa.gov.sk.ca

www.mbsecurities.ca

The Regulation is expected to be adopted by each member of the CSA. In some jurisdictions, Ministerial approvals are required for the implementation of the Regulation. Provided all necessary ministerial approvals are obtained, the Regulation will come into force on August 25, 2021.

Substance and Purpose

The Regulation addresses the disclosure surrounding non-GAAP financial measures, non-GAAP ratios, and other financial measures (i.e., capital management measures, supplementary financial measures, and total of segments measures, as defined in the Regulation).

In some cases, non-GAAP financial measures, non-GAAP ratios, and other financial measures are disclosed by an issuer to provide additional insight, from management's perspective, about financial performance, financial position, or cashflow. The Regulation does not contain specific limitations or industry-specific requirements on how to calculate a measure; rather, it provides clarity and consistency with respect to an issuer's disclosure obligations aimed at improving the quality of information provided to investors about such measures.

We acknowledge that some stakeholders continue to prefer that we limit, in specific circumstances, the disclosure of certain financial measures, and develop industry-specific requirements for certain financial measures. However, due to the numerous types of ever-evolving financial measures disclosed across a range of industries, we continue to believe that disclosure requirements are best suited to respond to investor needs for quality information without being overly prescriptive. These requirements would allow investors to better analyze different financial measures within an industry or among different industries.

Although the definition of a non-GAAP financial measure has been updated, the Regulation has substantially incorporated the disclosure guidance in CSA Staff Notice 52-306 (Revised) *Non-GAAP Financial Measures (SN 52-306)* for non-GAAP financial measures. To ensure investors appreciate the context of other financial measures, the Regulation introduces disclosure requirements if such financial measures are disclosed outside of the financial statements.

Background

Non-GAAP Financial Measures

Various activities have contributed to the development of the Materials, which will replace the guidance provided in SN 52-306.

Many issuers, in all industries, disclose a range of financial measures that may lack standardized meanings under the financial reporting framework used in the preparation of the issuer's financial statements and lack transparency as to their calculation or vary significantly by issuer and industry.

Common terms used to label non-GAAP financial measures may include "adjusted earnings", "adjusted EBITDA", "free cash flow", "pro forma earnings", "cash earnings", "distributable cash", "cost per ounce", "adjusted funds from operations" and "earnings before non-recurring items".

In Canada, the guidance in SN 52-306 is intended to help ensure that non-GAAP financial measures do not mislead investors. Although we have updated SN 52-306 several times to respond to changing circumstances and published various staff notices and reports that comment on the topic, we continue to find that disclosure practices surrounding non-GAAP financial measures vary. Our findings are consistent with those of other stakeholders, particularly investors, who share our desire for quality disclosure.

The use of non-GAAP financial measures is a topic raised frequently by the financial reporting community, locally and abroad. In Canada, several organizations have undertaken research and issued guidance on how to disclose non-GAAP financial measures. Stakeholders generally have expressed the view that the CSA is best suited to regulate the use of non-GAAP financial measures.

Internationally, securities regulators have strengthened their efforts to regulate non-GAAP financial measure disclosure, including the International Organization of Securities Commissions (**IOSCO**) and the European Securities Markets Authority (**ESMA**). In addition, the U.S. Securities and Exchange Commission (**SEC**), which has formalized requirements for disclosure of non-

GAAP financial measures in its rules, continues to provide further guidance on how to comply with applicable requirements.

We are aware the International Accounting Standards Board (**IASB**) continues to discuss feedback on the December 2019 Exposure Draft *General Presentation and Disclosures*, which sets out proposals to improve how information is communicated in the financial statements, with a focus on information in the statement of profit or loss. Changes to International Financial Reporting Standards (**IFRS**) could, among other things, change the structure and content of the income statement and result in some traditional non-GAAP financial measures being included in a note to the financial statements with accompanying disclosure. As the IASB proposals are at an early stage, it is difficult to determine what changes, if any, will be made to IFRS. We will monitor the progress of the Exposure Draft, as well as other related initiatives, and if changes are made to IFRS we will consider at that time whether any changes to securities legislation are necessary.

Other Financial Measures

Over the years, we have found that other financial measures that do not meet the definition of a non-GAAP financial measure can present similar issues if not accompanied by appropriate disclosure. Such financial measures include certain measures disclosed in the notes to the financial statements that lack context when disclosed outside of the financial statements. For example, IFRS permit disclosure of a broad range of capital management or segment measures but do not specify how such measures must be calculated in most circumstances. As a result, such measures can differ materially from amounts presented in the primary financial statements and may not be prepared in accordance with the recognition and measurement accounting policies used to prepare the issuer's primary financial statements.

To ensure investors were not confused or misled, such measures were frequently identified as "non-GAAP" and issuers provided disclosures consistent with our expectations in SN 52-306. To ensure investors continue to appreciate the context of such measures, the Regulation includes disclosure requirements for such measures when disclosed outside of the financial statements. These disclosure requirements have been carefully tailored for each measure and result in substantially less disclosure than expected under SN 52-306.

Summary of Materials

The Materials:

- apply to all reporting issuers, except investment funds, SEC foreign issuers, and designated foreign issuers;
- apply to non-reporting issuers in certain documents in connection with certain offerings or transactions;
- pertain to the disclosure of financial measures that are non-GAAP financial measures, non-GAAP ratios, and other financial measures (i.e., capital management measures, supplementary financial measures, and total of segments measures, as defined in the Regulation);
- include an updated definition of a non-GAAP financial measure which builds upon and incorporates the disclosure guidance in SN 52-306;

- introduce the concept of capital management measures, supplementary financial measures, and total of segments measures, together with associated disclosure requirements,
- include extensive guidance and examples; and
- for a reporting issuer, apply to disclosures for a financial year ending on or after October 15, 2021 and for an issuer that is not a reporting issuer for filings after December 31, 2021.

Summary of Changes to the Revised Materials

Many comment letters expressed support for the objectives of the Revised Materials. Commenters continued to agree with the analysis that non-GAAP financial measures (including non-GAAP ratios) and other financial measures lack standardized meaning under financial reporting frameworks, lack context when disclosed outside of financial statements, and lack transparency as to their calculation or vary significantly by issuer and industry. In addition, many comment letters supported the changes to the Original Materials that address identified concerns relating to application and definitions. Although some commenters expressed a desire for further substantive changes in these areas, on balance, we considered that such changes would be contrary to the objectives of the proposals.

Following our review and analysis of the comment letters, through the changes to the Revised Materials, we have:

- introduced new application exceptions (e.g., a document prepared by a registered firm that is provided or is intended to be provided to a client or prospective client of the registered firm, disclosure of a financial measure where its calculation is derived from a financial covenant in a written agreement, certain disclosures in the Statement of Executive Compensation);
- narrowed and clarified various definitions and disclosure requirements;
- permitted incorporation by reference, for certain disclosures, in an earnings release;
- expanded incorporation by reference, for certain disclosures, across all specified financial measures, and
- enhanced readability.

Questions

Please refer your questions to any of the following:

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ANNEX A

List of Commenters

We received comment letters on the Revised Materials from the following:

- Canadian Accounting Standards Board
- Canadian Auditing and Assurance Standards Board
- Canadian Bankers Association
- BCE Inc. and Bell Canada
- Blake, Cassels & Graydon LLP
- Blake, Cassels & Graydon LLP – on behalf of a certain client
- Canadian Advocacy Council of CFA Societies Canada
- Canadian Coalition for Good Governance
- Canadian Investor Relations Institute
- Canadian Life and Health Insurance Association
- Canadian Natural Resources Limited
- Cenovus Energy Inc.
- Chartered Professional Accountants of Canada
- Davies Ward Phillips & Vineberg LLP
- Deloitte LLP
- Ernst & Young LLP
- Financial Executives International Canada
- Intact Financial Corporation
- Investor Advisory Panel
- KPMG LLP
- Norton Rose Fulbright Canada LLP
- Pembina Pipeline Corporation
- PricewaterhouseCoopers LLP
- Real Property Association of Canada
- Stikeman Elliott LLP
- TELUS Corporation

ANNEX B

Summary of Comments and CSA Responses

This annex summarizes the comment letters and our responses to these comments.

This annex contains the following sections:

1. Introduction
2. Responses to comments received on the Revised Materials

1. Introduction

Drafting Suggestions

We received a number of drafting suggestions and comments. While we incorporated many of these suggestions, this annex does not include a summary of all the drafting changes we made.

Categories of comments and single responses

In this annex, we consolidated and summarized the comments and our responses by the general themes of the comments. We have included section references to the Revised Materials for convenience.

2. Responses to Comments Received on the Revised Materials

Subject	Summarized Comment	Response
General comments	10 commenters supported the Revised Materials. 10 commenters indicated that there was substantial progress made in addressing comments from the first comment period.	We thank the commenters for their views.

Subject	Summarized Comment	Response
General comments	Four commenters raised concerns about a lack of consistency with international regulators, specifically the U.S. Securities and Exchange Commission (SEC).	<p>The disclosure required for non-GAAP financial measures is generally consistent to what is currently expected by other international regulators.</p> <p>The identification of a non-GAAP financial measure is substantially similar to other international regulators. To address the difference, and ensure sufficient disclosure is provided for certain measures disclosed outside of financial statements, the total of segments measure and capital management measure concepts have been introduced.</p>
General comments	Three commenters expressed that the Revised Materials were not in-line with CSA's reducing regulatory burden strategic initiative.	The Materials were developed with a focus on identifying opportunity to reduce burden while continuing to address the regulatory objectives sought. For example, the scope of the application and incorporation by reference requirement in the Materials were revised to respond to suggestions from commenters on how to reduce the extent of burden of the Revised Materials.
General comments	Two commenters recommended emphasizing the importance of governance and controls that an issuer's board, audit committee and management must exercise with the review and disclosure of specified financial measures.	<p>Adding governance and controls guidance to the Materials is out of scope for this project.</p> <p>We would however point out that our regulations, guidelines and guidance currently set out the board, audit committee and management responsibility for financial reporting.</p>
General comments	11 commenters expressed the need for application guidance or asked for clarification as to the categorization of certain financial measures.	Change made. We have included some additional examples and a flowchart in the Policy Statement. We will also include additional examples in a Staff Notice to be published after the Materials.
General comments	Two commenters indicated that the scope of the Revised Materials is too narrow.	We thank the commenters for their views, but disclosure in the noted areas was beyond the scope of this project. Regulation or guidance in these areas may be considered in the future.

Subject	Summarized Comment	Response
	<p>Two commenters expressed that specific regulation or guidance on non-financial measures or operational measures should be considered. In addition, one commenter indicated that we should monitor international developments in this area.</p>	
<p>General comments</p>	<p>Nine commenters indicated that the CSA should consider the burden to issuers in adopting these Revised Materials if these proposals are to be subsequently revised when the International Accounting Standards Board (IASB) finalizes its standard in regard to the IASB’s Exposure Draft on <i>General Presentation and Disclosures</i>.</p> <p>Six commenters also suggested that the CSA consider a transitional period for the Revised Materials to allow the CSA to understand and monitor where the IASB project is headed and conduct additional outreach regarding the implications of the IASB’s proposals and to ensure sufficient flexibility to deal with any fundamental incompatibility issues that may arise.</p>	<p>We note that IASB project is still underway and is not anticipated to be finalised in the current year. We also anticipate that an IASB standard is unlikely to be effective until approximately 18-24 months after being published in its finalised form.</p> <p>Thus, we see no reason to delay this project for multiple years and have decided to proceed with the Materials to address the disclosure and reporting concerns in regard to specified financial measures in the Canadian marketplace.</p> <p>If necessary in the future, we may update the Materials (or other regulations or guidance) to respond to these and other marketplace changes (if any). We will continue to closely monitor developments in this area.</p>
<p>General comments</p>	<p>Five commenters raised concerns that the categorization of the same or similar financial measures may differ between issuers depending on whether these measures are presented in the financial statements or where this categorization difference arises due to differing accounting policies.</p>	<p>We acknowledge that the categorization of same or similar financial measures may differ between issuers depending on where the measure is disclosed; however, we have tried to address this issue primarily through the introduction of the total of segments measure and capital management measure disclosure requirements.</p>

Subject	Summarized Comment	Response
General comments	<p>One commenter agreed that other financial measures should be distinguished from and should not be subject to the same degree of disclosure mandated with respect to non-GAAP financial measures.</p> <p>Two commenters were concerned that the other financial measures category unnecessarily expanded the scope of the existing SN 52-306 and might be confusing to both issuers and investors.</p>	<p>We think that the disclosure requirements for other financial measures provides an appropriate solution to address the concerns raised by stakeholders.</p>
Section 1 – Definitions		
General comments	<p>One commenter suggested that the distinction as to whether a Specified Financial Measure appears in the primary financial statements or the notes to the financial statements may create a perception that the notes to the financial statements are less important than the primary financial statements.</p> <p>Two commenters recommended clarifying that the term “financial statements” includes both the primary financial statement and the notes to the financial statements.</p>	<p>The primary financial statement distinction is necessary for certain disclosure requirements, such as the prominence and reconciliation requirements which reference the most directly comparable financial measure disclosed in the primary financial statements of the entity.</p> <p>No change made. The content of financial statements is a generally understood term and is described in the issuer’s financial reporting framework, as well as in the prospectus and continuous disclosure requirements in securities legislation.</p>
General comments	<p>One commenter recommended that we replace “most comparable” with “most directly comparable” in the Revised Materials.</p>	<p>Change made. The term “most directly comparable” has been included to be consistent with the concepts and wording in SN 52-306 and the SEC requirements.</p>
section 1 – capital management measure definition	<p>One commenter requested clarification on whether the reference to the notes to the financial statements in the capital management measure definition was intended to refer to the complete set of financial statement notes or just the capital</p>	<p>No change made. While the majority of capital management measures, as defined in section 1 of the Regulation, will typically be disclosed in a specific financial statement note in an issuer’s financial statements (i.e., identified as a capital management note or another similar term), the location of this</p>

Subject	Summarized Comment	Response
	management note presented to meet the requirements under the financial reporting framework.	disclosure is not specified under the issuer’s financial reporting framework. As such, any measure in the issuer’s financial statement notes that meets the definition of a capital management measure is captured as a capital management measure under the Regulation.
section 1 – non-GAAP financial measure definition	<p>One commenter supported that the non-GAAP financial measure definition was changed to more align with the SN 52-306 definition.</p> <p>One commenter suggested that some of the clarifications included in the Revised Materials in respect of the definition of a non-GAAP financial measure be included in the non-GAAP financial measure definition in the Revised Materials.</p>	<p>We thank the commenter for their views.</p> <p>No change made. In order to keep the non-GAAP financial measure definition concise, we have not modified the definition in the Regulation to include the guidance provided in the Policy Statement.</p>
section 1 – non-GAAP ratio definition	One commenter indicated that many ratios are calculated using more than one non-GAAP financial measure and that the non-GAAP ratio definition should be revised to reflect this.	Change made. The non-GAAP ratio definition has been revised to include a reference to “one or more” non-GAAP financial measures as components of the non-GAAP ratio.
section 1 – supplementary financial measure definition	<p>One commenter suggested removing the “periodic basis” reference in paragraph (a) of the supplementary financial measure definition.</p> <p>One commenter suggested removing the “intended to be” reference in paragraph (a) of the supplementary financial measure definition.</p>	<p>No change made. We consider the periodic basis concept necessary to limit the scope of the specified financial measures.</p> <p>No change made. We consider the “intended to be” concept necessary to capture a supplementary financial measure that is disclosed by an issuer for the first time, when the measure is intended to be disclosed on a periodic basis.</p>
section 1 – total of segments measure definition	One commenter indicated that a component of a line item for which the component has been calculated in accordance with the accounting policies used to prepare the line item presented in	Change made. The total of segments measure definition was amended to exclude a component of a line item for which the component has been calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements.

Subject	Summarized Comment	Response
	<p>the financial statements should not be captured as a total of segments measure.</p> <p>One commenter asked for clarification on whether the reference to the notes to the financial statements in the total of segments measure definition was intended to refer to the complete set of financial statement notes or just the segment note presented to meet the requirements under the issuer’s financial reporting framework.</p>	<p>No change made. We thank the commenter for its view. While the majority of total of segments measure, as defined in section 1 of the Regulation, will typically be disclosed in a specific financial statement note in an issuer’s financial statements (i.e., identified as an operating segment note, or another similar term), the location of this disclosure is not specified under the issuer’s financial reporting framework. As such, any measure in the issuer’s financial statement notes that meets the definition of a total of segments measure may be captured as a total of segments measure under the Regulation.</p>
<p>Sections 2 and 3 – Application – reporting issuers and issuers that are not reporting issuers</p>		
<p>General comment</p>	<p>Two commenters indicated that we should consider limiting the Revised Materials to documents where its content would reasonably be expected to affect the market price or value of a security of the issuer.</p>	<p>No change made. We do not agree with introducing the scope exemption suggested.</p>
<p>Section 4 – Application – exceptions</p>		
<p>4(b)</p>	<p>Four commenters recommended that the SEC foreign issuer exemption should also apply to Canadian SEC issuers.</p>	<p>No change made. The application of the Materials to SEC issuers is consistent, and based on similar rationale, to the application of other requirements to these issuers under current Canadian securities legislation, such as the forward-looking information disclosure requirements and material change reporting. In addition, SEC issuers, as defined in <i>Regulation 52-107 respecting Acceptable Accounting Principles and Auditing Standards</i>, are principally regulated in Canada, and as such, we as regulators would be regulating and enforcing these Materials under Canadian securities</p>

Subject	Summarized Comment	Response
		legislation rather than through the interpretation of a U.S. rule.
4(c)(i) and (ii)	One commenter indicated that disclosures provided under <i>Regulation 43-101 respecting Standards of Disclosure for Mineral Projects (Regulation 43-101)</i> that are exempt from the Revised Materials should be specifically labelled as such in order to differentiate from other measures that would otherwise be within the scope of the Revised Materials.	No change made. We have not prescribed specific labelling requirements for Regulation 43-101 measures to be consistent with the other application exemptions.
4(c)(iii)	One commenter indicated that section 5.14 of <i>Regulation 51-101 respecting Standards of Disclosure for Oil and Gas Activities</i> should be included as an exception in the Revised Materials.	No change made. We are of the view that clear and transparent disclosure should be provided to investors for any specified financial measures that are disclosed using oil and gas metrics.
4(d)(i)	<p>Two commenters recommended that the exemptions in the Revised Materials be expanded to include any valuation report or fairness opinion that is filed or incorporated by reference in a document.</p> <p>Three commenters also recommended that all third-party reports be exempt from the Revised Materials.</p>	<p>Change made. Refer to subparagraph 4(1)(d)(i) of the Regulation for this expanded exemption.</p> <p>In addition, an exemption was added in paragraph 4(1)(g) of the Regulation to exempt the disclosure of a specified financial measure made by a registered firm, if (i) the document in which the disclosure is made is intended to be, or is reasonably likely to be, made available to a client or a prospective client of the registered firm, and (ii) the measure does not relate to the registered firm's financial performance, financial position or cash flow.</p>
4(d)(ii)	One commenter recommended that the exemption in subparagraph 4(d)(ii) of the Revised Materials be expanded to include voluntary pro forma financial statement filings.	No change made to expand the exemption in subparagraph 4(d)(iii) of the Regulation. Pro forma financial measures that are not required by securities legislation are an area of concern for regulators. We are of the view that additional disclosure is needed for these measures when required pro forma financial statements are not available.

Subject	Summarized Comment	Response
4(e)	Two commenters recommended that the exemption in paragraph 4(e) of the Revised Materials be expanded to include all regulatory bodies as well as both required and recommended measures.	No change made. The exemption in paragraph 4(1)(e) of the Regulation was not expanded to include recommended disclosures in order to ensure that any financial measures exempt from the Regulation be limited to those required under law or by an SRO of which the issuer is a member, where the law or the SRO's requirement specifies the composition of the financial measure and where the financial measure has been determined in compliance with that law or requirement.
Application to comparables	One commenter suggested that we expand exceptions for comparables, i.e., information that compares an issuer to other issuers.	No change made. As specified financial measures are not standardized financial measures under the financial reporting framework used to prepare the financial statements of the entity to which the measure relates, these specified financial measures may not be comparable to similar financial measures disclosed by other issuers, and as such, should generally not be used as comparables.
Application to exchangeable security issuers and credit support issuers	One commenter indicated that the Revised Materials should not apply to an exchangeable security issuer that files required disclosure of a parent issuer, or a credit support issuer that files required disclosures of a parent credit supporter, in each case under Part 13 of <i>Regulation 51-102 respecting Continuous Disclosure Obligations (Regulation 51-102)</i> .	No change made. We are of the view that the Regulation should apply to a parent issuer or a parent credit supporter in respect of their disclosure of a Specified Financial Measure in a document, unless one of the exemptions in section 4 of the Regulation are met.
Application to executive compensation	<p>Two commenters expressed support that the Revised Materials would apply to executive compensation disclosures.</p> <p>One commenter expressed that the application of the Revised Materials to executive compensation disclosures would add to the burden of disclosure</p>	Change made. Considering the nature and purpose of executive compensation disclosures, further exemptions were added in subsection 4(2) of the Regulation to limit disclosure relating to specified financial measures to the information required under paragraph 6(1)(b), the identification as a non-GAAP financial measure, and the quantitative reconciliation disclosure requirements under paragraph 9(c) and clauses

Subject	Summarized Comment	Response
	<p>applying to proxy circulars and would be too cumbersome. This commenter indicated that if the requirements under the Revised Materials be maintained, the correlation between the requirements in subsection 2.1(4) of Form 51-102F6 <i>Statement of Executive Compensation (Form 51-102F6)</i> and the requirements under the Revised Materials should be better explained with potential consequential guidance or amendments made to the subsection 2.1(4) of Form 51-102F6 requirements.</p> <p>One commenter indicated that the requirements in paragraphs 6(b), (c) and (d) and in subparagraphs 6(e)(ii) and (iii) of the Revised Materials did not make sense in the context of discussing executive compensation policies.</p>	<p>6(1)(e)(ii)(C) and 10(1)(b)(ii)(C), as we are of the view that the information provided under these requirements is important in the context of executive compensation disclosures.</p>
Application to financial covenants	One commenter suggested that the disclosure of a financial covenant derived from a material contract should be excluded from the application of the Revised Materials.	Change made. An exemption was added to paragraph 4(1)(f) of the Regulation.
Application to social media	One commenter suggested that the Revised Materials should not apply to disclosure on websites or social media.	No change made. The use of specified financial measures in disclosures made on websites and social media continues to be an area of concern for regulators.
Section 5 – Incorporating information by reference		
General comment	One commenter suggested that a simple cross-reference to the location of the required information in the MD&A would be sufficient, rather than requiring incorporation by reference.	No change made. It is our view that cross-referencing would not be sufficient to ensure that any information incorporated by reference into a document will form part of that document.
General comment	While this one commenter was supportive of our efforts to streamline disclosures through	No change made. It is not expected that the calculation or the usefulness of the same Specified Financial Measure would

Subject	Summarized Comment	Response
	<p>incorporation by reference, the commenter indicated that an issuer should be required to disclose any differences in the definition or the usefulness of a Specified Financial Measure between different documents (i.e., the same measure is defined or used differently in the MD&A than it is for executive compensation disclosures).</p>	<p>differ with its use in the MD&A to discuss the issuer's operations or its use in another document, such as an information circular, for executive compensation disclosures.</p>
<p>5(1)</p>	<p>Two commenters recommended that incorporation by reference be permitted for the following disclosure requirements for all specified financial measures: composition explanation and the explanation that the measure is not a standardized measure.</p> <p>One commenter indicated that the incorporation by reference for the quantitative reconciliation requirement will not be sufficiently accessible in the context for an investor to utilize.</p>	<p>Change made to allow incorporation by reference for the composition information. See subsection 5(1) of the Regulation. No change made to allow incorporation by reference for the explanation that the measure is not a standardized measure, as we feel that this information is important to highlight in each document where a Specified Financial Measure is disclosed.</p> <p>No change made. We thank the commenter for its view. We have retained the option for a quantitative reconciliation to be provided in a document, except within the MD&A and earnings releases since these are the most critical documents looked-at by investors and where the use of specified financial measures is generally most prevalent.</p>
<p>5(3)(a)</p>	<p>Two commenters recommend that we allow incorporation by reference from interim MD&A to annual MD&A.</p> <p>Two commenters recommended that section 5 of the Revised Materials should also allow incorporation by reference to the financial statements and not just the MD&A.</p>	<p>No change made. The MD&A is meant to be the main repository where recent disclosures relating to specified financial measures, as required under the Regulation, can be found for each Specified Financial Measure disclosed by the issuer.</p> <p>Adding incorporation by reference of information included in other documents, including previous MD&A filings, may</p>

Subject	Summarized Comment	Response
		obscure the relevant information and increase the burden placed on readers in locating the information themselves.
5(3)(b)	17 commenters recommended that issuers be permitted to incorporate by reference the information required under the Revised Materials in a news release issued or filed by the issuer if the reference is to the MD&A of the issuer.	<p>Change made to allow incorporation by reference for the information required under the Regulation, as specified in subsection 5(1), in a news release issued or filed by the issuer if the reference is to the most recent MD&A of the issuer.</p> <p>However, as outlined in subsection 5(4) of the Regulation, for earnings release filings made under section 11.4 of Regulation 51-102, the issuer would be required to provide a quantitative reconciliation, as applicable, if a Specified Financial Measure was disclosed in this earnings release.</p>
Part 2 – Disclosure Requirements Sections 6 to 11		
6(a)(i), 8(a), 11(a)(i) – labelling	One commenter requested that we remove the requirement that a Specified Financial Measure be labelled using a term, that given the measure’s composition, describes the measure.	No change made. We are of the view that the label which identifies a Specified Financial Measure must be appropriate given the nature of information.
6(c), 7(2)(c), 8(b), 9(b), 10(b) – prominence	<p>One commenter supported the prominence requirement as a key feature of the Revised Materials.</p> <p>Two commenters indicated that the prominence requirement is too burdensome and that a materiality threshold should apply to this requirement or greater prominence should be given to the most directly comparable financial measure presented in the primary financial statements only when it would be misleading not to do so.</p>	No change made. We thank the commenters for their views. Prominence is an area of concern for regulators as it has been a long-standing issue with respect to the misuse of specified financial measures.

Subject	Summarized Comment	Response
6(d), 8(c), 9(d), 10(c) – comparatives	<p>Four commenters recommended that the requirement to disclose comparatives should allow that the issuer exercise judgment as to whether disclosure of comparatives is necessary to not mislead investors.</p> <p>One commenter recommended that we allow for an exception from the requirement to provide comparative period disclosure where this information can be obtained from the issuer’s most recent annual period or its most recent interim period filings.</p> <p>One commenter indicated that the requirement to disclose a measure for a comparative period using the same composition is too rigid and that we should revert back to “consistent basis” used in the SN 52-306.</p>	<p>Change made. We have changed the requirement in paragraphs 6(1)(f), 8(d), 9(d) and 10(1)(c) of the Regulation to require comparatives only in an MD&A or an earnings release of the issuer (unless impracticable to do so for certain specified financial measures).</p> <p>No change made, considering the change made above to limit the instances where the disclosure of comparatives is required.</p> <p>No change made. We are of the view that the application of the “same composition” term in the Regulation does not substantially differ from the SN 52-306 “consistent basis” guidance.</p>
6(e), 7(2)(d), 8(d), 9(c), 10(a), 11(b) – in proximity to the first instance	<p>Three commenters asked for clarification in regard to the application of proximity to the first instance.</p>	<p>Change made. We have included additional guidance in the Policy Statement.</p>
6(e)(iii), 8(d)(i), 10(a)(i), 11(b) – composition	<p>One commenter suggested that clarification be made as to whether a separate explanation of a Specified Financial Measure’s composition is still required when the composition of the measure is explicit in its label.</p>	<p>Change made. We have added guidance in the Policy Statement to clarify the composition requirement and to include an example of what that composition disclosure would entail.</p>

Subject	Summarized Comment	Response
Section 6 – Non-GAAP financial measures that are historical information		
6(b), 6(c) – most comparable financial measure and prominence	One commenter indicated that they believed the requirements in paragraphs 6(b) and 6(c) overlapped.	No change made. The requirement in paragraph 6(1)(c) of the Regulation is to disclose the most directly comparable financial measure that is presented in the primary financial statements of the entity to which the non-GAAP financial measure relates; however, the requirement in paragraph 6(1)(d) of the Regulation relates to prominence and that the non-GAAP financial measure should be disclosed with no more prominence than that of the most directly comparable financial measure. We do not view the requirements of paragraphs 6(1)(c) and (d) to be overlapping.
6(c), 6(e)(iv)	One commenter expressed concern that the following Revised Materials guidance would preclude disclosure of similar measures that the commenter would consider to be important and useful to investors: prominence considerations in regard to the use of multiple non-GAAP financial measures and the use of the term “incremental” in the context of requiring information to be incremental in order to be considered useful.	No change made. The prominence and usefulness of non-GAAP financial measures guidance has been retained since these continue to be areas of concern for regulators.
6(e)(vi) – explanation of change	One commenter indicated that the requirement to explain the reason for a change in a non-GAAP financial measure under subparagraph 6(e)(vi) of the Revised Materials should be sufficient and that there should be no specific requirement to restate a non-GAAP financial measure for a comparative period.	No change made. Comparative period information is important for investors to understand and assess the non-GAAP financial measure being disclosed.
6(e)(i) and (ii) – identification and not a standardized	Four commenters indicated that the wording in the Revised Materials that a non-GAAP financial measure be cross-referenced to a section each time it is disclosed, is not aligned with the wording in	Change made. The identification of the measure as a non-GAAP financial measure has been moved out of subparagraph 6(1)(e)(i) of the Revised Materials to paragraph 6(1)(b) of the Regulation and as such the “in proximity to the

Subject	Summarized Comment	Response
financial measure disclosure	paragraph 6(e) of the Revised Materials itself, which only requires the disclosure provided for in that paragraph to be made “in proximity to the first instance” of the non-GAAP financial measure in the document, not each time in the document where the measure appears.	first instance” would not apply to this disclosure item. In addition, additional guidance was added in section “Paragraph 6(1)(b) – Identification of a non-GAAP financial measure” of the Policy Statement in regard to footnote use.
Section 7 – Non-GAAP financial measures that are forward-looking information		
7(2)(b) – historical non-GAAP financial measure	Two commenters suggested that we remove the requirement to disclose the related historical financial measure.	No change made for these views; however, we did clarify in section 7 of the Policy Statement that the equivalent historical non-GAAP financial measure is required to be disclosed in the same document as the non-GAAP financial measure that is forward-looking information.
7(2)(d) – significant difference	Three commenters asked for more clarity in respect of the requirement to describe significant differences between the non-GAAP financial measure that is forward-looking information and the equivalent historical non-GAAP financial measure.	Change made. We have included additional clarifying language in the Policy Statement.
7(3)	<p>One commenter asked for clarification as to whether the exemption in subsection 7(3) of the Revised Materials is meant to apply only when the SEC issuer is required to comply with Regulation G under the 1934 Act or if the SEC issuer may voluntarily comply with Regulation G under the 1934 Act.</p> <p>One commenter indicated that the 7(3) exemption for SEC issuers should be limited to those entities that are SEC issuers filing outside of the Multi-Jurisdictional Disclosure System.</p>	<p>No change made. We are of view that subsection 7(3) of the Regulation is clear that the exemption is available to any disclosure of a non-GAAP financial measure that is forward-looking information made by an SEC issuer in compliance with Regulation G under the 1934 Act.</p> <p>No change made. The subsection 7(3) exemption is meant to apply to all SEC issuers complying with Regulation G under the 1934 Act.</p>

Subject	Summarized Comment	Response
Section 8 – Non-GAAP ratios		
8(b) – prominence	One commenter recommended that we remove the requirement that a non-GAAP ratio be disclosed with no more prominence in the document than that of a similar financial measure presented in the primary financial statements to which the non-GAAP ratio relates.	No change made. Prominence is an area of concern for regulators.
8(d)(i) – component of the non-GAAP ratio that is a non-GAAP financial measure	<p>Five commenters asked for clarification of the requirement to identify each non-GAAP financial measure that is used as a component of the non-GAAP ratio.</p> <p>One commenter recommended that the components of a non-GAAP ratio need not be reconciled if the component is not otherwise disclosed in the document.</p>	<p>Change made. The requirement in subparagraph 8(c)(ii) of the Regulation was clarified to require that each non-GAAP financial measure that is used as a component of the non-GAAP ratio be “disclosed” rather than “identified”.</p> <p>No change made. We consider information about these non-GAAP financial measure components used in the calculation of the non-GAAP ratio to be key in understanding the non-GAAP ratio.</p>
Section 9 – total of segments measures		
9(c) – quantitative reconciliation	Six commenters recommended that we remove the quantitative reconciliation requirement for the total of segments measure or allow a cross-reference to the reconciliation included in the financial statement notes.	<p>No change made. We are of the view that a quantitative reconciliation requirement for a total of segments measure under paragraph 9(c) of the Regulation is needed to ensure that a consistent form of reconciliation is provided to readers in the same manner as the non-GAAP financial measure reconciliation. This will also ensure that the quantitative reconciliation gives the total of segments measure the necessary context when it is disclosed outside of the issuer’s financial statements.</p> <p>In addition, the quantitative reconciliation for the total of segments measure was retained to ensure consistency of</p>

Subject	Summarized Comment	Response
	<p>One commenter recommended that the requirements of paragraph 9(c) of the Revised Materials be revised so that the level of detail required to be provided when presenting a quantitative reconciliation for a total of segments measure be clear, in order to adequately comply with the requirements set out in paragraph 9(c).</p>	<p>presentation with SEC issuers complying with Regulation G and Item 10(e) of Regulation S-K since such measures would meet the definition of a non-GAAP financial measure under SEC requirements.</p> <p>Change made. We have amended paragraph 9(c) of the Regulation to clarify that the quantitative reconciliation be in the permitted format outlined in subsection 6(2) of the Regulation.</p>
<p>Section 10 – capital management measures</p>		
<p>General comment</p>	<p>Three commenters suggested that the Revised Materials should be clarified in respect of an issuer’s requirement to comply with section 6 of the Revised Materials for each non-GAAP financial measure used in the calculation of a capital management measure.</p> <p>One commenter recommended that the components of a capital management measure that are non-GAAP financial measures should not need to be reconciled if the non-GAAP financial measure component is not otherwise disclosed in the document.</p>	<p>Change made. We have amended subparagraph 10(1)(b)(i) of the Regulation to clarify that an issuer is required to disclose any non-GAAP financial measures used in the calculation of a capital management measure.</p> <p>No change made. We consider information about these non-GAAP financial measure components used in the calculation of the capital management measure to be key in understanding the capital management measure.</p>
<p>10(b) – prominence</p>	<p>One commenter recommended that the requirement that the capital management measure be disclosed with no more prominence in the document than that of similar financial measures</p>	<p>No change made. Prominence is an area of concern for regulators.</p>

Subject	Summarized Comment	Response
	presented in the primary financial statements of the issuer, be removed, citing that the disclosure of a similar financial measure is highly subjective.	
Section 11 – supplementary financial measures		
11(b) – composition	One commenter recommended that the requirement in paragraph 11(b) be removed as it was their view this requirement overlapped with the requirement in paragraph 11(a).	No change made. Transparency around the composition of a supplementary financial measure and the clear labelling of this measure in paragraphs 11(b) and 11(a), respectively, are the primary concerns we identified in respect of these supplementary financial measures. We do not view the requirements in paragraphs 11(a) and (b) to be overlapping.
Section 13 – Effective date		
13	Five commenters indicated that they would support a long transition period leading up to the effective date to ease the transition burden on issuers. Some of these commenters also indicated that we should consider making the Revised Materials effective for the beginning of an annual financial reporting period to ensure consistent and comparable reporting over periods.	We agree with the comment and have included a transition provisions in Part 13 of the Regulation.