

1.1.2 **CSA Notice of Publication – National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure, Companion Policy 52-112 Non-GAAP and Other Financial Measures Disclosure and Related Consequential Amendments and Changes**



CSA Notice of Publication

**National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*  
Companion Policy 52-112 *Non-GAAP and Other Financial Measures Disclosure*  
and 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:

- National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (the **Instrument**);
- Companion Policy 52-112 *Non-GAAP and Other Financial Measures Disclosure* (the **Companion Policy**);
- Related consequential amendments or changes to:
  - Multilateral Instrument 45-108 *Crowdfunding*<sup>1</sup>;
  - Companion Policy 45-108CP *Crowdfunding*;
  - Companion Policy 51-102CP *Continuous Disclosure Obligations*;
  - Companion Policy 51-105CP *Issuers Quoted in the U.S. Over-the-Counter Markets*<sup>2</sup>; and
  - Companion Policy 52-107CP *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 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 consequential amendments and changes of the Materials is contained in Annexes E through I of this Notice.

Annex J to this Notice includes additional text, as required, to respond to local matters in a local jurisdiction. Each jurisdiction that is proposing local amendments will publish an Annex J.

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

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)  
[www.albertasecurities.com](http://www.albertasecurities.com)

<sup>1</sup> 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 Companion Policy because MI 45-108 does not apply in these jurisdictions.

<sup>2</sup> The Ontario Securities Commission is not proposing this consequential change as Multilateral Instrument 51-105 *Issuers Quoted in the U.S. Over-the-Counter Markets* and its Companion Policy do not apply in Ontario.

[www.bcsc.bc.ca](http://www.bcsc.bc.ca)  
[nssc.novascotia.ca](http://nssc.novascotia.ca)  
[www.fcnb.ca](http://www.fcnb.ca)  
[www.osc.gov.on.ca](http://www.osc.gov.on.ca)  
[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)  
[www.mbsecurities.ca](http://www.mbsecurities.ca)

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

### Substance and Purpose

The Instrument 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 Instrument).

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 Instrument 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 Instrument 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 Instrument 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 Instrument 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 Instrument);
- 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.

The Instrument is included in Annex C. The Companion Policy is included in Annex D.

### **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;

## Notices

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- 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:

### *British Columbia Securities Commission*

Anita Cyr, Associate Chief Accountant, British Columbia Securities Commission  
604-899-6579 | [acyr@bcsc.bc.ca](mailto:acyr@bcsc.bc.ca)

Maggie Zhang, Senior Securities Analyst, British Columbia Securities Commission  
604-899-6823 | [mzhang@bcsc.bc.ca](mailto:mzhang@bcsc.bc.ca)

### *Alberta Securities Commission*

Cheryl McGillivray, Chief Accountant, Alberta Securities Commission  
403-297-3307 | [cheryl.mcgillivray@asc.ca](mailto:cheryl.mcgillivray@asc.ca)

Anne Marie Landry, Associate Chief Accountant, Alberta Securities Commission  
403-297-7907 | [annemarie.landry@asc.ca](mailto:annemarie.landry@asc.ca)

### *Ontario Securities Commission*

Mark Pinch, Associate Chief Accountant, Ontario Securities Commission  
416-593-8057 | [mpinch@osc.gov.on.ca](mailto:mpinch@osc.gov.on.ca)

Alex Fisher, Senior Accountant, Ontario Securities Commission  
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Jonathan Blackwell, Senior Accountant, Ontario Securities Commission  
416-593-8138 | [jblackwell@osc.gov.on.ca](mailto:jblackwell@osc.gov.on.ca)

Katrina Janke, Senior Legal Counsel, Ontario Securities Commission  
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### *Autorité des marchés financiers*

Suzanne Poulin, Chief Accountant and Director, Direction de l'information financière  
Autorité des marchés financiers  
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Nicole Parent, Associate Chief Accountant, Direction de l'information financière  
Autorité des marchés financiers  
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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

**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.

**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.
General comments	Four commenters raised concerns about a lack of consistency with international regulators, specifically the U.S. Securities and Exchange Commission ( <b>SEC</b> ).	The disclosure required for non-GAAP financial measures is generally consistent to what is currently expected by other international regulators.  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.
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.	Adding governance and controls guidance to the Materials is out of scope for this project.  We would however point out that our regulations, guidelines and guidance currently set out the board, audit committee and management responsibility for financial reporting.
General comments	11 commenters expressed the need for application guidance or asked for clarification	Change made. We have included some additional examples and a flowchart in the Companion Policy. We

Subject	Summarized Comment	Response
	as to the categorization of certain financial measures.	will also include additional examples in a Staff Notice to be published after the Materials.
General comments	<p>Two commenters indicated that the scope of the Revised Materials is too narrow.</p> <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>	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.
General comments	<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>
General comments	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.	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.
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>	We think that the disclosure requirements for other financial measures provides an appropriate solution to address the concerns raised by stakeholders.

**Section 1 – Definitions**

Subject	Summarized Comment	Response
General comments	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	The primary financial statement distinction is necessary for certain disclosure requirements, such as the prominence and reconciliation requirements which

Subject	Summarized Comment	Response
	<p>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>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	One commenter recommended that we replace “most comparable” with “most directly comparable” in the Revised Materials.	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.
section 1 – capital management measure definition	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 management note presented to meet the requirements under the financial reporting framework.	No change made. While the majority of capital management measures, as defined in section 1 of the Instrument, 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 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 Instrument.
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 Instrument to include the guidance provided in the Companion Policy.</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 the financial statements should not be captured as a total of segments measure.	<p>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.</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 Instrument, will typically be</p>

Subject	Summarized Comment	Response
	<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>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 Instrument.</p>

**Sections 2 and 3 – Application – reporting issuers and issuers that are not reporting issuers**

Subject	Summarized comment	Response
<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>

**Section 4 – Application – exceptions**

Subject	Summarized Comment	Response
<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 National Instrument 52-107 <i>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 legislation rather than through the interpretation of a U.S. rule.</p>
<p>4(c)(i) and (ii)</p>	<p>One commenter indicated that disclosures provided under National Instrument 43-101 <i>Standards of Disclosure for Mineral Projects (NI 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.</p>	<p>No change made. We have not prescribed specific labelling requirements for NI 43-101 measures to be consistent with the other application exemptions.</p>
<p>4(c)(iii)</p>	<p>One commenter indicated that section 5.14 of National Instrument 51-101 <i>Standards of Disclosure for Oil and Gas Activities</i> should be included as an exception in the Revised Materials.</p>	<p>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.</p>
<p>4(d)(i)</p>	<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>Change made. Refer to subparagraph 4(1)(d)(i) of the Instrument for this expanded exemption.</p> <p>In addition, an exemption was added in paragraph 4(1)(g) of the Instrument 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</p>

Subject	Summarized Comment	Response
	Three commenters also recommended that all third-party reports be exempt from the Revised Materials.	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.
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 Instrument. 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.
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 Instrument was not expanded to include recommended disclosures in order to ensure that any financial measures exempt from the Instrument 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 National Instrument 51-102 <i>Continuous Disclosure Obligations (NI 51-102)</i> .	No change made. We are of the view that the Instrument 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 Instrument 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 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)</p>	Change made. Considering the nature and purpose of executive compensation disclosures, further exemptions were added in subsection 4(2) of the Instrument 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 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.

Subject	Summarized Comment	Response
	and in subparagraphs 6(e)(ii) and (iii) of the Revised Materials did not make sense in the context of discussing executive compensation policies.	
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 Instrument.
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**

Subject	Summarized Comment	Response
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 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).	No change made. It is not expected that the calculation or the usefulness of the same Specified Financial Measure would 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.
5(1)	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.  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.	Change made to allow incorporation by reference for the composition information. See subsection 5(1) of the Instrument. 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.  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.
5(3)(a)	Two commenters recommend that we allow incorporation by reference from interim MD&A to annual MD&A.  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.	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 Instrument, can be found for each Specified Financial Measure disclosed by the issuer.  Adding incorporation by reference of information included in other documents, including previous MD&A filings, may obscure the relevant information and increase the burden placed on readers in locating the information themselves.

Subject	Summarized Comment	Response
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 Instrument, 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&amp;A of the issuer.</p> <p>However, as outlined in subsection 5(4) of the Instrument, for earnings release filings made under section 11.4 of NI 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**

Subject	Summarized Comment	Response
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.
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 Instrument to require comparatives only in an MD&amp;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 Instrument 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	Three commenters asked for clarification in regard to the application of proximity to the first instance.	Change made. We have included additional guidance in the Companion Policy.

Subject	Summarized Comment	Response
6(e)(iii), 8(d)(i), 10(a)(i), 11(b) – composition	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.	Change made. We have added guidance in the Companion Policy to clarify the composition requirement and to include an example of what that composition disclosure would entail.

**Section 6 – Non-GAAP financial measures that are historical information**

Subject	Summarized Comment	Response
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 Instrument 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 Instrument 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 financial measure disclosure	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 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.	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 Instrument and as such the “in proximity to the 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 Companion Policy in regard to footnote use.

**Section 7 – Non-GAAP financial measures that are forward-looking information**

Subject	Summarized Comment	Response
7(2)(b) – historical non-GAAP	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 Companion Policy that the equivalent historical non-GAAP financial measure is required to be

Subject	Summarized Comment	Response
financial measure		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 Companion Policy.
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 Instrument 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>

**Section 8 – Non-GAAP ratios**

Subject	Summarized Comment	Response
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 Instrument 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**

Subject	Summarized Comment	Response
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.	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 Instrument 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.

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>In addition, the quantitative reconciliation for the total of segments measure was retained to ensure consistency of 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 Instrument to clarify that the quantitative reconciliation be in the permitted format outlined in subsection 6(2) of the Instrument.</p>

**Section 10 – capital management measures**

Subject	Summarized Comment	Response
<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 Instrument 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 presented in the primary financial statements of the issuer, be removed, citing that the disclosure of a similar financial measure is highly subjective.</p>	<p>No change made. Prominence is an area of concern for regulators.</p>

**Section 11 – supplementary financial measures**

Subject	Summarized Comment	Response
<p>11(b) – composition</p>	<p>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).</p>	<p>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.</p>

**Section 13 – Effective date**

<b>Subject</b>	<b>Summarized Comment</b>	<b>Response</b>
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 Instrument.

**ANNEX C**

**NATIONAL INSTRUMENT 52-112 *NON-GAAP AND OTHER FINANCIAL MEASURES DISCLOSURE***

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**NATIONAL INSTRUMENT 52-112 NON-GAAP AND OTHER FINANCIAL MEASURES DISCLOSURE**

**PART 1  
DEFINITIONS AND APPLICATION**

**Definitions**

1. In this Instrument,

“capital management measure” means a financial measure disclosed by an issuer that

- (a) is intended to enable an individual to evaluate an entity’s objectives, policies and processes for managing the entity’s capital,
- (b) is not a component of a line item disclosed in the primary financial statements of the entity,
- (c) is disclosed in the notes to the financial statements of the entity, and
- (d) is not disclosed in the primary financial statements of the entity;

“earnings release” means a news release that is required to be filed under section 11.4 of National Instrument 51-102 *Continuous Disclosure Obligations*;

“entity” includes any of the following:

- (a) a person or company other than an individual,
- (b) an asset or a group of assets for which financial statements are prepared;

“forward-looking information” has the meaning ascribed to it in National Instrument 51-102 *Continuous Disclosure Obligations*;

“MD&A” has the meaning ascribed to it in National Instrument 51-102 *Continuous Disclosure Obligations*;

“non-GAAP financial measure” means a financial measure disclosed by an issuer that

- (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity,
- (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity,
- (c) is not disclosed in the financial statements of the entity, and
- (d) is not a ratio, fraction, percentage or similar representation;

“non-GAAP ratio” means a financial measure disclosed by an issuer that

- (a) is in the form of a ratio, fraction, percentage or similar representation,
- (b) has a non-GAAP financial measure as one or more of its components, and
- (c) is not disclosed in the financial statements of the entity;

“primary financial statements” means, with respect to an entity, any of the following:

- (a) the statement of financial position;
- (b) the statement of profit or loss and other comprehensive income;
- (c) the statement of changes in equity;
- (d) the statement of cash flows;

“registered firm” has the meaning ascribed to it in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*;

“reportable segment” means a reportable segment as described in the accounting principles applied to the preparation of an entity’s financial statements;

“specified financial measure” means any of the following:

- (a) a non-GAAP financial measure;
- (b) a non-GAAP ratio;
- (c) a total of segments measure;
- (d) a capital management measure;
- (e) a supplementary financial measure;

“supplementary financial measure” means a financial measure disclosed by an issuer that

- (a) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity,
- (b) is not disclosed in the financial statements of the entity,
- (c) is not a non-GAAP financial measure, and
- (d) is not a non-GAAP ratio;

“total of segments measure” means a financial measure disclosed by an issuer that

- (a) is a subtotal or total of 2 or more reportable segments of an entity,
- (b) is not a component of a line item disclosed in the primary financial statements of the entity,
- (c) is disclosed in the notes to the financial statements of the entity, and
- (d) is not disclosed in the primary financial statements of the entity.

**Application – reporting issuers**

- 2. This Instrument applies to a reporting issuer in respect of its disclosure of a specified financial measure in a document if the document is intended to be, or reasonably likely to be, made available to the public.

**Application – issuers that are not reporting issuers**

- 3. This Instrument applies to an issuer that is not a reporting issuer in respect of its disclosure of a specified financial measure in a document if the document is made available to the public and is
  - (a) subject to National Instrument 41-101 *General Prospectus Requirements*,
  - (b) filed with a regulator or a securities regulatory authority in connection with a distribution made under section 2.9 of National Instrument 45-106 *Prospectus Exemptions*, or
  - (c) submitted to a recognized exchange in connection with a qualifying transaction, reverse takeover, change of business, listing application, significant acquisition or similar transaction.

**Application – exceptions**

- 4. (1) Despite sections 2 and 3, this Instrument does not apply to the following:
  - (a) an investment fund as defined in National Instrument 81-106 *Investment Fund Continuous Disclosure*;
  - (b) a designated foreign issuer, or an SEC foreign issuer, as defined in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*;
  - (c) an issuer in respect of disclosure required under any of the following:
    - (i) National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

- (ii) section 5.4 of Form 51-102F2 *Annual Information Form*;
- (iii) National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, other than section 5.14 of that Instrument;
- (d) an issuer in respect of disclosure in any of the following:
  - (i) a report prepared by a person or company other than the issuer or entity that is the subject of the specified financial measure;
  - (ii) a transcript of an oral statement;
  - (iii) pro forma financial statements required to be filed under securities legislation;
  - (iv) a filing required under section 12.1 or 12.2 of National Instrument 51-102 *Continuous Disclosure Obligations* or subparagraphs 9.1(1)(a)(ii) and 9.2(a)(ii) and section 9.3 of National Instrument 41-101 *General Prospectus Requirements*;
- (e) an issuer in respect of disclosure of a specified financial measure that is required under law, or by an SRO of which the issuer is a member, if
  - (i) the law or the SRO's requirement specifies the composition of the measure and the measure was determined in compliance with that law or requirement, and
  - (ii) in proximity to the measure, the issuer discloses the law or the SRO's requirement under which the measure is disclosed;
- (f) an issuer in respect of disclosure of a specified financial measure if the calculation of the specified financial measure is derived from a financial covenant in a written agreement;
- (g) an issuer that is a registered firm in respect of disclosure of a specified financial measure 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.
- (2) Despite sections 2 and 3, this Instrument does not apply to disclosure required under Form 51-102F6 *Statement of Executive Compensation* and Form 51-102F6V *Statement of Executive Compensation — Venture Issuers*, except for the information required under paragraph 6(1)(b), clause 6(1)(e)(ii)(C), paragraph 9(c) and clause 10(1)(b)(ii)(C) of this Instrument.

**PART 2  
INCORPORATING INFORMATION BY REFERENCE**

**Incorporating information by reference**

- 5. (1) Subject to subsections (3) and (4), an issuer may incorporate by reference the information required under any of the following provisions, if the reference is to the issuer's MD&A:
  - (a) subparagraph 6(1)(e)(ii);
  - (b) paragraph 7(2)(d);
  - (c) subparagraph 8(c)(iii);
  - (d) paragraph 9(c);
  - (e) subparagraph 10(1)(b)(ii);
  - (f) paragraph 11(b).
- (2) If, as permitted under subsection (1), an issuer incorporates required information by reference into a document, the issuer must include all of the following in the document:
  - (a) a statement indicating that the information is incorporated by reference;

- (b) a statement that specifies the location of the information in the MD&A;
  - (c) a statement that the MD&A is available on SEDAR at [www.sedar.com](http://www.sedar.com).
- (3) Despite subsection (1), an issuer must not incorporate by reference the information referred to in subsection (1) in its MD&A if the document that contains the specified financial measure is another MD&A filed by the issuer.
- (4) Despite subsection (1), an issuer must not incorporate by reference the information referred to in clause 6(1)(e)(ii)(C), paragraph 7(2)(d) or 9(c) or clause 10(1)(b)(ii)(C) if the document that contains the specified financial measure is in an earnings release filed by the issuer.

**PART 3  
SPECIFIED FINANCIAL MEASURE DISCLOSURE**

**Non-GAAP financial measures that are historical information**

6. (1) An issuer must not disclose a non-GAAP financial measure that is historical information in a document unless all of the following apply:
- (a) the non-GAAP financial measure is labelled using a term that,
    - (i) given the measure's composition, describes the measure, and
    - (ii) distinguishes the measure from totals, subtotals and line items disclosed in the primary financial statements of the entity to which the measure relates;
  - (b) the non-GAAP financial measure is identified as a non-GAAP financial measure;
  - (c) the document discloses the most directly comparable financial measure that is disclosed in the primary financial statements of the entity to which the measure relates;
  - (d) the non-GAAP financial measure is presented with no more prominence in the document than that of the most directly comparable financial measure referred to in paragraph (c);
  - (e) in proximity to the first instance of the non-GAAP financial measure in the document, the document
    - (i) explains that the non-GAAP financial measure is not a standardized financial measure under the financial reporting framework used to prepare the financial statements of the entity to which the measure relates and might not be comparable to similar financial measures disclosed by other issuers,
    - (ii) discloses, directly or by incorporating it by reference as permitted under section 5,
      - (A) an explanation of the composition of the non-GAAP financial measure,
      - (B) an explanation of how the non-GAAP financial measure provides useful information to an investor and explains the additional purposes, if any, for which management uses the non-GAAP financial measure,
      - (C) a quantitative reconciliation of the non-GAAP financial measure for its current and comparative period, if disclosed under paragraph (f), to the most directly comparable financial measure referred to in paragraph (c), and that reconciliation is disclosed in the permitted format, and
      - (D) if the label or composition of the non-GAAP financial measure has changed from what was previously disclosed, an explanation of the reason for the change;
  - (f) if the non-GAAP financial measure is disclosed in MD&A or in an earnings release of the issuer, the non-GAAP financial measure for a comparative period, determined using the same composition, is disclosed in the document, unless it is impracticable to do so.
- (2) For the purpose of clause (1)(e)(ii)(C), a quantitative reconciliation of the non-GAAP financial measure is in the "permitted format" if it
- (a) is disaggregated quantitatively in a way that would enable a reasonable person applying a reasonable effort to understand the reconciling items,

- (b) explains each reconciling item, and
- (c) does not describe a reconciling item as “non-recurring”, “infrequent”, “unusual”, or using a similar term, if a loss or gain of a similar nature is reasonably likely to occur within the entity’s 2 financial years that immediately follow the disclosure, or has occurred during the entity’s 2 financial years that immediately precede the disclosure.

**Non-GAAP financial measures that are forward-looking information**

7. (1) In this section,

“equivalent historical non-GAAP financial measure” means a non-GAAP financial measure that is historical information and has the same composition as a non-GAAP financial measure that is forward-looking information;

“SEC issuer” has the meaning ascribed to it in National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.

- (2) An issuer must not disclose a non-GAAP financial measure that is forward-looking information in a document unless all of the following apply:
  - (a) the document discloses an equivalent historical non-GAAP financial measure;
  - (b) the non-GAAP financial measure that is forward-looking information is labelled using the same label used for the equivalent historical non-GAAP financial measure;
  - (c) the non-GAAP financial measure that is forward-looking information is presented with no more prominence in the document than that of the equivalent historical non-GAAP financial measure;
  - (d) in proximity to the first instance of the non-GAAP financial measure that is forward-looking information in the document, the document discloses, directly or by incorporating it by reference as permitted under section 5, a description of any significant difference between the non-GAAP financial measure that is forward-looking information and the equivalent historical non-GAAP financial measure.
- (3) Subsection (2) does not apply if the disclosure is made
  - (a) by an SEC issuer, and
  - (b) in compliance with Regulation G under the 1934 Act.

**Non-GAAP ratios**

- 8. An issuer must not disclose a non-GAAP ratio in a document unless all of the following apply:
  - (a) the non-GAAP ratio is labelled using a term that, given the non-GAAP ratio’s composition, describes the non-GAAP ratio;
  - (b) the non-GAAP ratio is presented with no more prominence in the document than that of similar financial measures disclosed in the primary financial statements of the entity to which the non-GAAP ratio relates;
  - (c) in proximity to the first instance of the non-GAAP ratio in the document, the document
    - (i) explains that the non-GAAP ratio is not a standardized financial measure under the financial reporting framework used to prepare the financial statements of the entity to which the non-GAAP ratio relates and might not be comparable to similar financial measures disclosed by other issuers,
    - (ii) discloses each non-GAAP financial measure that is used as a component of the non-GAAP ratio,
    - (iii) discloses, directly or by incorporating it by reference as permitted under section 5, an explanation of
      - (A) the composition of the non-GAAP ratio,
      - (B) how the non-GAAP ratio provides useful information to an investor and explains the additional purposes, if any, for which management uses the non-GAAP ratio, and
      - (C) if the label or the composition of the non-GAAP ratio has changed from what was previously disclosed, an explanation of the reason for the change;

- (d) if the non-GAAP ratio is disclosed in MD&A or in an earnings release of the issuer, the non-GAAP ratio for a comparative period, determined using the same means of calculation, is disclosed in the document, unless
  - (i) the non-GAAP ratio is forward-looking information, or
  - (ii) it is impracticable to disclose the measure for the comparative period.

**Total of segments measures**

9. An issuer must not disclose a total of segments measure in a document, other than in financial statements about the entity to which the measure relates, unless all of the following apply:
- (a) the document discloses the most directly comparable financial measure disclosed in the primary financial statements of the entity;
  - (b) the total of segments measure is presented with no more prominence in the document than that of the most directly comparable financial measure referred to in paragraph (a);
  - (c) in proximity to the first instance of the total of segments measure in the document, the document discloses, directly or by incorporating it by reference as permitted under section 5, a quantitative reconciliation of the total of segments measure for its current and comparative period, if disclosed under paragraph (d), to the most directly comparable financial measure referred to in paragraph (a), in the permitted format referred to in subsection 6(2);
  - (d) if the total of segments measure is disclosed in MD&A or in an earnings release of the issuer, the total of segments measure for a comparative period, determined using the same composition, is disclosed in the document, unless it has not been previously disclosed.

**Capital management measures**

10. (1) An issuer must not disclose a capital management measure in a document, other than financial statements about the entity to which the measure relates, unless all of the following apply:
- (a) the capital management measure is presented with no more prominence in the document than that of similar financial measures disclosed in the primary financial statements of the entity;
  - (b) in proximity to the first instance of the capital management measure in the document, the document,
    - (i) if the capital management measure was calculated using one or more non-GAAP financial measures, discloses each such non-GAAP financial measure;
    - (ii) discloses, directly or by incorporating it by reference as permitted under section 5,
      - (A) for any capital management measure that is disclosed in the form of a ratio, fraction, percentage or similar representation, an explanation of its composition,
      - (B) an explanation of how the capital management measure provides useful information to an investor and explains the additional purposes, if any, for which management uses the capital management measure, and
      - (C) for any capital management measure that is not disclosed as a ratio, fraction, percentage or similar representation, a quantitative reconciliation of the capital management measure for its current and comparative period, if disclosed under paragraph (c), to the most directly comparable financial measure disclosed in the primary financial statements of the issuer;
  - (c) if the capital management measure is disclosed in MD&A or in an earnings release of the issuer, the capital management measure for a comparative period, determined using the same composition, is disclosed in the document, unless it has not been previously disclosed.
- (2) Subparagraph (1)(b)(ii) does not apply if the disclosure required under that subparagraph is made in the notes to the financial statements of the entity to which the measure relates.

**Supplementary financial measures**

11. An issuer must not disclose a supplementary financial measure in a document unless both of the following apply:

- (a) the supplementary financial measure is labelled using a term that,
  - (i) given the measure's composition, describes the measure, and
  - (ii) distinguishes the measure from totals, subtotals and line items disclosed in the primary financial statements of the issuer;
- (b) in proximity to the first instance of the supplementary financial measure in the document, the document discloses, directly or by incorporating it by reference as permitted under section 5, an explanation of the composition of the supplementary financial measure.

**PART 4  
EXEMPTION**

**Exemption**

- 12. (1) The regulator or the securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant such an exemption.
- (3) Except in Alberta and Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions*, opposite the name of the local jurisdiction.

**PART 5  
EFFECTIVE DATE AND TRANSITION**

**Effective date and transition**

- 13. (1) This Instrument comes into force on August 25, 2021.
- (2) In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after August 25, 2021, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.
- (3) Despite subsections (1) and (2), this Instrument does not apply to a reporting issuer in respect of documents filed for a financial year ending before October 15, 2021.
- (4) Despite subsections (1) and (2), this Instrument does not apply until after December 31, 2021 to an issuer that is not a reporting issuer.

## ANNEX D

### COMPANION POLICY 52-112 NON-GAAP AND OTHER FINANCIAL MEASURES DISCLOSURE

#### Introduction

National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* (the “Instrument”) sets out specific disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures, as defined in the Instrument (together the “specified financial measures”). The purpose of this Companion Policy (the “Policy”) is to explain how the provincial and territorial regulatory authorities interpret or apply certain provisions of the Instrument. This Policy includes explanations, discussions, and examples of various parts of the Instrument. This Policy contains, as Appendix A, a flow chart outlining the process for assessing specified financial measures. The flow chart is for illustrative purposes only and, in all cases, reference should be made to the precise language of the Instrument.

#### *Interpretation of “made available to the public” and “filed”, “delivered” or “submitted”*

Documents made available to the public include not only information filed on SEDAR but also information on a website and disclosure provided through social media platforms.

The Instrument uses the terms “filed” and “submitted”. This Policy also uses the term “delivered”. Material that is filed in a jurisdiction will be made available to the public in that jurisdiction, subject to the provisions of securities legislation in the local jurisdiction. Material that is delivered to a regulator or securities regulatory authority, or submitted to a recognized exchange, but not filed, is not generally required under securities legislation to be made available to the public.

#### *Document*

A document is any written communication, including a communication prepared and transmitted in electronic form, e.g., a website, but for the purposes of the Instrument, does not include a transcript of an oral statement.

#### *Entity*

An “entity” may include, but is not limited to:

- An issuer, meaning a person or company that has outstanding securities, is issuing securities, or proposes to issue securities;
- An affiliate or a subsidiary of an issuer;
- A company, such as a corporation, incorporated association, incorporated syndicate or other incorporated organization;
- A person, such as a partnership, unincorporated association, unincorporated syndicate, unincorporated organization or a trust;
- A group of assets of an issuer for which financial statements are prepared, whether or not the asset or group of assets are held in a legal entity; or
- Two or more issuers or portions of an issuer that are not all linked by a parent-subsidiary relationship, typically referred to as a “combined entity”.

An entity is not necessarily a legal person or company.

#### *Specified Financial Measures Disclosed by an Issuer and Financial Statements of an Entity*

An issuer may disclose a specified financial measure that is derived from its financial statements or the financial statements of another entity. The following are examples of financial statements of an entity, other than the issuer’s financial statements, that a specified financial measure may be derived from:

- Financial statements of a reverse takeover acquirer or financial statements of an acquired business included in a document filed by an issuer;
- Financial statements that are required to be filed with or delivered to a regulator or a securities regulatory authority, or made reasonably available to each holder of a security acquired, as required by a provision of National Instrument 45-106 *Prospectus Exemptions* (“NI 45-106”);

- Financial statements of a subsidiary, joint venture or associate for which summarized financial information is disclosed in the notes to the financial statements of the issuer;
- Financial statements of an investment entity's investments, when supplemental financial information is included in the financial statements or the management's discussion & analysis (the "MD&A") of the investment entity; and
- Financial statements of an entity with which the issuer completed a transaction that are included in a filing statement or a listing document.

#### *Financial Measures*

The Instrument applies when a specified financial measure is disclosed in a document. If the financial measure is identified only by label without a corresponding numerical amount or measure, a specified financial measure has not been disclosed and, thus, the disclosure requirements within the Instrument do not apply.

For clarity, the Instrument does not apply to qualitative disclosure of targets, benchmarks or covenants that are not accompanied by the disclosure of a financial numerical amount for the measure.

#### *Financial Reporting Framework, Accounting Principles, and Accounting Policies*

In Canada, there are different financial reporting frameworks for different types of entities. Generally Accepted Accounting Principles ("GAAP") is a common term used to refer to a financial reporting framework that comprises the accounting principles that are generally accepted in a jurisdiction. National Instrument 52-107 *Accounting and Auditing Principles* prescribes, among other things, acceptable accounting principles, such as International Financial Reporting Standards ("IFRS").

The application of accounting principles often requires specific accounting policies. Accounting policies encompass all accounting policies applied in preparing and presenting financial statements, not just those which are disclosed in the notes to the financial statements.

#### *Misleading disclosure still prohibited*

Compliance with the Instrument does not relieve an issuer from other obligations under securities legislation. Specifically, an issuer may not present or disclose a specified financial measure in a way that would be misleading.

### **Section 1 - Definition of a non-GAAP financial measure**

Common terms used to identify non-GAAP financial measures include "adjusted earnings", "adjusted EBITDA", "free cash flow", "pro forma earnings", "cash earnings", "distributable cash", "adjusted funds from operations", "earnings before non-recurring items" and measures presented on a constant-currency basis. Many of these terms lack standard meanings. Issuers across a spectrum of industries, and within the same industry, may use the same term to refer to different compositions.

The following are examples of measures that are not captured by the definition:

- Amounts that do not depict historical or future "financial performance", "financial position" or "cash flow", which relate to elements of the primary financial statements as defined in the Instrument, such as share price, market capitalization, or credit rating;
- Financial information that does not have the effect of providing a financial measure that is different from a financial measure presented in the primary financial statements, such as the addition or subtraction of an identical line item, or a subtotal or total originating from multiple periods of primary financial statements. For example, rolling 12-month results or fourth quarter revenue calculated by subtracting year-to-date third quarter revenue from the annual revenue presented in primary financial statements; or
- A financial measure which does not exclude an amount that is included in, or include an amount that is excluded from, the composition of the most directly comparable financial measure presented in the primary financial statements of the entity. For example, assets under management representing the total market value of invested assets managed by the issuer which are beneficially owned by clients and not reported in the primary financial statements of the issuer.

#### *Component Information*

When an issuer presents a financial statement line item in a more granular way outside the financial statements, otherwise known as a disaggregation, that number is a component of a line item that has been calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements. Such a financial measure would not be a non-GAAP financial measure because it is not a financial measure which excludes an amount that is included in, or includes an amount that is excluded

from, the composition of the most directly comparable financial measure presented in the primary financial statements of the entity. However, even though such a measure would not be a non-GAAP financial measure, it may still meet the definition of a supplementary financial measure.

For example, an issuer may disclose sales per square foot on a periodic basis to depict its financial performance. When the sales figure, included in sales per square foot, is extracted directly from the primary financial statements or is a component of such line item (when the component is calculated in accordance with the issuer's accounting policies used to prepare the line item presented in the financial statements), the "sales per square foot" measure would not meet the definition of a non-GAAP ratio but would meet the definition of a supplementary financial measure. However, if the sales figure is not calculated in accordance with the issuer's accounting policies, the "sales per square foot" measure in this example would meet the definition of a non-GAAP ratio.

#### *Combinations of Line Items*

A financial measure calculated by combining financial information that originates from different line items from the primary financial statements would meet the definition of a non-GAAP financial measure if the measure depicts financial performance, financial position or cash flow, unless that resulting measure is separately disclosed in the notes to the financial statements.

#### *Non-GAAP Financial Measures that are Forward-looking Information*

Forward-looking information for which there is an equivalent historical financial measure disclosed in the financial statements does not meet the definition of a non-GAAP financial measure. Therefore, section 7 of the Instrument does not apply to measures such as future capital management measures and future total of segments measures.

In addition, if, for example, revenue is disclosed on a forward-looking basis using the accounting policies applied by the issuer in its latest set of financial statements (i.e., revenue as presented in the primary financial statements adjusted only for assumptions about future economic conditions and courses of action), this forward-looking revenue is not a non-GAAP financial measure. Conversely, if an issuer discloses EBITDA on a forward-looking basis and does not disclose this financial measure in the financial statements, this forward-looking EBITDA does meet the definition of a non-GAAP financial measure that is forward-looking information.

Issuers are reminded that forward-looking information is subject to the disclosure requirements in Parts 4A and 4B and section 5.8 of National Instrument 51-102 *Continuous Disclosure Obligations* ("NI 51-102").

#### *Non-Financial Information*

For clarity, the definition of a non-GAAP financial measure does not include non-financial information such as the following:

- Number of units;
- Number of subscribers;
- Volumetric information;
- Number of employees or workforce by type of contract or geographical location;
- Environmental measures such as greenhouse gas emissions;
- Information on major shareholdings;
- Acquisition or disposal of the issuer's own shares; and
- Total number of voting rights.

The above list is not exhaustive.

We remind issuers that while non-financial information is not subject to the requirements of the Instrument, non-financial information is subject to various disclosure requirements under applicable securities legislation, including the requirement not to disclose misleading information.

### **Section 1 – Definition of primary financial statements**

The Instrument uses the terms "statement of financial position", "statement of profit or loss and other comprehensive income", "statement of changes in equity", and "statement of cash flows", to describe the primary financial statements. Issuers may use titles for the statements other than those terms if the titles comply with the financial reporting framework used in the preparation of the financial statements. For example, an issuer may use the title of "balance sheet" instead of "statement of financial position".

## Section 1 - Definition of a supplementary financial measure

### *Component Information*

An issuer that operates in the retail industry may disclose financial results for “same-store sales” each reporting period. When same-store sales, a component of overall sales, is calculated in accordance with the accounting policies used to prepare the sales line item presented in the primary financial statements, it would not meet the definition of a non-GAAP financial measure. However, since in this example “same-store sales” is used by the issuer to depict financial performance by reporting sales performance from period to period, it would meet the definition of a supplementary financial measure.

Conversely, when the measure is not calculated in accordance with the issuer’s accounting policies, such measure would meet the definition of a non-GAAP financial measure. For example, if the sales figure in “same-store sales” is sales presented on a constant-dollar basis, this constant-dollar sales figure meets the definition of a non-GAAP financial measure since it excludes amounts (i.e., the effect of foreign exchange differences) that are included in the most directly comparable financial measure presented in the primary financial statements (i.e., sales). As a result, the “constant dollar same-store sales” measure in this example would meet the definition of a non-GAAP financial measure or the “constant dollar same-store sales per square foot” measure would meet the definition of a non-GAAP ratio.

If an issuer discloses a financial measure that is a component of a financial statement line item to explain how the financial statement line item changed from period to period (in dollars or as a percentage, for instance), such a measure would not meet the definition of a supplementary financial measure if the measure is not intended to be disclosed on a periodic basis. For example, if an issuer experienced an unexpected increase in administrative expenses, it may analyze the reasons for changes in administrative expenses by, among other things, disclosing information about its insurance expense, a component of overall administrative expenses. In this example, insurance expense would not meet the definition of a supplementary financial measure because, among other things, the insurance expense was calculated in accordance with the accounting policies used to prepare the administrative expenses line item presented in the primary financial statements.

### *Periodic Basis*

An element of the definition of a supplementary financial measure is that it is disclosed or is intended to be disclosed on a periodic basis. A measure will not be precluded from being considered a supplementary financial measure the first time it is disclosed if the measure is intended to be disclosed on an ongoing basis (e.g., in future quarterly and/or annual disclosures).

### *Financial Ratios*

A financial ratio that is not a non-GAAP ratio would typically meet the definition of supplementary financial measure because such ratio is often disclosed on a periodic basis to depict historical or future financial performance, financial position or cash flow.

Financial ratios contain at least one financial component (either the numerator or the denominator).

Examples include, but are not limited to the following ratios:

- Liquidity ratios such as the current ratio;
- Solvency ratios such as the debt-to-equity ratio;
- Profitability ratios such as the return on equity ratio or revenue per user; and
- Activity ratios such as the inventory turnover ratio.

## Section 2 – Application to reporting issuers

### *Websites and Social Media*

The Instrument applies to a reporting issuer in respect of its disclosure, on a website and social media, of a specified financial measure.

A reporting issuer should not disclose a specified financial measure using social media, if it is unable to include or incorporate by reference all the required disclosure.

## Section 3 – Application to issuers that are not reporting issuers

The Instrument applies to an issuer that is not a reporting issuer in respect of its disclosure of a specified financial measure in a document if the document is filed with a regulator or a securities regulatory authority in connection with a distribution made in reliance on the offering memorandum exemption under NI 45-106, including the following documents:

- Offering memorandum; and
- Offering memorandum marketing materials.

**Subparagraphs 4(1)(c)(i) and (ii) – Mineral projects**

The Instrument does not apply to disclosure required under *National Instrument 43-101 Standards of Disclosure for Mineral Projects* (“NI 43-101”) related to an issuer’s material mineral project. For example, Item 22 of Form 43-101F1 *Technical Report* requires an issuer to disclose an economic analysis that includes certain financial measures. Section 5.4 of Form 51-102F2 *Annual Information Form* requires an issuer to disclose certain measures such as capital and operating costs, and annual cash flow, net present value, internal rate of return, and payback period disclosed in an economic analysis.

The Instrument does not apply to these measures because they are specifically required to be disclosed under NI 43-101. However, if an issuer discloses a financial measure that is not specifically required to be disclosed under NI 43-101, for example, EBITDA, it may be considered a specified financial measure and, thus, is within the scope of the Instrument.

**Subparagraph 4(1)(c)(iii) – Oil and gas metrics**

The Instrument does not apply to disclosure required under National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* (“NI 51-101”). However, disclosures of oil and gas metrics that are made under section 5.14 of NI 51-101 are subject to the requirements of the Instrument because such disclosure is made on a voluntary basis.

**Subparagraph 4(1)(d)(i) – Reports prepared by a person or company other than the issuer or entity that is the subject of the specified financial measure**

The Instrument does not apply to reports that are prepared by a person or company other than the issuer or entity that is the subject of the specified financial measure. An example is an analyst report disclosed by an issuer (i.e., either through posting a copy of this analyst report or by providing a link to such a report on its website), where this report has been prepared by a person or company other than the issuer (i.e., a “third-party”) and contains financial measures that provide information about the issuer itself (i.e., “the subject of the specified financial measure”).

Examples of these “third-party” reports include analyst reports, fairness opinions and valuation reports. These reports may also include those filed under subparagraphs 9.1(1)(a)(vi) or 9.2(a)(v) of National Instrument 41-101 *General Prospectus Requirements*, subparagraphs 4.1(1)(a)(vi) or 4.2(a)(iv) of National Instrument 44-101 *Short Form Prospectus Distributions*, section 2.5 of Form 51-102F4 *Business Acquisition Report* or Part 6 of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*.

However, when an issuer discloses a specified financial measure that has been taken from such a report prepared by a person or company other than the issuer, this specified financial measure is within the scope of the Instrument.

**Subparagraph 4(1)(d)(iii) – Pro forma financial statements**

The Instrument does not apply to pro-forma financial statements included in a filing required under securities legislation, such as pro-forma financial statements required to be included in a business acquisition report under NI 51-102.

The Instrument does apply to pro-forma financial statements included in a filing made on a voluntary basis (i.e., it is not explicitly required under securities legislation).

**Paragraph 4(1)(e) – Financial measures required under law or by an SRO**

Paragraph 4(1)(e) includes financial measures disclosed in accordance with prescribed (i.e., mandatory) requirements under applicable securities legislation, for example, disclosure of earnings coverage ratios prescribed by Item 9 of Form 41-101F1 *Information Required in a Prospectus*. Voluntary disclosure that is permitted but not required by other securities legislation is subject to the requirements of the Instrument.

The Instrument also does not apply to a financial measure that is disclosed in accordance with the laws of a jurisdiction of Canada, or jurisdiction outside Canada, including governments, governmental authorities and SROs. This exclusion is, however, only applicable in situations when a financial measure is required to be disclosed and the law specifically specifies its composition.

If an issuer discloses a financial measure that is prepared in accordance with voluntary guidance published by a government, governmental authority or SRO that is applicable to the issuer, then the financial measure is subject to the requirements of this Instrument.

**Paragraph 4(1)(f) – Specified financial measure where its calculation is derived from a financial covenant in a written agreement**

The Instrument does not apply to an issuer in respect of disclosure of a specified financial measure where its calculation is derived from a financial covenant in a written agreement, for example, a specified financial measure whose calculation and composition are derived from a financial covenant within a credit agreement.

**Paragraph 4(1)(g) – Specified financial measure disclosed in a document by a registered firm that is intended to be, or is reasonably likely to be, made available to a client or a prospective client of the registered firm**

The Instrument does not apply to an issuer that is a registered firm in respect of disclosure of a specified financial measure 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. Examples would include a report prepared and disclosed by a registered firm, such as an analyst report which contains data and analysis of an unrelated issuer or entity.

**Subsection 4(2) – Statement of Executive Compensation**

In the context of Form 51-102F6 *Statement of Executive Compensation* ("Form 51-102F6") or Form 51-102F6V *Statement of Executive Compensation – Venture Issuers* ("Form 51-102F6V"), if a financial measure is identified (e.g., adjusted net income) and the calculation is described (e.g., net income adjusted for foreign exchange gains or losses) but no financial amount is disclosed (i.e., no dollar amount), it would not be within the scope of the Instrument because a financial measure has not been disclosed, only identified and described.

If a specified financial measure that is in scope of the Instrument is disclosed in Form 51-102F6 or Form 51-102F6V (e.g., adjusted net income of \$X), as outlined in subsection 4(2) of the Instrument, only the following information is required, as applicable: the identification of the non-GAAP financial measure under paragraph 6(1)(b) and the quantitative reconciliation of the specified financial measure under clause 6(1)(e)(ii)(C), paragraph 9(c) or clause 10(1)(b)(ii)(C).

**Section 5 – Incorporation by reference**

The Instrument allows an issuer to incorporate by reference certain disclosure, if the reference is to the issuer's MD&A. To meet the requirement that the MD&A be available on SEDAR under paragraph 5(2)(c) of the Instrument, the MD&A must be filed on SEDAR before, or simultaneously with the document, in order for this MD&A to be used to incorporate any information by reference into the document. For example, if an issuer is filing an annual information form that includes a specified financial measure and the issuer is incorporating certain information in the MD&A by reference to satisfy the disclosure requirements of the Instrument, that MD&A would have to be filed on SEDAR before or simultaneously with the filing of the annual information form.

Paragraph 5(2)(b) requires the identification of the specific location of the required information in the MD&A. To comply with this requirement, identify where the required information is specifically located within the MD&A (e.g., identify the specific MD&A including a reference to the date of the MD&A, its reporting period, and the specific section or page reference within the MD&A) or provide a hyperlink to the specific section or page within the MD&A where the information is located. Issuers would not satisfy this requirement with a general hyperlink to the relevant MD&A.

The Instrument allows an issuer to incorporate by reference certain required disclosure in a news release; however, subsection 5(1) does not apply to the quantitative reconciliation requirements under clauses 6(1)(e)(ii)(C), paragraph 7(2)(d) or 9(c), or clause 10(1)(b)(ii)(C) if the document that contains the specified financial measure is an earnings release filed by the issuer under section 11.4 of NI 51-102.

**Section 6 – Non-GAAP financial measures that are historical information**

**Paragraph 6(1)(a) – Labelling a non-GAAP financial measure that is historical information**

Any label or term used to describe a non-GAAP financial measure, or adjustments in a reconciliation, must be appropriate given the nature of information.

For example, the following are not in compliance with the labelling requirement in paragraph 6(1)(a) of the Instrument:

- Labels that are the same as, or confusingly similar to, those normally used under the financial reporting framework used to prepare the financial statements. For example, a measure labelled "cash flows from operations" and calculated as cash flows from operating activities before changes in non-cash working capital items is confusingly similar to the term "cash flows from operating activities" specified in IAS 7 *Statement of Cash Flows*;
- Labels that purport to represent "results from operating activities" or a similar title but exclude items of an operating nature, such as inventory write-downs, restructuring costs, impairment of assets used for operations and stock-based compensation;

- Labels that are overly optimistic (e.g., guaranteed profit or protected returns); and
- Labels that may cause confusion based on the financial measure's composition. For example, in presenting EBITDA as a non-GAAP financial measure, it would be inappropriate to exclude amounts for items other than interest, taxes, depreciation and amortization.

The above list is not exhaustive.

#### **Paragraph 6(1)(b) – Identification of a non-GAAP financial measure that is historical information**

An issuer may satisfy the paragraph 6(1)(b) identification requirement by inserting a footnote to the non-GAAP financial measure that is disclosed in the document, with a statement similar to the following: "This is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures section of this document for more information on each non-GAAP financial measure". The issuer should exercise judgement in assessing whether the non-GAAP financial measure should be identified with a footnote each time the measure is disclosed in the document, considering the nature and extent of the use of this measure.

#### **Paragraph 6(1)(d) – Prominence of a non-GAAP financial measure that is historical information**

Determining the relative prominence of a non-GAAP financial measure is a matter of judgment, involving consideration of the overall disclosure and the facts and circumstances in which the disclosure is made.

The presentation of a non-GAAP financial measure should not in any way confuse or obscure the presentation of the most directly comparable financial measure that is presented in the primary financial statements of the entity to which the measure relates.

The following are examples that would cause a non-GAAP financial measure to be more prominent than the most directly comparable financial measure presented in the primary financial statements:

- Presenting a non-GAAP financial measure in the form of a statement of profit or loss and other comprehensive income without presenting it in the form of a reconciliation to the most directly comparable financial measure, sometimes referred to as a "single column approach";
- Omitting the most directly comparable financial measure from a news release headline or caption that includes a non-GAAP financial measure;
- Presenting a non-GAAP financial measure using a style of presentation (e.g., bold, underlined, italicized, or larger font) that emphasizes the non-GAAP financial measure over the most directly comparable financial measure;
- Multiple non-GAAP financial measures being used for the same or similar purpose thereby obscuring disclosure of the most directly comparable financial measure;
- Providing tabular or graphical disclosure of non-GAAP financial measures without presenting an equally prominent tabular or graphical disclosure of the most directly comparable financial measures; and
- Providing a discussion and analysis of a non-GAAP financial measure in a more prominent location than a similar discussion and analysis of the most directly comparable financial measure. For greater certainty, a location is not more prominent if it allows an investor who reads the document, or other material containing the non-GAAP financial measure, to be able to view the discussion and analysis of both the non-GAAP financial measure and the most directly comparable financial measure contemporaneously (e.g., within the previous, same or next page of the document).

The above list is not exhaustive.

The Instrument requires that the non-GAAP financial measure be presented with "no more prominence in the document than that of the most directly comparable financial measure" presented in the primary financial statements. If the most directly comparable financial measure is presented with "equal or greater prominence" than the non-GAAP financial measure, the requirement under paragraph 6(1)(d) of the Instrument has been met.

#### **Paragraphs 6(1)(e), 7(2)(d), 8(c), 9(c), 10(1)(b), 11(b) – Proximity to the first instance**

To prevent duplicative disclosure, an issuer may include the information required by paragraphs 6(1)(e), 7(2)(d), 8(c), 9(c), 10(1)(b), 11(b) of the Instrument in one section of the document, unless incorporation by reference is permitted under section 5 of the Instrument. To satisfy these requirements, when the specified financial measure first appears in the document an issuer may reference, either through a footnote or in another manner, a separate section within the same document that contains the disclosure required by these paragraphs.

There may be types of documents where it is not clear when the specified financial measure first occurs or appears, for example, websites and social media. In these instances, the “first instance” disclosure requirements may be satisfied by providing a website hyperlink to where the disclosures required by paragraphs 6(1)(e), 7(2)(d), 8(c), 9(c), 10(1)(b), 11(b) of the Instrument are found (e.g., on another section of the website) with minimal to no scrolling or navigation. Hyperlinking may only be provided within a website or within a document.

#### **Clauses 6(1)(e)(ii)(A), 8(c)(iii)(A), 10(1)(b)(ii)(A) and paragraph 11(b) – Explain the composition**

The composition explanation should include a clear description of how the specified financial measure is calculated. For example, we would expect an issuer to describe the type of adjustments made, such as those for “non-cash” items or the basis being used to determine the type of adjustments.

In most instances, this requirement would not be satisfied just by listing all adjustments made in calculating the measure.

It is important to consider whether any new adjustment made in the calculation of a specified financial measure might constitute a change in composition or whether the adjustment is consistent with the stated usefulness of the measure.

#### **Clauses 6(1)(e)(ii)(B), 8(c)(iii)(B) and 10(1)(b)(ii)(B) – Usefulness of a specified financial measure**

The Instrument does not define the term “useful”. The term “useful” is intended to reflect how management believes that presentation of the non-GAAP financial measure provides incremental information to investors regarding the issuer’s financial position, financial performance or cash flows. The term “useful” should be considered in the context of what a person making an investment decision would consider useful.

A statement made to satisfy the requirement of clauses 6(1)(e)(ii)(B), 8(c)(iii)(B) and 10(1)(b)(ii)(B) of the Instrument should

- Be clear and understandable;
- Be specific to the specified financial measure used, the issuer, the nature of the business and the industry (i.e., not boilerplate); and
- Specifically explain how the specified financial measure is assessed and applied to decisions made by management, if applicable, and explain the reasons why the specified financial measure is useful to an investor.

Issuers should avoid making inappropriate or potentially misleading statements about the usefulness of a measure. The Instrument does not explicitly prohibit certain adjustments. However, if adjustments are not consistent with the usefulness explanation provided to address clauses 6(1)(e)(ii)(B), 8(c)(iii)(B) and 10(1)(b)(ii)(B) of the Instrument, this may result in a specified financial measure that is inappropriate or misleading.

A specified financial measure may be misleading if it

- Includes positive components of the most directly comparable financial measure but omits negative components (e.g., presenting a specified financial measure that excludes unrealized losses on financial instruments but includes unrealized gains); or
- Excludes from an operating performance measure those operating expenses necessary to operate an issuer’s business.

#### **Clause 6(1)(e)(ii)(C) and subsection 6(2) – Reconciliation of a non-GAAP financial measure**

Clause 6(1)(e)(ii)(C) of the Instrument requires a quantitative reconciliation between the non-GAAP financial measure and the most directly comparable financial measure presented in the primary financial statements. For the purpose of clause 6(1)(e)(ii)(C), a quantitative reconciliation of the non-GAAP financial measure is required to be the “permitted format” outlined in subsection 6(2) of the Instrument. An issuer may satisfy this requirement by providing a reconciliation in a clearly understandable way, such as a table. For purposes of presenting the reconciliation, an issuer may begin with the non-GAAP financial measure or the most directly comparable financial measure presented in the primary financial statements, provided the reconciliation is presented in an understandable and consistent manner.

##### *Most Directly Comparable Financial Measure*

The Instrument does not define the “most directly comparable financial measure” and therefore the issuer needs to apply judgment in determining the most directly comparable financial measure. In applying judgment, it is important for an issuer to consider the context of how the non-GAAP financial measure is used. For example, when the non-GAAP financial measure is discussed primarily as a performance measure used in determining cash generated by the issuer, or the issuer’s distribution-paying capacity, its most directly comparable financial measure will be from the statement of cash flows. In practice, earnings-based measures and cash flow-based measures are used to disclose operational performance. If it is not clear from the way the non-GAAP financial

measure is used what the most directly comparable financial measure is, consideration can be given to the nature, number and materiality of the reconciling items.

#### *Reconciling Items*

The reconciliation must be quantitative, separately itemizing and explaining each significant reconciling item.

#### *Source of Reconciling Items*

When a reconciling item is taken directly from the entity's financial statements, it should be named such that an investor is able to identify the item in those financial statements, and no further explanation of that reconciling item is required.

When a reconciling item is not extracted directly from the entity's financial statements, but is, for example, a component of a line item in the entity's primary financial statements or originates from outside the primary financial statements, disclosure must be provided to satisfy clause 6(1)(e)(ii)(C) and subsection 6(2) of the Instrument. Such disclosure should identify the source of the reconciling item (e.g., the financial statement line item, the financial statement note, or the externally sourced document), if not obvious, and should explain how the amount is calculated, including a discussion of any significant judgments or estimates management has made in developing the reconciling items used in the reconciliation.

#### *Entity-Specific Inputs*

Reconciling items should be calculated using entity-specific inputs. An entity may make adjustments that are accepted within an industry; however, the quantum of these adjustments should be calculated using entity-specific information. For example, an entity may make an adjustment for operating capital expenditures, which is a standard adjustment in certain industries, but the amount of the adjustment should be calculated based on the entity's operating capital expenditures, and not by using only an 'industry average' amount as the sole factor. However, adjustments should be supportable and consistent with the usefulness explanation provided to address clause 6(1)(e)(ii)(B) of the Instrument.

#### *Level of Detail*

The level of detail expected in the reconciliation depends on the nature and complexity of the reconciling items. The adjustments made from the most directly comparable financial measure should be consistent with the explanation required by clause 6(1)(e)(ii)(B) of the Instrument regarding why the information is useful to investors and if applicable, how it is used by management. Explanations should be more detailed than merely stating what the reconciling item represents and should also cover the circumstances that give rise to the particular adjustment if it is not obvious.

An "other" or "adjusting items" category to describe numerous insignificant reconciling items should not be used without further explanation as to the nature of items that comprise the category.

#### *Gross Basis*

Issuers should consider significant reconciling items on a gross basis. For example, an issuer is expected to separately itemize positive and negative adjustments unless netting is permitted under the financial reporting framework used in the preparation of the financial statements.

#### *Tax*

Reconciling items are commonly presented on a pre-tax basis to ensure that investors understand the gross amount of each reconciling item. If an issuer chooses to present reconciling items on a post-tax basis then the tax effect for each reconciling item should also be disclosed.

#### *Comparatives*

For comparative non-GAAP financial measures disclosed for a previous period under paragraph 6(1)(f) of the Instrument, a reconciliation to the corresponding most directly comparable financial measure is required for that previous period.

#### *Presentation in the Form of a Primary Financial Statement*

An issuer may present adjusted financial information outside the entity's financial statements using a format that is similar to one or more of the primary financial statements, but that is not in accordance with the financial reporting framework used to prepare the entity's financial statements. In this case, the adjusted financial information would contain non-GAAP financial measures. Specifically, this would arise if an issuer presents such financial measures in a form that is similar to the following financial statements:

- A statement of financial position;

- A statement of profit or loss and other comprehensive income;
- A statement of changes in equity; or
- A statement of cash flows.

Presentation of this information as a single column that excludes the most directly comparable financial measures in a separate column would not satisfy clause 6(1)(e)(ii)(C) and subsection 6(2) of the Instrument. However, this information may be presented in the form of a reconciliation of the non-GAAP financial measure to the most directly comparable financial measure if such presentation shows in separate columns each of the most directly comparable financial measures, the reconciling items, and the non-GAAP financial measures. An example of the separate column approach may be used when issuers with joint ventures present a full set of non-GAAP financial statements in the form of a columnar reconciliation that shows the issuer's statement of income as presented in the primary financial statements, an additional column with amounts related to equity accounted investees for each financial statement line item, and then a total column for each financial statement line item, which would be appropriately labelled as non-GAAP financial measures for each financial statement line item. This effectively creates the presentation of a full set of non-GAAP financial statements.

When the adjusted presentation is used as a basis for the qualitative discussions and analysis of an entity's financial performance, financial position or cash flows with greater prominence than financial measures presented in the primary financial statements, this would not be considered to be in compliance with the prominence requirement in paragraph 6(1)(d) of the Instrument.

#### **Clauses 6(1)(e)(ii)(D) and 8(c)(iii)(C) – Explanation of the reason for the change in a non-GAAP financial measure or a non-GAAP ratio**

If the label or composition of the non-GAAP financial measure or non-GAAP ratio has changed from what was previously disclosed, the requirement of clauses 6(1)(e)(ii)(D) and 8(c)(iii)(C) of the Instrument would apply.

Including additional reconciling items or excluding previously included reconciling items between the non-GAAP financial measure and the most directly comparable financial measure constitutes a change in composition. A clear explanation of the reason for this change is required under clauses 6(1)(e)(ii)(D) and 8(c)(iii)(C) of the Instrument, which would include a restatement of comparatives, when disclosed as required under paragraph 6(1)(f) or 8(d).

A change in magnitude of an individual item would not constitute a change in composition. For example, an issuer may define adjusted earnings as earnings before impairment losses and transaction costs. Transaction costs may only be incurred every three years, such that there may be no adjustment in year two to reflect transaction costs, but there should be an explanation noting that the issuer expects that it will incur transaction costs in the future. In this example, the issuer should continue to include transaction costs in the explanation of the composition under clause 6(1)(e)(ii)(A) or 8(c)(iii)(A) to maintain consistency of the non-GAAP financial measure or non-GAAP ratio.

Given that disclosure of non-GAAP financial measures and non-GAAP ratios is optional, disclosing a particular non-GAAP financial measure or non-GAAP ratio does not create an obligation to continue disclosing that measure in future periods. If, however, an issuer replaces a non-GAAP financial measure or a non-GAAP ratio with another measure or ratio, fraction or similar representation that achieves the same objectives (that is, the usefulness information provided to comply with clauses 6(1)(e)(ii)(B) and 8(c)(iii)(B) of the Instrument was consistent for both measures), the requirement of clauses 6(1)(e)(ii)(D) and 8(c)(iii)(C) of the Instrument would apply.

If the label of a non-GAAP financial measure or non-GAAP ratio has changed, while the explanation for the change may be incorporated by reference, we expect the issuer to make it clear in the document that the label has changed in the current period from that disclosed in the prior period.

#### **Paragraphs 6(1)(f) and 8(d) – Presenting comparative information for a non-GAAP financial measure or a non-GAAP ratio**

##### *Impracticable*

Understandably, it is impracticable for an issuer to provide the comparative disclosure required by paragraph 6(1)(f) or 8(d) of the Instrument when the current period is the first period of operations and no comparative period exists. However, when a comparative period exists, we do not consider the cost or the time involved in preparing the comparative information to be sufficient rationale for an issuer to assert that it is impracticable to disclose such information.

##### *Changes in Accounting Standards*

We would not consider adoption of a new accounting standard, which would include adoption of amendments to current accounting standards, or a change in accounting policy, to be a basis for not presenting comparative period disclosure, as the composition of the non-GAAP financial measure should continue to be the same.

Adoption of new accounting standards, or changes in accounting policy, may modify measurement and recognition of transactions which will have an impact on line items, subtotals and totals over different financial periods. However, the composition of the non-GAAP financial measure itself should not change. Consider, for example, an issuer that discloses EBITDA as its non-GAAP financial measure, and in the current year adopts a new accounting standard which modifies the classification of certain expenditures from administrative expense to interest expense. While the resulting EBITDA measure will no longer include those transactions, EBITDA will continue to have the same composition, as it will comprise earnings before interest, taxes, depreciation and amortization. Therefore, the issuer would not be subject to the explanation of the reason for the change disclosure under clause 6(1)(e)(ii)(D).

The financial reporting framework used to prepare an entity's financial statements would determine whether comparative information is restated with adoption of a new accounting standard or change in accounting policy. For example, we expect comparative non-GAAP financial measures to be restated when a new accounting standard or policy is applied retrospectively to each prior reporting period presented. Conversely, if a new accounting standard is applied prospectively or retrospectively without restatement of a prior reporting period presented, the specified financial measures would also not be restated. In such circumstances, the issuer communicates that the comparative non-GAAP financial measures are disclosed under the previous financial reporting framework used to prepare the entity's financial statements.

In both cases, the composition of the specified financial measure has not changed, and the explanation of the reason for the change disclosure under clause 6(1)(e)(ii)(D) would not be required.

## **Section 7 – Non-GAAP financial measures that are forward-looking Information**

### **Paragraph 7(2)(a) – Equivalent historical non-GAAP financial measure**

Under paragraph 7(2)(a) of the Instrument, an issuer must disclose, in the same document where the non-GAAP financial measure that is forward-looking information is disclosed, the equivalent historical non-GAAP financial measure. The issuer must also comply with section 6 of the Instrument in respect of the equivalent historical non-GAAP financial measure disclosed.

The equivalent historical non-GAAP financial measure must have the same composition as a non-GAAP financial measure that is forward-looking information. For example, adjusted EBITDA would be the equivalent historical non-GAAP financial measure of forward-looking adjusted EBITDA.

Determining the relevant historical period to satisfy the requirement in paragraph 7(2)(a) of the Instrument is a matter of judgment, considering the time period covered by the forward-looking information and the extent to which the business of the issuer is cyclical or seasonal. For example, when an issuer discloses forward-looking information for the three months ending June 30, 20X2, the relevant period for the equivalent historical non-GAAP financial measure may be:

- Where the business of the issuer is not seasonal, the issuer's most recent interim period for which annual financial statements or an interim financial report has been filed (e.g., the three months ended March 31, 20X2); or
- Where the business of the issuer is seasonal, the comparable historical interim period to that of the financial outlook disclosed (e.g., the three months ended June 30, 20X1).

### **Paragraph 7(2)(c) – Prominence of a non-GAAP financial measure that is forward-looking information**

The Instrument requires a non-GAAP financial measure that is forward-looking information to be presented with no more prominence in the document than that of the equivalent historical non-GAAP financial measure disclosed. This means that the non-GAAP financial measure that is forward-looking information must be presented with no more prominence than that of the most directly comparable financial measure that is presented in the primary financial statements, as required by paragraph 6(1)(d) of the Instrument.

### **Paragraph 7(2)(d) – Description of any significant difference between the non-GAAP financial measure that is forward-looking information and the equivalent historical non-GAAP financial measure**

The requirement in paragraph 7(2)(d) of the Instrument can be addressed in a schedule or other presentation which details significant differences between the non-GAAP financial measure that is forward-looking information and the equivalent historical non-GAAP financial measure. The material factors and assumptions that were used to develop the forward-looking information, as specified in paragraph 4A.3(c) of NI 51-102, will complement this disclosure.

## **Section 8 – Non-GAAP ratios**

Financial ratios may be useful in communicating aspects of an issuer's financial performance, financial position or cash flow. A ratio where a non-GAAP financial measure is used as one or more of its components is a non-GAAP ratio and subject to the disclosure requirements of section 8.

For clarity, ratios may also meet the definition of forward-looking information.

Examples of non-GAAP ratios include “adjusted EBITDA per share”, “free cash flow per ounce”, “funds flow per barrel of oil equivalent”, and the equivalent future measures “forecasted adjusted EBITDA per share”, “forecasted free cash flow per ounce” and “forecasted funds flow per barrel of oil equivalent”.

Ratios that are calculated using exclusively:

- Financial measures that are presented in the primary financial statements; or
- Operating measures or other measures that are not non-GAAP financial measures

would not meet the definition of a non-GAAP ratio. For example, a working capital ratio would not meet the definition if the ratio is calculated as total current assets divided by total current liabilities, as both total current assets and total current liabilities are presented in the primary financial statements. A percentage increase or decrease year over year with respect to a line item presented in the primary financial statements (or a component of such line item) for the purpose of variance analysis would also not meet the definition of a non-GAAP ratio.

### **Paragraphs 8(b) and 10(1)(a) – Prominence of similar financial measures**

The prominence requirements in paragraphs 8(b) and 10(1)(a) of the Instrument for non-GAAP ratios and capital management measures differ from the requirements for non-GAAP financial measures in paragraph 6(1)(d) and the requirements for total of segments measures in paragraph 9(b). However, the principle that the non-GAAP ratios and capital management measures should be presented with no more prominence than that of measures from the primary financial statements remains the same.

Many non-GAAP ratios and capital management measures do not have a most directly comparable financial measure. As such, issuers should consider the disclosure of the non-GAAP ratio and capital management measure in relation to the overall disclosure of similar financial measures presented in the primary financial statements to which the non-GAAP ratio or the capital management measure relates. For example, the prominence requirement in paragraph 8(b) of the Instrument is not met if the issuer focused its disclosure on an increased gross margin percentage without giving at least equally prominent disclosure to the fact that sales have significantly decreased over the same time period, resulting in a reduction in total profit period over period. In this example, it is assumed that the financial measure of “gross margin” is not presented in the primary financial statements and therefore meets the definition of a non-GAAP financial measure. As a further example, the discussion of a “total cash cost per ounce” financial measure should not be more prominent than the discussion of cost of sales, the similar financial measure presented in the primary financial statements to which the non-GAAP ratio relates.

An issuer that discloses a capital management measure such as “adjusted debt” will meet the requirement in paragraph 10(1)(a) by giving at least equally prominent disclosure to similar financial measures presented in the primary financial statements such as short-term and long-term debt.

For a non-GAAP ratio or a capital management measure which has a most directly comparable financial measure presented in the primary financial statements, the guidance on prominence contained in this Policy for paragraph 6(1)(d) should be referred to. For example, the most directly comparable financial measure of “adjusted earnings per share” is “earnings per share” and we expect that the discussion of “adjusted earnings per share” should not be more prominent than the discussion of “earnings per share”.

### **Subparagraph 8(c)(ii) – Disclosure of each non-GAAP financial measure that is used as a component of the non-GAAP ratio**

For a non-GAAP ratio that is calculated using one or more non-GAAP financial measures, the issuer must disclose each non-GAAP financial measure and comply with section 6 of the Instrument in respect of each non-GAAP financial measure used in the calculation of the non-GAAP ratio.

### **Section 9 – Disclosure of total of segments measures**

An entity’s financial reporting framework used in the preparation of the financial statements may permit disclosure of a broad range of segment measures, but may not necessarily specify how such financial measures should be calculated or require that these financial measures comply with the recognition and measurement requirements of the financial reporting framework used to prepare the financial statements of the entity.

When disclosed outside the financial statements, the disclosures made under section 9 of the Instrument should allow a reader to understand how these total of segments measures are calculated and how they relate to measures presented in the entity’s primary financial statements.

An example of a total of segments measure is when an issuer discloses adjusted EBITDA for each of its reportable segments in the notes to the financial statements: segment A, segment B, and segment C. The issuer then sums the adjusted EBITDA for each segment and discloses total “entity-adjusted EBITDA”. “Entity-adjusted EBITDA” is a total of segments measure and is not presented in the primary financial statements. When this financial measure is disclosed in a document other than the financial statements, the issuer must comply with section 9 of the Instrument. For clarity, the individual segment adjusted EBITDA measure for segment A, for instance, would not be captured as a total of segments measure and would not be subject to section 9 of the Instrument.

If an issuer discloses a financial measure of a reportable segment and such financial measure is not presented or disclosed in the financial statements to which the financial measure relates, the issuer should consider whether this financial measure meets the definition of a non-GAAP financial measure.

A total of segments measure does not include a component of a financial statement 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 (see Component Information in section 1 of the Policy).

An SEC issuer may characterize a total of segments measure as a non-GAAP financial measure in compliance with SEC rules on non-GAAP financial measures and in doing so, the issuer would be complying with the requirements in section 9 of the Instrument in respect of this measure.

### **Section 10 – Disclosure of capital management measures**

Disclosure of information that enables an individual to evaluate an entity’s objectives, policies and processes for managing capital may be required by the financial reporting framework used in the preparation of the financial statements; for example, requirements in IFRS under IAS 1 *Presentation of Financial Statements*.

How an entity manages its capital is entity-specific and the financial reporting framework used to prepare the financial statements might not prescribe a specific calculation. The accompanying disclosure required by section 10 of the Instrument allows a reader to understand how an entity calculates these capital management measures and how they relate to measures presented in the entity’s primary financial statements when these measures are disclosed in documents other than the financial statements.

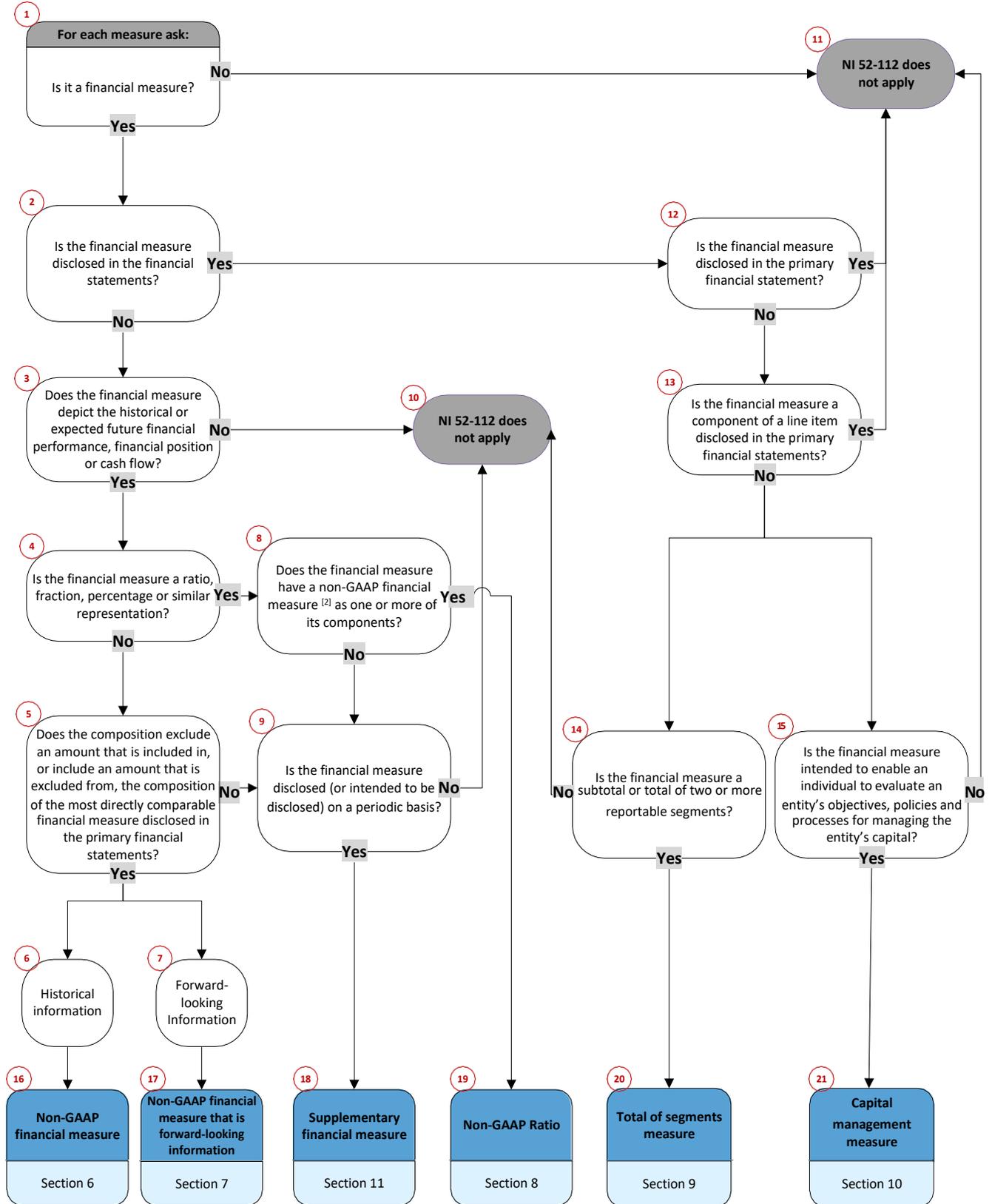
A capital management measure does not include a component of a financial statement line item for which the component has been calculated in accordance with the accounting policies used to prepare the line item presented in the financial statements (see Component Information in section 1 of the Policy). An example of a capital management measure may include annualized adjusted EBITDA.

If the capital management measure was calculated using one or more non-GAAP financial measures, under subparagraph 10(1)(b)(i) of the Instrument the issuer must disclose each non-GAAP financial measure and comply with section 6 of the Instrument, in respect of each non-GAAP financial measure used in the calculation of the capital management measure.

Clause 10(1)(b)(ii)(A) of the Instrument requires a clear explanation of the composition, for any capital management measure that is disclosed in the form of a ratio, fraction, percentage or similar representation.

The level of detail expected in the reconciliation required under clause 10(1)(b)(ii)(C) is a matter of judgment and depends on the nature and complexity of the reconciling items required to provide the necessary context.

Appendix A – General Overview of Non-GAAP and Other Financial Measures Disclosure<sup>[1]</sup>



[1] This is a simplified overview. To ensure compliance, users should refer to the Instrument itself and its Policy.  
 [2] An issuer should assess each component of a financial measure presented in the form of a ratio, fraction, percentage or similar representation, to determine whether it is a non-GAAP financial measure.

ANNEX E

AMENDMENTS TO  
MULTILATERAL INSTRUMENT 45-108 CROWDFUNDING

*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 because Multilateral Instrument 45-108 Crowdfunding does not apply in these jurisdictions.*

1. *Multilateral Instrument 45-108 Crowdfunding is amended by this Instrument.*
2. *Form 45-108F1 Crowdfunding Offering Document is amended by replacing the heading “Non-GAAP financial measures” and the paragraph that follows this heading, in the “Instructions related to financial statement requirements and the disclosure of other financial information” of Schedule A with the following:*

*Non-GAAP financial measures and other financial measures - An issuer that intends to disclose financial measures that are subject to National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure in its crowdfunding offering document should refer to the requirements set out in that Instrument..*
3. This Instrument comes into force on August 25, 2021.

**ANNEX F**  
**CHANGE TO**  
**COMPANION POLICY 45-108CP CROWDFUNDING**

*The securities regulatory authorities in British Columbia, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon Territory and Nunavut are not proposing these consequential changes to Companion Policy 45-108CP Crowdfunding because Multilateral Instrument 45-108 Crowdfunding does not apply in these jurisdictions.*

1. **Companion Policy 45-108CP Crowdfunding is changed by this Document.**
2. **Section 16 is changed by replacing the last paragraph with the following:**

Non-GAAP financial measures and other financial measures – An issuer that intends to disclose financial measures that are subject to National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*, including in its crowdfunding offering document, should refer to the requirements set out in that Instrument..
3. This change becomes effective on August 25, 2021.

ANNEX G

CHANGES TO  
COMPANION POLICY 51-102CP *CONTINUOUS DISCLOSURE OBLIGATIONS*

1. *Companion Policy 51-102CP Continuous Disclosure Obligations is changed by this Document.*
2. *Section 4.2 is changed by replacing the heading “Non-GAAP Financial Measures” with “Non-GAAP Financial Measures and Other Financial Measures” and by replacing the paragraph with the following:*

Reporting issuers that intend to publish financial measures that are subject to National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* should refer to the requirements set out in that Instrument..
3. These changes become effective on August 25, 2021.

**ANNEX H**  
**CHANGE TO**  
**COMPANION POLICY 51-105CP MULTILATERAL INSTRUMENT 51-105 ISSUERS QUOTED IN**  
**THE U.S. OVER-THE-COUNTER MARKETS**

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

1. ***Companion Policy 51-105CP Multilateral Instrument 51-105 Issuers Quoted in the U.S. Over-the-Counter Markets is changed by this Document.***
2. ***Section 5 is changed by adding the following paragraph under the heading “National Instruments”:***
  - (e) National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure* which sets out disclosure requirements for non-GAAP financial measures and certain other financial measures.
3. This change becomes effective on August 25, 2021.

ANNEX I

CHANGE TO  
COMPANION POLICY 52-107CP ACCEPTABLE ACCOUNTING PRINCIPLES AND AUDITING STANDARDS

1. ***Companion Policy 52-107CP Acceptable Accounting Principles and Auditing Standards is changed by this Document.***
2. ***Section 2.10 is replaced with the following:***

**2.10 Acceptable Accounting Principles** — Readers are likely to assume that financial information disclosed in a news release is prepared on a basis consistent with the accounting principles used to prepare the issuer's most recently filed financial statements. To avoid misleading readers, an issuer should alert readers if financial information in a news release is prepared using accounting principles that differ from those used to prepare an issuer's most recently filed financial statements or includes financial measures that are subject to National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*.
3. This change becomes effective on August 25, 2021.