

Annex B

Proposed Changes to Companion Policy 52-112 Non-GAAP and Other Financial Measures Disclosure

- 1. *Companion Policy 52-112 Non-GAAP and Other Financial Measures Disclosure is changed by this Document.***

- 2. *The section entitled “Introduction” is changed***

- (a) *by adding the following after the first sentence:***

In addition, the Instrument sets out specific disclosure requirements for additional subtotals, as defined in the Instrument., **and**

- (b) *by adding “and additional subtotals” after “specified financial measures” in the second to last sentence.***

- 3. *The subsection entitled “Document” is changed by adding the following after the first sentence:***

The disclosures for specified financial measures or additional subtotals required by the Instrument must be made in documents other than the financial statements, although information contained in notes to the financial statements may, in certain circumstances, be incorporated by reference..

- 4. *The subsection entitled “Specified Financial Measures Disclosed by an Issuer and Financial Statements of an Entity” is changed***

- (a) *by adding “or Additional Subtotals” after “Specified Financial Measures” in the title of the subsection,***

- (b) *by adding “or an additional subtotal” after “specified financial measure” wherever the expression occurs in the first paragraph, and***

- (c) *by adding the following after the last bullet point in the subsection:***

Issuers should ensure they use the same label when disclosing a financial measure both inside and outside of the financial statements..

- 5. *The subsection entitled “Financial Measures” is changed by adding “or an additional subtotal” after “specified financial measure” wherever the expression occurs in the first paragraph.***

- 6. *The subsection entitled “Financial Reporting Framework, Accounting Principles, and Accounting Policies” is changed by replacing “IFRS” with “IFRS® Accounting Standards”.***

7. ***The subsection entitled “Misleading disclosure still prohibited” is changed by adding “or an additional subtotal” after “specified financial measure”.***
8. ***The following sections are added before the section entitled “Section 1 - Definition of a non-GAAP financial measure”:***

Section 1 – Definition of additional subtotal

The Instrument defines an additional subtotal as a subtotal disclosed in the primary financial statements of an entity, that is not a financial measure defined or listed in the accounting principles applied to the preparation of the entity’s financial statements, that is not a financial measure the composition of which is set out in those accounting principles, and that is not a specified financial measure.

Although the presentation of an additional subtotal may be required by IFRS Accounting Standards, such as paragraph 24 of IFRS 18 *Presentation and Disclosure in Financial Statements* (IFRS 18), when the composition of the subtotal is defined by management or where the composition of the subtotal may vary, and may not necessarily be comparable with measures sharing similar labels or descriptions provided by other entities, that particular subtotal would be an additional subtotal.

Examples of subtotals disclosed in the primary financial statements of the entity which are defined or listed in IFRS Accounting Standards or the composition of which is set out in IFRS Accounting Standards include but are not limited to the totals and subtotals that the entity must present in the statement of profit or loss (e.g., “operating profit or loss”, “profit or loss before financing and income taxes”, and “profit or loss”) and subtotals of income or expenses listed in paragraph 118 of IFRS 18 (e.g., “gross profit or loss”). These subtotals would not be “additional subtotals” under the Instrument.

Section 1 – Definition of management-defined performance measure

The Instrument defines a “management-defined performance measure” to be consistent with the definition of this term in the accounting principles applied to the preparation of an entity’s financial statements, for example, as defined by IFRS Accounting Standards. Accordingly, issuers should consider the associated definition and the related authoritative application guidance in IFRS 18..

9. ***The section entitled “Section 1 - Definition of a non-GAAP financial measure” is changed by replacing the title with “Section 1 – Paragraph (b) of the definition of a non-GAAP financial measure”.***
10. ***The following subsection is added after the subsection entitled “Non-Financial Information”:***

Anti-avoidance

An issuer should not disclose or refer to a financial measure in the notes to the financial statements for the purpose of avoiding application of the Instrument.

Although accounting standards may permit an issuer to provide additional information in the notes to the financial statements if an issuer believes such information to be useful for users of the financial statements, we expect that an issuer will apply the requirements of the Instrument pertaining to non-GAAP financial measures to a financial measure disclosed or referred to for such purpose in the notes to the financial statements if the other conditions set out in the definition of non-GAAP financial measure apply to such measure..

- 11. *The following section is added before the section entitled “Section 2 – Application to reporting issuers”:***

Subsection 1(2) – Accounting terms

The Instrument uses accounting terms that are defined or used in the accounting principles applied to the preparation of the entity’s financial statements. In certain cases, some of those terms are defined differently in securities legislation. In deciding which meaning applies, you should consider that National Instrument 14-101 *Definitions* provides that a term used in the Instrument and defined in the securities statute of a local jurisdiction has the meaning given to it in the statute unless: (a) the definition in that statute is restricted to a specific portion of the statute that does not govern continuous disclosure; or (b) the context otherwise requires..

- 12. *The subsection entitled “Websites and Social Media” is changed***

(a) *by replacing “of its disclosure, on a website and social media, of a specified financial measure” with “of its disclosure in a document, including on a website and social media, of a specified financial measure or an additional subtotal”, and*

(b) *by replacing “A” at the beginning of the second sentence with “For example, a”.*

- 13. *The section entitled “Section 3 – Application to issuers that are not reporting issuers” is changed by adding “or an additional subtotal” after “specified financial measure”.***

- 14. *The section entitled “Subparagraphs 4(1)(c)(i) and (ii) – Mineral Projects” is changed***

(a) *by adding “estimates” after “costs” and “forecasts of” before “annual” in the first paragraph,*

(b) *by adding “or an additional subtotal” after “specified financial measure” in the second paragraph, and*

(c) *by replacing “is” with “may be” in the second paragraph.*

15. ***The section entitled “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” is changed***
- (a) ***by adding “or the additional subtotal” after “specified financial measure” in the title of the section,***
 - (b) ***by adding “or the additional subtotal” after “specified financial measure” in the first paragraph, and***
 - (c) ***by adding “or an additional subtotal” after “a specified financial measure” and “or additional subtotal” after “this specified financial measure” in the third paragraph.***
16. ***The section entitled “Paragraph 4(1)(e) – Financial measures required under law or by an SRO” is changed***
- (a) ***by replacing the title with “Paragraph 4(1)(e) – Specified financial measures or additional subtotals required under law or by an SRO”,***
 - (b) ***by replacing “financial measures” with “specified financial measures or additional subtotals” in the first paragraph,***
 - (c) ***by replacing “financial measure” with “specified financial measure or additional subtotal” in the second instance of the second paragraph and in the first instance of the third paragraph, and***
 - (d) ***by adding “, unless the exception in subsection 4(3) applies” at the end of the last sentence.***
17. ***The section entitled “Paragraph 4(1)(f) – Specified financial measure where its calculation is derived from a financial covenant in a written agreement” is changed***
- (a) ***by adding “or additional subtotal” after “Specified financial measure” in the title of the section, and***
 - (b) ***by adding “or an additional subtotal” after “specified financial measure” in the first instance of the first sentence.***
18. ***The section entitled “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” is changed***
- (a) ***by adding “or additional subtotal” after “Specified financial measure” in the title of the section, and***
 - (b) ***by adding “or an additional subtotal” after “specified financial measure” in the first sentence.***

19. *The following section is added after the section entitled “Subsection 4(2) – Statement of Executive Compensation”:*

Subsection 4(3) – Financial institutions

The Instrument includes an exemption for certain financial institutions that were exempt from the Instrument under local blanket orders and Rule 52-503 in Ontario. This exemption does not apply in British Columbia. British Columbia’s existing blanket order, BC Instrument 52-513, continues to apply, ensuring uniformity in the application of the exemption across Canada..

20. *The section entitled “Section 5 – Incorporation by reference” is replaced with the following sections and subsections:*

Section 5 – Incorporating information by reference

Subsection 5(1) – Incorporation by reference to the issuer’s MD&A

The Instrument allows an issuer to incorporate by reference certain disclosure, when the MD&A includes the information required under the provisions referenced in paragraphs 5(1)(a) to (f), and if the reference is to the issuer’s MD&A.

Subsection 5(1.1) – Incorporation by reference to the notes to the financial statements of the entity to which the measure relates

An issuer may incorporate by reference the information required under subparagraph 6(1)(e)(ii) if the reference is to the notes to the financial statements of the entity to which the measure relates and if the financial measure is a management-defined performance measure (see definition of management-defined performance measure in section 1 of the Instrument).

When incorporating by reference, the notes to the financial statement should therefore include, for each management-defined performance measure, all of the information required under subparagraph 6(1)(e)(ii).

IFRS 18 outlines that management-defined performance measures relate to the same reporting period as the financial statements. Accordingly, when using the incorporation by reference provision in subsection 5(1.1), the reference to the notes to the financial statements of the entity to which this management-defined performance measure relates is for the same reporting period.

Subsection 5(2) – Required statements with the use of the incorporation by reference provisions in subsection 5(1) or (1.1)

To meet the requirement that the MD&A or the financial statements be available on SEDAR+ under paragraph 5(2)(c) of the Instrument, the MD&A or the financial statements must be filed on SEDAR+ before, or simultaneously with the document, in order for this MD&A or the financial statements 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 or the financial statements. To comply with this requirement, identify where the required information is specifically located within the MD&A or the exact note to the financial statements (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 or the financial statements where the information is located. Issuers would not satisfy this requirement with a general hyperlink to the relevant MD&A or the financial statements.

Subsection 5(4) – Quantitative reconciliation requirements in an earnings release

The Instrument allows an issuer to incorporate by reference certain required disclosure in a news release; however, subsections 5(1) and (1.1) do not apply to the quantitative reconciliation requirements under 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 an earnings release filed by the issuer under section 11.4 of NI 51-102..

21. *The section entitled “Paragraphs 6(1)(e), 7(2)(d), 8(c), 9(c), 10(1)(b), 11(b) – Proximity to the first instance” is changed*

(a) *by adding “and subparagraphs 4(1)(e)(ii) and 4(3)(c)(ii)” after “11(b)” in the title of the section, and*

(b) *by adding “and subparagraphs 4(1)(e)(ii) and 4(3)(c)(ii)” after “11(b)” in the first and second instances.*

22. *The following subsection is added after the subsection entitled “Presentation in the Form of a Primary Financial Statement”:*

Presentation of a ‘two-step’ reconciliation

An issuer may present a quantitative reconciliation in a ‘two-step’ format – i.e., reconcile a specified financial measure to a total or subtotal that is not presented in the primary financial statements of the entity, if that total or subtotal is then reconciled to the most directly comparable financial measure disclosed in the primary financial statements of the entity to which the financial measure relates that is not a management-defined performance measure..

23. *The section entitled “Section 9 – Disclosure of total of segments measures” is changed by replacing “the Policy” with “this Policy”.*

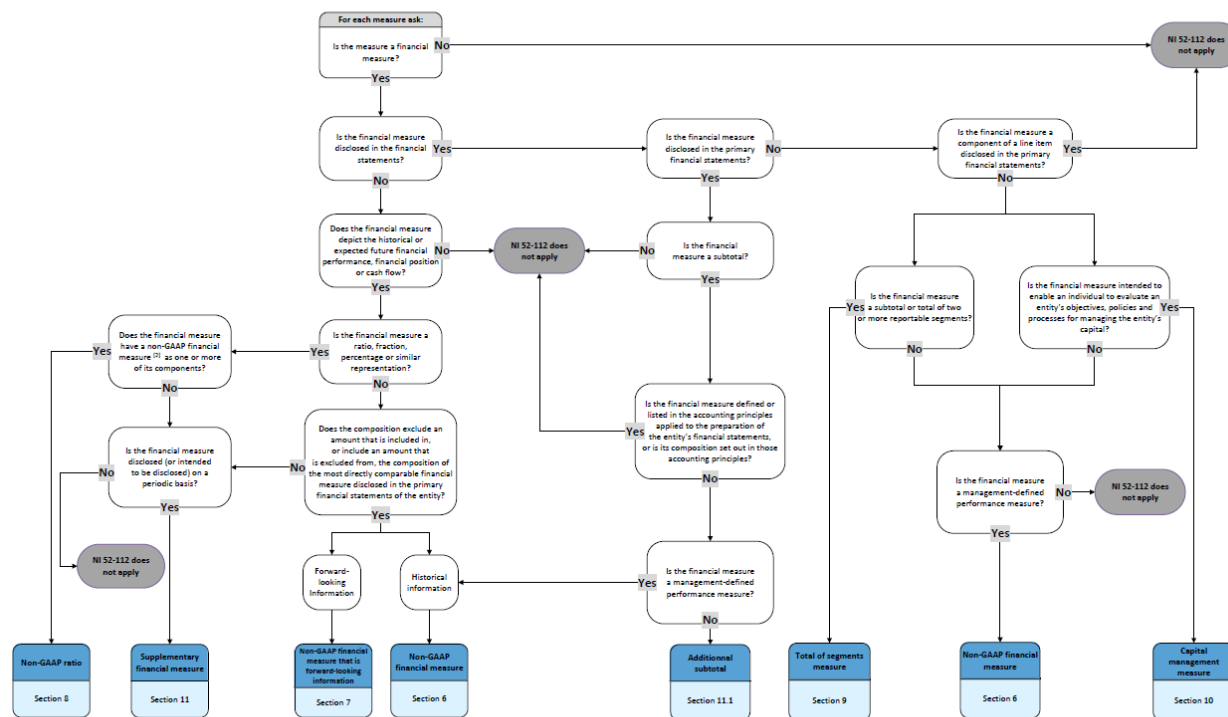
24. *The section entitled “Section 10 – Disclosure of capital management measures” is changed*

(a) **by replacing “in IFRS under IAS 1 Presentation of Financial Statements” with “in IFRS Accounting Standards under IFRS 18”, and**

(b) **by replacing “the Policy” with “this Policy”.**

25. **Appendix A is changed by replacing the flowchart with the following:**

General Overview of Non-GAAP and Other Financial Measures Disclosure ^[1]



[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.

26. These changes become effective on [●].