Private and Confidential

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

Via e-mail
The Secretary
Ontario Securities Commission
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19th Floor, Box 55
Toronto ON M5H 3S8

Via e-mail
M^e Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, rue du Square-Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal QC H4Z 1G3

December 4, 2018

Dear Sirs/Mesdames:

Comment Letter on Proposed National Instrument 52-112 *Non GAAP and Other Financial Measures Disclosure*

We appreciate the opportunity to comment on the Canadian Securities Administrators' ("CSA") Proposed National Instrument 52-112 *Non GAAP and Other Financial Measures Disclosure* ("Proposed Instrument") and Annex B Proposed Companion Policy 52-112 *Non-GAAP and Other Financial Measures Disclosure* ("Proposed Companion Policy").

We strongly support the CSA's objective to reduce the uncertainty regarding an issuer's disclosure obligations and improve transparency and consistency among issuers regarding disclosure of non-GAAP financial measures. We believe that formalized disclosure requirements are fundamental in providing quality financial information allowing investors to better analyze financial performance of issuers against others within or across industries.

While we support the objective of the Proposed Instrument, we are concerned that, because of the complexity of the changes and expanded scope of the Proposed Instrument, it will prove difficult to implement in a timely manner. We understand the primary reason for this project is to codify the existing CSA Staff Notice 52-306 into a rule to allow for better enforcement. We recommend this be undertaken as step one in a project.

As a further step, consideration should be given to what other changes are warranted and how other GAAP financial measures should be addressed (e.g. Segment Measures and Capital Management Measures). This would allow the CSA time to consider how their proposals interact with other initiatives, such as the Accounting Standards Board's "Draft Framework for

Reporting Performance Measures" and the IASB's various projects under its headline theme "Better Communication in Financial Reporting."[1]

If the CSA nevertheless decides to continue with its comprehensive updated Proposed Instrument now, we have several significant concerns and suggestions for CSA Staff to consider in finalizing the Proposed Instrument. Our primary concern is that the structure of the Proposed Instrument is overly complicated and naming conventions are not intuitive. We believe the Proposed Instrument could be improved by:

- Using the label non-GAAP financial measures (NGFMs) only for those financial measures that include non-GAAP amounts. All GAAP based financial measures, except Segment Measures and Capital Management Measures if deemed appropriate to retain, could have a more appropriate label such as Supplementary Financial Measures or Alternative Performance Measures.

- Reducing the categories of measures from four to three or possibly two. We question whether this Proposed Instrument needs to address Segment Measures as these are already governed by IFRS 8 Operating Segments. We further question whether Capital Management Measures need to be addressed or at least whether certain disclosures with respect to Capital Management Measures already made to comply with IAS 1 Presentation of Financial Statements are required if they are already provided in the financial statements. We believe users are already suffering disclosure overload and repeating disclosures already made in the financial statements is not valuable. Further, the burden to issuers of repeating disclosures found in the financial statements should be considered. See further discussion in the Appendix – Other Matters.

- Excluding the topic of forecasts from this Proposed Instrument and addressing it in NI 51-102 where other guidance on forward looking information resides.

- For clarity and ease of use for preparers, drafting the requirements for NGFMs that are amounts and NGFMs that are ratios separately rather than on an exception basis for ratios.

We have also included in the Appendix – Other Matters our observations on certain other matters where comment was not specifically requested.

We believe that NGFMs are an increasingly important topic and the Proposed Instrument will bring us closer to their consistent use and disclosure. Therefore it is important that the principles outlined in the Proposed Instrument be clear and unambiguous. We fear that the complex verbosity and content structure as a whole may result in unintentional inappropriate application of the well-meaning guidelines. We believe that without appropriate lead time for investor education there will be challenges in the appropriate implementation of the Proposed Instrument and request that this be considered in selecting the effective date.

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[1] In its *Primary Financial Statements* project, the IASB is developing targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance. A due process document is expected in the second half of 2019.

Please contact Laura Moschitto (416 777 8068) if you wish to discuss any of the issues raised in this letter.

Yours sincerely,

KPMG LLP

Brad Owen	Laura Moschitto
Partner	Partner

<u>Appendix – Responses to questions posed in the Proposed National Instrument 52-112</u>

Q1: Does the proposed definition of a non-GAAP financial measure capture (or fail to capture) specific financial measures that should not (or should) be captured? Please explain using concrete examples.

The term non-GAAP financial measures is applied too broadly

- ***It should not be applied to combinations of line items in the primary financial statements***
- ***It should not be applied to amounts comprised of GAAP amounts as this creates user confusion and may be contributing to issuers re-arranging or adding line items in their financial statement presentation***

We support the CSA's objective to develop an enforcement tool to regulate the use of non-GAAP financial measures (NGFMs). We believe that guidance in this area is useful given the prevalence of NGFMs used by issuers. However, we are concerned that the proposed definition of a NGFM is too broad, thereby capturing certain financial measures that we believe should not be captured.

Section 1, definition of a non-GAAP financial measure, of the Proposed Companion Policy states:

> *Disaggregation of subtotals and totals presented in the primary financial statements are captured by the definition of non-GAAP financial measures. For example, if EBITDA is not presented in the primary financial statements, it would be inappropriate to conclude that it is not a non-GAAP financial measure on the basis that it is a disaggregation of profit as presented in the statement of profit or loss. Likewise, a measure calculated by combining numbers disaggregated from different line items would also meet the definition of a non-GAAP financial measure, unless that measure is separately disclosed in the notes to the financial statements, for example, when expenses in the statement of profit and loss are presented by function and then also presented by nature in the notes to the financial statements.*

We disagree with the proposal that financial measures that represent disaggregation of subtotals or totals in the primary financial statements or that are combinations of line items in the primary financial statements should be labelled as a NGFM as the basis of these amounts ***is*** GAAP. We believe for a financial measure to be labelled a NGFM it must contain an amount or measure not calculated in accordance with the accounting policies used to prepare the financial statements (e.g. adjustments to report on a cash basis or eliminate the effects of currency movements, ratios using non-financial measures such as revenue per user or revenue per square foot).

Users are confused to see an amount such as Working Capital or EBITDA labelled as NGFMs when comprised entirely of GAAP numbers. Confusion also results because issuer A may elect to present their GAAP financial statements in a way to allow the presentation of the line caption "EBITDA", while issuer B does not, and as a result a measure of the same amounts, comprising entirely of GAAP measures, is required to be labelled a NGFM by issuer B and not by issuer A. This distinction, we suggest, has in the past and may continue to encourage issuers to include unnecessary measures on the primary financial statements to avoid the labelling of them as a NGFM.

The level of aggregation, or disaggregation, in an issuer's financial statements is a matter of materiality specific to the issuer based on its facts and circumstances. Disaggregation may occur on the primary financial statements, or in the notes thereto, or not at all, depending on the specific issuer's judgment as to whether this information is material. If issuer C decides to disaggregate a GAAP line item on the primary financial statements or in the notes (because it is judged to be material information), but issuer D does not (because it is judged to obscure other material information), this should not force issuer D to label such information as NGFMs if both issuers provide the disaggregated information in their respective MD&A, for example, because it is expected by investors/analysts.

Label all measures comprised entirely of GAAP amounts in the primary financial statements, not separately disclosed in the notes thereto, as Supplementary Financial Measures or a similar name and consider appropriate disclosures

We believe that measures comprised entirely of GAAP amounts in the primary financial statements, not separately disclosed in the notes thereto, represent Supplementary Financial Measures. We note that the European Securities and Markets Authority (ESMA) refers to similar measures as Alternative Performance Measures[2] and we believe such a term or Supplementary Financial Measures is a more representative term of these financial measures. We would recommend that for financial measures that fall under Part 2, Item 8(a)(i) be amended to indicate that the first time the Supplementary Financial Measure appears in the document that the issuer should: a) if a disaggregation, describe how the Supplementary Financial measure is calculated and b) if a combination, provide a quantitative calculation of how the Supplementary Financial Measure was calculated and explain the purpose of the financial measure (e.g. Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and working capital). The CSA should consider requiring issuers who have similar financial measures as sub-totals or totals beyond the minimum required under IFRS to explain, consistent with Part 2, Item 3(d)(iii), how the additional sub-totals or totals provide useful information to a reasonable person and the additional purposes, if any, for which management uses these additional sub-totals or totals as this is not presently a requirement under paragraphs 55A or 85A of IAS 1, *Presentation of Financial Statements*. In this way, issuers who provide additional combinations of line totals in the primary financial statements and those that provide the same disclosure in other documents will both be required to explain the relevance of the measures presented. If the issuer cannot explain the relevance, but has inserted additional line totals then the CSA could challenge the issuer's application of IAS 1.

Future outlooks

- ***Should not be labelled a NGFM if forecasting GAAP information***
- ***Should not be in the scope of this Proposed Instrument***
- ***If future outlooks are to remain in the Proposed Instrument there should be consistency in categorization of historical NGFM and future-oriented NGFM for disaggregations***

We are also concerned about how the definition of NGFMs applies to financial outlooks. As proposed, a NGFM means a financial outlook for which no equivalent financial measure is presented in the primary financial statements. By way of example: if issuer A presents gross margin percentage in their primary financial statements, it follows that any discussion of future gross margins outside the financial statements is not a NGFM; but if issuer B does not present such information on the face of their financial statements it is a NGFM. As discussed above, we disagree with the requirement to label a historical financial measure or future outlook comprised of GAAP amounts a NGFM for issuer B.

We believe the requirement in Part 2, Item 5(2)(c) of the Proposed Instrument to either describe (a) the material differences between the outlook and the historical measure or (b) each of the components in the outlook would be equally relevant information to users of issuer A's or issuer B's documents. However, issuer A would provide nothing and issuer B would provide disclosures. These matters may be better addressed outside of this Proposed Instrument by including additional guidance in NI 51-102 with respect to forward looking information, and we recommend removing from the Proposed Instrument all guidance related to future outlooks.

In practice, some issuers present future outlooks on amounts that are disaggregations of line captions or amounts disclosed elsewhere in the financial statements (e.g. forecasts of segment revenue, forecasts of mortgage growth in a particular line of business where the historical measures are Supplementary Financial Measures). In these cases, the historic measure is not a NGFM, but the future measure is a

[2] See https://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf

NGFM, which makes it impossible to disclose the “equivalent historical NGFM” as required by Part 2, Item 5(2)(c). Further, it does not seem logical to turn a measure into a NGFM simply because it is forward looking when it was not a NGFM as an historic measure. For this reason, we believe financial outlooks should also scope out disaggregations similar to the historic measures from the definition of NGFMs. If this is not done, there is a risk that issuers will clutter the primary financial statements with additional line item captions to avoid the NGFM requirements related to outlooks.

Inconsistent labelling between NGFMs that are amounts versus ratios will create confusion

We believe it is inconsistent that ratios calculated using line items obtained directly from the primary financial statements are not required to be labeled as NGFMs when the financial measure is required to be labelled a NGFM. For example, if an issuer discussed the amount of working capital this would be a NGFM; however, if the same issuer discussed the working capital ratio it would not be a NGFM. We believe this will be confusing to the users of the financial statements. In each case, we believe that these represent Supplementary Financial Measures.

Current NGFM definition may inadvertently scope-out matters it intends to capture

Though the definition of a NGFM captures items we believe should not be considered a NGFM, the definition may equally fail to capture specific measures. The inclusion of “*calculated in accordance with the accounting policies used to prepare the financial statements*” within the definition of a NGFM is confusing and appears that it is a criterion of a NGFM. If read as a criterion of both NGFM and Supplementary Financial Measures, it would unduly result in the failure to capture measures within either of these definitions. For example, in accordance with GAAP an issuer accounts for an investment in an entity using the equity method. The issuer also presents an additional measure, which is calculated as the issuer’s revenue plus the issuer’s proportionate share of its investee’s revenue, in its MD&A on a periodic basis. This additional measure is not calculated in accordance with the accounting policies used to prepare the financial statements. Therefore, this does not meet the definition of a NGFM. Likewise, this does not meet the definition of a Supplementary Financial Measure as it fails to be a disaggregation of a line item presented in the primary financial statements and is not calculated in accordance with GAAP. In such instances, how should this measure be treated?

Based on our comments above, we recommend that paragraph (a) in the definition of NGFM, under section 1, be changed to the following:

> *(a) a financial measure of financial performance, financial position or cash flow that is not disclosed or presented in the financial statements and that is (i) not a disaggregation of a line item presented in the primary financial statements (ii) not a combination of line items presented in the primary financial statements, or …”*

Disaggregation should then be separately defined under Section 1, *Definitions*, as:

> *disclosure in the financial statements of more granular information regarding a specific line item in the primary financial statements and calculated in accordance with the accounting policies used to prepare the financial statements*

Clarity required regarding whether certain financial measures are NGFMs

We are concerned that without additional guidance in Section 1 of the Proposed Companion Policy that certain financial measures may inadvertently be captured as NGFMs. For example, certain entities use financial metrics to give a picture of transaction volume (e.g. assets under management, total financings in dollars). We recommend providing such examples in Section 1 and indicating a financial measure of financial performance is meant to capture amounts typically captured in the primary financial statements.

Q2: Are there any specific additional disclosures not considered in the Proposed Instrument that would significantly improve the overall quality of disclosure and be of benefit to investors? Please explain using concrete examples.

We believe that the Proposed Instrument includes a comprehensive list of required disclosures and therefore have no additional recommendations on specific additional disclosures not already considered in the Proposed Instrument.

Q3: Is specific content in the Proposed Companion Policy unclear or inconsistent with the Proposed Instrument?

The Proposed Companion Policy is beneficial as it provides examples of various types of non-GAAP measures and practical guidelines. Our concerns regarding the guidance in Section 1 were discussed in our answer to Question 1.

Ratios

- ***Guidance related to prominence should not apply when directly comparable measures do not exist***
- ***Guidance is not sufficiently clear with respect to quantitative reconciliations***

We are concerned about some of the guidance in *Section 4 - Disclosure of non-GAAP financial measures that are ratios*. The Proposed Instrument requires that the ratio be presented with no more prominence than similar financial measures presented in the primary financial statements. However, in many cases there are no ratios presented in the primary financial statements. We believe the Proposed Instrument should be altered to state requirements for ratios presented in the primary financial statements from those not presented in the primary financial statements, as clearly any discussion of an item not presented in the primary financial statements will be done with more prominence. We believe the guidance should state that when there is no comparable ratio in the financial statement that the requirements related to prominence do not apply. If retained, we did not find the guidance that addresses this matter helpful. In particular, it states:

> *Many ratios do not have a directly comparable financial measure. As such, issuers should consider the disclosure of the ratio in relation to the overall disclosure of similar performance measures that have been presented in the primary financial statements. For example an issuer may calculate a debt to equity ratio (where the debt component is the total liabilities line item as presented in the statement of financial position and the equity component is the total equity line item as presented in the statement of financial position) and use this in its discussion of liquidity, however this discussion should form part of an overall discussion that should include relevant measures from the issuers primary financial statements.*

In this example, both debt and equity are indicated to be the amounts presented in the primary financial statements. The issuer is advised to consider the disclosure of the ratio in relation to the overall disclosure of similar performance measures in the primary financial statements. However, given the ratio came directly from the primary financial statements we fail to see an issue with respect to prominence.

We also note for NGFMs that are ratios, the requirement to provide a quantitative reconciliation does not apply if the first time the ratio appears it (i) identifies each NGFM used to calculate the ratio and comply with section 3 for each NGFM or (ii) provides a quantitative reconciliation to the ratio as calculated using the most directly comparable financial measure presented in the primary financial statements. It would then follow that, if the ratio is gross margin calculated using sales and cost of goods sold from the primary financial statements, option (i) would not apply as there are no NGFMs used in the ratio and option (ii) would not apply as there are no comparable ratios presented in the primary financial statements. Thus, an issuer would not meet the conditions of the exemption and would be forced to apply Part 1, Item 3(d)(iv) which requires a quantitative reconciliation to the most directly comparable financial measures in the primary financial statements which is impossible to perform as previously discussed as the ratio is not presented. We believe the Proposed Instrument needs to address situations when all the components of a ratio are from the primary financial statements. In such cases, we believe it is sufficient to simply explain how the ratio was calculated and explain how the ratio provides useful information to a reasonable person and the additional purposes, if any, for which uses the ratio, without providing a numeric reconciliation.

Future Outlooks

- ***Recommend additional option for future outlooks be included in Proposed Instrument process to prepare the outlook should be either included or excluded regardless of approach to describe reconciliation***
- ***Additional examples required for clarity regarding expectations***

The Proposed Instrument and Proposed Companion Policy appear inconsistent in *Subsection 5(2) – Disclosure of non-GAAP financial measures that is a financial outlook for which FOFI has not been disclosed with the financial outlook* with respect to the requirements in Part 1, Item 5(2)(c). The Proposed Companion Policy expands option Part 1, Item 5(2)(c)(ii)(B) from describe "each of the significant components of the financial outlook used in its calculation" to describe "(a) each of the significant components of the financial outlook used in its calculation or (b) a description of what was used in the calculation of the financial outlook." We do not believe it is appropriate to provide a third option in the Companion Policy. We believe this option should be presented in the Proposed Instrument itself as it is a unique option. We are not clear why the "process followed in preparing and reviewing the financial outlook" is only relevant to option (b). We believe it either should be included for both options or excluded entirely. Finally, we believe examples of disclosure are required to add clarity to what is expected and how the disclosures would differ following these various methods.

Q4: Is the proposed exemption for SEC foreign issuers appropriate? If not, please explain.

We agree with the proposed exemption for SEC foreign issuers related to all documents.

However, we are concerned that the Proposed Instrument does not provide the same exemption for Canadian SEC issuers. We note that NI 51-102 does allow the filing of certain US forms in place of Canadian forms by defining certain documents broadly:

— "AIF" means a completed Form 51-102F2 *Annual Information Form* or, in the case of an SEC issuer, a completed Form 51-102F2 or an annual report or transition report under the 1934 Act on Form 10-K or Form 20-F

— "MD&A" means a completed Form 51-102F1 *Management's Discussion & Analysis* or, in the case of an SEC issuer, a completed Form 51-102F1 or management's discussion and analysis prepared in accordance with Item 303 of Regulation S-K under the 1934 Act.

To file those forms, Canadian SEC issuers will need to meet US securities requirements which does not align with the proposed Canadian requirements. We believe such issuers should be allowed to follow US securities requirements related to Non-GAAP measures for ***all*** documents. We believe it will be onerous for Canadian SEC issuers to have to comply with both sets of regulations.

Q5: Is the proposed exclusion of oral statements to the application appropriate? If not, please explain.

We agree with the proposed exclusion of oral statements to the application of the guidelines, given that it would be difficult, and at times impracticable, to satisfy the guidelines in verbal communications. The inclusion of public transcripts is appropriate and we find the Proposed Companion Policy useful as it provides operational guidelines for issuers in this respect.

Q6: Is the proposed inclusion of all documents to the application appropriate? If not, for which documents should an exclusion be made available? Please explain.

We agree with the proposed inclusions as it relates to documents.

Appendix – Other Matters

Segment Measures

We believe the CSA should reconsider if any specific disclosures are required for Segment Measures that are disclosed in the notes to the financial statements. Specific considerations follow.

Eliminate reconciliation requirement or allow reference to financial statement note

Per the Proposed Instrument, if an issuer discloses in a document other than the financial statements a total of Segment Measures that is not a total, subtotal or line item presented in the primary financial statements, the document should include a quantitative reconciliation of the total Segment Measures to the most directly comparable measure presented in the primary financial statements. Since IFRS 8 *Operating Segments* paragraph 21 (c) already requires that an entity disclose the reconciliation of the total of segment revenues, assets and liabilities and other material segment items to the entity's corresponding entity amounts, we do not believe that such disclosure is necessary (i.e. it is duplication). If the CSA believes this information is important, we believe issuers should be allowed to cross reference back to the financial statements to avoid duplication.

Eliminate prominence requirement as Segment Measures are GAAP measures or allow reference to financial statement note

The Proposed Instrument requires that the measure be presented with no more prominence than the directly comparable financial measure. We believe that as these measures **are** GAAP measures, issuers should be allowed to present them without dealing with prominence concerns. However, if the CSA believes this information is important, we believe issuers should be allowed to cross reference back to the financial statements to avoid duplication.

Eliminate requirement for comparative information as this is a GAAP requirement

The Proposed Instrument requires presentation of the segment measure for the comparative period. The financial statements would already have provided such information so we believe this requirement is not necessary. Further, even without a stated requirement today, our observation is that comparable information is generally provided in the accompanying documents.

Capital Management Measures

We believe the CSA should reconsider if any specific disclosures are required for Capital Management Measures that are disclosed in the notes to the financial statements. Specific considerations follow.

Eliminate requirements that are found in GAAP or allow cross-referencing to financial statements to eliminate duplication and issuer burden

The Proposed Instrument requires that issuers explain how the Capital Management Measure provides useful information to a reasonable person and explains the additional purposes, if any, for which management uses the capital management measure. We believe the requirements in IAS 1 paragraph 135 are sufficient for users to understand the uses of the measures and ratios and do not require repeating. Further, we question whether it is necessary to explain *how* the Capital Management Measure provides useful information for instances where it is required by regulation. We believe in such situations that simply stating it is required by a regulator should suffice.

For those Capital Management Measures that appear in the document, the Proposed Instrument requires that the issuer describe how the Capital Management Measure is calculated. We support this requirement if the disclosure is not already provided in the financial statements. If the financial statements provide such disclosures we believe the issuer should be allowed to refer the reader to the financial statements to ease the burden on preparers and to eliminate redundant disclosures.

We believe the Proposed Companion Policy should provide more guidance as to the level of detail expected. For example, how much information is expected to be required in detailing debt agreements that have defined terms? What is appropriate when the Capital Management Measure is in compliance with a regulatory requirement? Certain financial institutions disclose in their financial statements capital per GAAP and then in one line take “regulatory deductions” to arrive at regulatory capital without explaining how regulatory deductions are determined. Are detailed explanations expected? Could a link to the regulatory requirements suffice?

Eliminate requirement for quantitative reconciliation

The Proposed Instrument requires that issuers provide, except where the Capital Management Measure is a ratio, a quantitative reconciliation of the measure to the most directly comparable financial measure presented in the primary financial statements. We do not believe that there is a need for a quantitative reconciliation to be provided to a measure in the financial statements. If a user understands how the calculation was determined that should be sufficient. We also observe that the vast majority of Capital Management Measures are in fact ratios and as such that this requirement would not apply to most measures being reported in practice. Further, we don’t believe reconciliation to the financial statements is useful as that is not how the measures are intended to be used.

Eliminate required statement regarding accounting policies.

The Proposed Instrument requires that issuers “state that the accounting policies used to prepare the financial statements do not specify how the Capital Management Measure is calculated.” We believe this fact is understood as there is no accounting policy in the financial statements and the requirement could be eliminated.

Eliminate requirement for comparative Capital Management Measure or allow cross reference to financial statements to avoid duplication

The Proposed Instrument requires disclosure of a comparative Capital Management Measure. We do not believe this is necessary as the comparative measures are already required by GAAP is material. If the requirement is retained, we recommend allowing a cross reference to the financial statements.

Clarify how to comply with prominence requirements

The Proposed Instrument requires for Capital Management Measures that they be presented with no more prominence than the most directly comparable measure/ratio presented in the primary financial statements. However, such measures are rarely, if ever, presented on the primary financial statements as note disclosure is typical. We believe it will be rare for an issuer to be able to comply with the requirement in Part 2, Item 7(2)(a) of the Proposed Instrument as a result. For example, financial institutions have many capital measures that must be maintained; however, there are no such ratios presented in the primary financial statements and it would therefore be impossible to meet the requirement that the ratio be presented with no more prominence than the most directly comparable financial measure or similar financial measure presented in the primary financial statements.

Clarify what ‘appears in the document’ means

The Proposed Instrument requires certain disclosures when the measure ‘appears in the document’. Many entities have financial measures and ratios that are required to be maintained by a regulator (e.g. OSFI) or lenders and discuss these measures and ratios in MD&A. If an entity does not provide an actual measure, but simply lists the measures that must be complied with, it is unclear if the requirements in the Proposed Instrument apply. For example, an issuer may indicate that they must maintain working capital in excess of $500,000 and a working capital ratio in excess of 4:1 and that they have met those requirements without actually discussing the amount of their working capital or disclosing their working capital ratio. We believe the Proposed Companion Policy should address what is required in this situation otherwise there will be diversity in practice.

Supplementary Financial Information

For the reasons discussed under question 1, we believe the definition of Supplementary Financial Measure should be broadened to capture combinations of line captions in the primary financial statements. We recommend redefining it as follows:

> *Supplementary Financial Measure means a financial measure that is not disclosed or presented in the financial statements and that*
>
> *(a) Is a combination of line captions in the primary financial statements or is a disaggregation, calculated in accordance with the accounting policies used to prepare the financial statements, of a line item presented in the primary financial statements, and*
>
> *(b) Is, or is intended to be, disclosed on a periodic basis to present an aspect of financial performance, financial position or cash flow.*

Application

Part 1, Item 2 Application states that the "first time" concept is intended to be applied to each discrete document that relates to a specific period or date. We believe this will result in unnecessary duplication. We believe issuers should be allowed to cross reference to an earlier document, in the public domain, that provided the appropriate disclosures