

VIA EMAIL:

comments@osc.gov.on.ca; consultation-en-cours@lautorite.qc.ca

December 5, 2018

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

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor
Toronto ON M5H 3S8

Me 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

Re: Canadian Securities Administrators (the “CSA”) Notice and Request for Comment: Proposed National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure (the “Proposed Instrument”), Proposed Companion Policy 52-112 Non-GAAP and Other Financial Measures Disclosure and Related Proposed Consequential Amendments and Changes

Background on Lifeco

Great-West Lifeco Inc. (TSX: GWO) (“**Lifeco**”) is a leading international financial services holding company with interests in the investment management, life insurance, health insurance, retirement savings and reinsurance businesses. Lifeco operates primarily in Canada, the United States and Europe through its subsidiaries.

Objectives of the Proposed Instrument

Lifeco welcomes the efforts by the CSA to provide clear requirements surrounding the disclosure of non-GAAP and other financial measures. We believe that such efforts will be beneficial to investors and will significantly reduce variances in the disclosure practices surrounding non-GAAP measures. In addition, we have provided additional feedback within our general comments.

General Comments

Disclosures around externally imposed capital requirements should be excluded from the Proposed Instrument

The Proposed Instrument applies to the disclosure of certain financial measures unless the issuer discloses a specific financial measure in accordance with a requirement of securities legislation or the laws of a jurisdiction of Canada. Lifeco supports revising the Proposed Instrument to provide that it also would not apply to specific financial measures disclosed in the notes to the financial statements around externally imposed capital requirements in Canada and foreign jurisdictions in which the issuer operates (in accordance with International Accounting Standard 1.135(a)(ii)). For example, the Office of the Superintendent of Financial Institutions (“OSFI”) requires life insurance companies and insurance holding companies to maintain a specific Life Insurance Capital Adequacy Test (“LICAT”) ratio. The LICAT ratio is not law but is the tool used by OSFI to ensure companies are complying with capital requirements that are law. Based on Annex C of the proposed companion policy, it appears that the ratio would meet the definition of a Capital Management Measure under Section 7. However, we believe that this LICAT and other required capital management ratios should be out of scope of the Proposed Instrument.

External regulators require these ratios to be publicly disclosed at least annually. Most public life insurance companies have chosen to include this type of ratio disclosure within their financial statements and/or Management Discussion and Analysis (“MD&A”). Including the ratios of Lifeco’s insurance subsidiaries in Lifeco’s public documents benefits Lifeco’s shareholders by providing a more complete picture of Lifeco’s financial performance. However, these metrics are complicated and cannot be succinctly explained or reconciled back to a GAAP measure. Accordingly, providing a quantitative reconciliation for metrics such as LICAT and Risk Based Capital, or describing how these metrics are calculated in a way that provides a reasonable person an understanding of the metrics, would not be practical or useful for the users of a life insurer’s financial reports.

Section 7 of the Proposed Instrument should exclude all segment measures that are presented or disclosed in the financial statements

We agree that the concept of segment measures introduced in the Proposed Instrument should only apply to segment measures that are not disclosed in the notes to the financial statements. Segment financial measures that are disclosed in the notes to the financial statements must follow the requirements under International Financial Reporting Standards (“IFRS”), which includes the reconciliation requirements under IFRS 8.28. Including these measures in the Proposed Instrument would increase reporting costs to issuers without adding significant benefits to investors.

To clarify the Proposed Instrument, we suggest a revision to exclude any segment measures disclosed in a publicly available document that are also disclosed in the financial statements. These measures are disclosed in the financial statements under a reporting framework that

contains requirements on how they are calculated and presented, which would satisfy the requirements under the Proposed Instrument.

Controls over non-GAAP financial information are necessary but should not be subject to external audit requirements

We agree with the absence of external audit requirements for the control framework issuers will have in place for the financial measures in scope of the Proposed Instrument. National Instrument 52-109 requirements in place provide for a solid control framework, imposing external audit requirements would result in additional costs to issuers without providing significant benefits to users of the information.

Distinction between “presented” and “disclosed” in the financial statements is unnecessary

The Proposed Instrument currently makes a distinction between financial measures that are “presented” and “disclosed” in the financial statements. We believe that this distinction is not necessary as both items are integral to the financial statements and subject to external audit. As such, we suggest revising the Proposed Instrument to remove this distinction.

Responses to Consultation Questions

Question 1

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.

We believe that financial measures that are required to be disclosed by a regulatory agency, either within Canada or a foreign jurisdiction in which issuers may operate, should not be included in the Proposed Instrument. These types of non-GAAP and other financial measures have guidelines as to how they are calculated and disclosed but are not always made pursuant to a specific law. Currently, these financial measures appear to meet the definition of either a non-GAAP financial measure or other financial measures in the Proposed Instrument. However, we believe they should be excluded.

One example of a financial measure required by a regulatory agency is the LICAT ratio. LICAT is a regulatory capital adequacy measurement for life insurance companies. LICAT was established by OSFI and is the tool used to assess if a company maintains adequate capital, as defined by law. LICAT is disclosed in the notes to the financial statements, along with other documents, and OSFI has provided public disclosure requirements. Based on Annex C of the proposed companion policy, LICAT would meet the definition of a Capital Management Measure under Section 7. However, we believe that the ratio should be out of scope of the Proposed instrument due to the following reasons:

- the disclosure of the ratio in the financial statements is required under OSFI guidelines
- the ratio is calculated and disclosed by all life insurance companies under OSFI guidelines, and
- the ratio disclosed in the financial statements is an audited financial measure

Question 2

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 do not believe there are 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.

Question 3

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

Except for items noted elsewhere in our comment letter, we do not believe there is specific content in the Proposed Companion policy that is unclear or inconsistent with the Proposed Instrument.

Question 4

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

We have no comments on the proposed exemption for SEC foreign issuers.

Question 5

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

Lifeco agrees that the exclusion of oral statements from the requirements contained in the Proposed Instrument is appropriate. Executive officers of an issuer should have the flexibility to discuss, openly and honestly, the performance of the issuer with investors in understandable and relatable terms. These discussions typically include impromptu comments which would make it difficult for an executive officer to provide the level of disclosure required by the Proposed Instrument. Including oral statements in the Proposed Instrument would, in our view, limit the flexibility and openness of such discussions to the detriment of investors and may discourage these types of discussions.

Question 6

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

Lifeco believes that, to remain accessible to all investors, it is not appropriate to apply each of the disclosure requirements outlined in Part 2 of the Proposed Instrument to every document made available to the public. Lifeco suggests revisions to the Proposed Instrument that would allow for the requirements under section 3(d)(iii) and 3(d)(iv) of Part 2 to be incorporated by reference to other documents filed under an issuer's SEDAR profile. This would follow what is currently permitted under National Instrument 51-102 – *Continuous Disclosure Obligations*.

In such a scenario, an issuer's interim or annual MD&A could satisfy the disclosure requirements outlined in Part 2 of the Proposed Instrument while the issuer's news release that accompanies the release of results would incorporate such disclosure requirements by reference to the MD&A. This would allow news releases to remain concise, accessible and understandable to all investors while also providing investors with the ability to better analyze financial measures within an industry or among different industries.

Summary

Lifeco supports the efforts by the CSA to provide clear and formalized requirements regarding the disclosure of non-GAAP and other financial measures. However, the practical realities of communicating with investors should be considered when finalizing the Proposed Instrument. Lifeco believes that excluding oral statements from the disclosure requirements contained in the Proposed Instrument would provide executive officers of an Issuer with the flexibility to have open discussions with investors. To remain accessible to investors, Lifeco supports revising the Proposed Instrument to:

- (a) exclude specific capital management measures which are required by regulators to be calculated and disclosed publicly;
- (b) allow for the incorporation of the disclosure requirements by reference to other documents, such as an MD&A, in news releases;
- (c) segment measures disclosed or presented in the financial statements, along with other publicly available documents, should be excluded from the scope of the Proposed Instrument;
- (d) controls over financial measures in scope of the Proposed Instrument should not be subject to external audit requirements; and
- (e) the distinction between financial measures that are "presented" or "disclosed" should be removed from the Proposed Instrument.

We appreciate the opportunity to provide you with our comments on the Proposed Instrument and would be pleased to answer any questions that you may have about this submission. Please feel free to contact me if you wish to discuss this further or require additional information.

Yours very truly,

GREAT-WEST LIFECO INC.

Garry MacNicholas, Executive Vice-President and Chief Financial Officer