

November 20, 2018

The Secretary  
Ontario Securities Commission  
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Dear:

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

**Re: Proposed National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure and the related proposed Companion Policy, Consequential Amendments and Changes**

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the:

- Proposed National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*;
  - Proposed Companion Policy 51-112 *Non-GAAP and Other Financial Measures Disclosure*; and
  - Related proposed consequential amendments/changes,
- collectively referred to as “Rule 52-112” throughout this letter.

### **Overall comments**

We support the Canadian Securities Administrators’ (CSA) efforts to strengthen the disclosure requirements surrounding non-GAAP financial measures and other financial measures. This topic is one of increasing importance and interest to a variety of stakeholders (including standard setters, management, directors, assurance providers, users, regulators and others). Commentators indicate that there has been an increase in the last several years in company disclosures of, and reliance by users on:

- non-GAAP financial measures;
- other financial measures; and
- non-financial measures or operational measures.

(referred to collectively as “performance measures”)

Rule 52-112 is an important response to concerns raised by some of these commentators.

Overall, we are supportive of the strengthened requirements. In reviewing Rule 52-112, we did not identify any assurance implications resulting from the proposed rule. We did, however, note that Rule 52-112 does not address disclosures of non-financial measures or operational measures. We believe these are measures where there is significant scope for improvements to the quality of information provided to users. Accordingly, we recommend that the CSA explore whether there is a role it can play in enhancing the disclosures of all performance measures through regulatory changes.

We also note that current securities regulation does not require any form of independent assurance on information outside the financial statements, such as performance measures. We believe the CSA should continue to monitor the use of, and reliance on, such information by users and consider whether it is in the public interest for the credibility of that information to be enhanced by independent assurance. As further described below, the AASB has initiated a project to explore the value and impediments of assurance in this area.

### **The AASB’s initiative**

The AASB recognizes that assurance providers also have a role to play in enhancing the trust and credibility of information outside of the financial statements, including performance measures. We began a project in 2017 to assess the potential impact on assurance standards of assurance engagements for this type of information. One of our current activities is a research project conducted jointly with CPA Canada, which will complement the work of the CSA and others in this area.

Research project: The AASB is recruiting multi-stakeholder teams (consisting of a representative from an audit committee, preparer of financial information and auditor) to work with the investor/user community over the next year to:

- enhance the relevance of their financial reporting; and
- explore the value of assurance on information outside the financial statements.

This research initiative will help to gather experience on the practical application of the Accounting Standards Board's recently developed Draft Framework for Reporting Performance Measures and Rule 52-112, as well as inform the AASB on whether guidance and/or changes to standards may be necessary to support assurance engagements on information outside the financial statements.

More information on this initiative can be found online on CPA Canada's website [here](#).

We hope that these comments will be useful to the CSA in determining the appropriate next steps relating to this key project. If you have any questions or require additional information, please contact Eric Turner at (416) 204-3240 or [eturner@asbcanada.ca](mailto:eturner@asbcanada.ca).

Yours very truly,



Ken Charbonneau FCPA, FCA  
Chair, Auditing and Assurance Standards Board (Canada)

c.c. Canadian Auditing and Assurance Standards Board members