

June 29, 2020

The Secretary
Ontario Securities Commission
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cc:

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

Dear Secretary and Me Lebel,

Re: CSA Second Notice and Request for Comment
Proposed National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure

The Canadian Investor Relations Institute (CIRI), a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community, is pleased to provide comments on the above referenced CSA Second Notice and Request for Comment, issued February 13, 2020. CIRI membership represents over 230 non-investment fund reporting issuers with a combined market capitalization of \$1.9 trillion. More information about CIRI is provided in Appendix 1.

General Comments

Financial statements are considerably more complex and detailed today than they have ever been in the past. Providing investors with appropriate and fulsome information significantly contributes to the market's ability to assign a fair value to the shares of reporting issuers. In that same vein, CIRI believes it is just as important to develop, utilize and report non-GAAP financial measures as a reasonable and appropriate means to communicate additional key information and metrics that will more completely inform investors as to the performance of the reporting issuer.

Non-GAAP financial measures provide investors with additional insights and valuable information which allows them to better understand and evaluate an issuer's performance. Such measures can take into account non-recurring items to allow for core business comparability from period-to-period. Non-GAAP financial disclosure is recognized as an accepted means to address and/or clarify issues specific to a given industry or sector. Additionally, non-GAAP financial measures can provide investors with the means to review and utilize metrics similar to those used by competitors to provide increased comparability between reporting entities.

CIRI agrees with and strongly endorses the concept of improved non-GAAP financial disclosure and is therefore generally supportive of the Second Notice regarding proposed National Instrument 51-112 Non-GAAP and Other Financial Measures Disclosure. CIRI is particularly supportive of the substantive changes incorporated by the CSA into this Second Notice based on feedback from various market participants. It is also clear that the CSA considered the regulatory burden on capital market participants, including reporting issuers that constitute the majority of CIRI's membership, in this version.

Concern: Incorporation by Reference

CIRI does have one concern relevant to an issuer's central role of providing effective communication between reporting issuers and capital market participants including investors and others. Annex D, Section 5 of the Notice addresses the *Incorporating Information by Reference*, a well-established means to ensure that the appropriate information is disclosed in an effective and efficient manner. However, Subsection 5.3 (b) specifically excludes incorporating information by reference in a news release issued by an issuer. This seems anomalous given that the Notice and the proposed instrument allows cross-referencing for other disclosure documents, such as the Annual Information Form. This is detailed and exemplified elsewhere in the Notice (i.e. Annex E, Section 5 - *Incorporation by Reference*). CIRI believes that it would be reasonable to allow the same cross-referencing in a news release, as long as the release references the exact location (i.e. page number) of the reconciliation of the non-GAAP financial measure to its closest comparable GAAP equivalent within the MD&A and provides a hyperlink. Such cross-referencing in a news release is also consistent with the overall objective of reducing regulatory burden while maintaining effective communication with investors.

In general, CIRI is supportive of the efforts of the CSA to address the concerns and issues raised by respondents to the initial Notice and believes that the 2020 proposed instrument represents a significant improvement over the 2018 version. In addition, CIRI would strongly encourage the CSA to allow for a long transition time to fully implement the proposal as a National Instrument, given the widespread use of non-GAAP financial measures by issuers, and that the CSA consider having the implementation of the instrument coincide with the beginning of an issuer's annual financial period, if possible.

CIRI is pleased to provide the CSA with its comments regarding the proposed National Instrument 52-112 regarding non-GAAP and Other Financial Measures Disclosure and its efforts contributing to the ongoing initiative to reduce the regulatory burden for capital market participants, particularly reporting issuers.

Should you wish to discuss this submission further, please let me know.

Sincerely yours,



Yvette Lokker
President and Chief Executive Officer
Canadian Investor Relations Institute

Appendix 1

The Canadian Investor Relations Institute

The Canadian Investor Relations Institute (CIRI) is a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community. CIRI contributes to the transparency and integrity of the Canadian capital market by advancing the practice of investor relations, the professional competency of its members and the stature of the profession.

Investor Relations Defined

Investor relations is the strategic management responsibility that integrates the disciplines of finance, communications and marketing to achieve an effective two-way flow of information between a public company and the investment community, in order to enable fair and efficient capital markets.

The practice of investor relations involves identifying, as accurately and completely as possible, current shareholders as well as potential investors and key stakeholders and providing them with publicly available information that facilitates knowledgeable investment decisions. The foundation of effective investor relations is built on the highest degree of transparency in order to enable reporting issuers to achieve prices in the marketplace that accurately and fully reflect the fundamental value of their securities.

CIRI is led by an elected Board of Directors of senior IR practitioners, supported by a staff of experienced professionals. The senior staff person, the President and CEO, serves as a continuing member of the Board. Committees reporting directly to the Board include: Human Resource and Corporate Governance; Audit; Membership; and Issues.

CIRI Chapters are located across Canada in Ontario, Quebec, Alberta and British Columbia. Membership is close to 500 professionals serving as corporate investor relations officers in over 230 reporting issuer companies, consultants to issuers or service providers to the investor relations profession.

CIRI is a founding member of the Global Investor Relations Network (GIRN), which provides an international perspective on the issues and concerns of investors and shareholders in capital markets beyond North America. The President and CEO of CIRI has been a member of the Continuous Disclosure Advisory Committee (CDAC) of the Ontario Securities Commission. In addition, several members, including the President and CEO of CIRI, are members of the National Investor Relations Institute (NIRI), the corresponding professional organization in the United States.