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October 17, 2018

The CSA Chief Accountants Committee
c/o Ms. Carla-Marie Hait, Chief Accountant
British Columbia Securities Commission
701 West Georgia Street
P.O. Box 10142, Pacific Centre
Vancouver, BC V7Y 1L2

Dear Sirs:

Re: Comments on the *Draft Framework for Reporting Performance Measures*

Thank you for discussing your comments on our Draft Framework with us in July 2018 and sending us a [written response](#) in August 2018. Feedback like yours is instrumental in helping us to improve the Framework.

While the AcSB's and CSA's mandates and stakeholders are generally different, there are commonalities between us. We each serve investors. We each work to improve the quality of financial information Canadian investors rely on to make decisions. Each of our initiatives and the feedback we provide one another contributes to making that happen.

We think the Framework can assist a broad range of entities in selecting, developing and reporting performance measures by setting out best practices. The *CSA Staff Notice 52-306 (Revised) Non-GAAP Financial Measures* or the forthcoming *Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosures* apply to a subset of those entities: being Canadian reporting issuers and some private entities. Those CSA requirements identify the comprehensive disclosures reporting issuers must provide about non-GAAP financial measures and other financial measures. We think the Framework can act as **complementary guidance** to support entities in developing processes and establishing governance procedures that can assist them in complying with the CSA requirements.

By working together, we are confident that we can further enhance the quality of financial reporting.

Meeting stakeholders' needs

There are some differences that need to be considered.

For example, the CSA requirements are for reporting issuers that include some publicly accountable and private entities. The Framework, however, can be applied by all publicly accountable and private entities as well as not-for-profit entities.

During our consultations, we learned that the Framework guidance will be helpful to many Canadian entities, as well as those in other jurisdictions. Several standard setters in other jurisdictions plan to consider providing similar guidance or building out their existing guidance based on the best practices in the Framework. We plan to revise and issue one Framework that can help all these types of entities in Canada and internationally.

Because of this, the Framework must meet a broad spectrum of stakeholders' needs – including entities operating in for-profit and not-for-profit sectors as well as their management, those charged with their governance, assurance providers and users, both domestically and internationally.

As we deliberate feedback received, we are revising the Framework to help this broad spectrum of stakeholders improve the reporting of financial and non-financial performance measures. We think those stakeholders involved in the reporting of financial performance measures for entities subject to the CSA requirements will understand and appreciate that the Framework does not override or supersede the requirements. Instead, we think they will consider the Framework to be a resource to leverage in the selection of their performance measures and the development of those measures that will assist them in complying with the CSA requirements.

Responding to your feedback

We are responding to your comments in two stages.

As the Framework is only available in draft today, we will first issue a revised Framework in December 2018 for all entities to consider when developing their year-end reporting and that entities subject to CSA oversight can consider when complying with the Staff Notice. We will review the Framework when the Draft Regulation is finalized to consider whether additional revisions or clarifications to the Framework are required.

We deliberated your comments in conjunction with other feedback received and are revising the Framework in the following ways:

- Noting how the Framework could help in the selection, development and reporting of other performance measures outside the scope of the Framework.
- Encouraging more disclosure about the relevance of performance measures and identifying when commonly reported measures are not comparable.
- Recommending entities explain whether and how performance measures were subject to verification.
- Further encouraging performance measures to be consistently reported.
- Clarifying the stand-back assessment regarding the use of multiple measures.
- Revising our drafting to provide clear explanations and use more consistent terminology in the Framework.

Working together

As Canada's independent accounting standard setter, we are working to provide guidance on performance measures that can help each type of stakeholder in the financial reporting process – including management, directors, assurance providers, advisors, investors, contributors, lenders and other resource providers.

As Canada's securities regulators, your experience with non-GAAP financial measures and the feedback you have provided has helped us to revise the guidance in the Framework.

To support the CSA's initiative, we are developing a response to your notice of consultation on the Draft Regulation. We look forward to continuing to work together to improve the reporting of performance measures.

Yours truly,



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About the Canadian Accounting Standards Board

The AcSB is an independent body with the authority to establish accounting standards for use by all Canadian entities outside the public sector. The AcSB serves the public interest by establishing standards for financial reporting by all Canadian private sector entities and by contributing to the development of internationally accepted financial reporting standards.