

Proposed Amendments to Non-GAAP Financial Measures Disclosure to Respond to IFRS 18

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Introduction

On November 13, 2025, the Canadian Securities Administrators (CSA) published a [request for comments](#) on proposed amendments to National Instrument 52-112 - *Non-GAAP and Other Financial Measures Disclosure* (NI 52-112) (the Proposed Amendments) to respond to changes to financial statements that will result from the adoption by reporting issuers of IFRS 18 *Presentation and Disclosure in Financial Statement* (IFRS 18).

Background on IFRS 18 and NI 52-112

NI 52-112

On May 27, 2021, NI 52-112 and Companion Policy 52-112 *Non-GAAP and Other Financial Measures Disclosure* came into force. Before its coming into force, Canadian securities regulators grew concerned over non-GAAP financial measures and the potential to mislead investors. Compliance with NI 52-112 is mandatory for reporting issuers and regulates the use of certain financial and other measures that are not prescribed by an issuer's GAAP. NI 52-112 currently defines "non-GAAP financial measures" as financial measures that: depict historical or expected future financial performance, position, or cash flow of an entity; exclude amounts included in, or includes amounts excluded from, the most directly comparable IFRS measure; are not disclosed in the issuer's financial statements; and are not a ratio, fraction, percentage, or similar representation. Reporting issuers must clearly label non-GAAP financial measures, explain their purpose, and reconcile them to the most directly comparable GAAP measure.

IFRS 18

The International Accounting Standard Board (IASB) issued IFRS 18 on April 9, 2024, and it will take effect on January 1, 2027. IFRS 18 introduces the concept of management-defined performance measures (MPMs), which are subtotals of income and expenses that meet the following criteria:

- are used in public communications outside of the entity's financial statements,
- are used to communicate to investors management's view of an aspect of the financial performance

of the entity as a whole, and

- are not listed in IFRS 18 or specifically required by IFRS.

MPMs do not include subtotals of *only* income or *only* expenses, financial ratios such as return on equity, or alternative cashflow measures such as “free cash flow.”

IFRS 18 is designed to curb misleading use of MPMs by requiring consistent presentation and disclosure in the financial statements rather than only in external communications. To this end, IFRS 18 makes disclosure of MPMs mandatory in a single note to the financial statements.

MPMs presented outside of financial statements are currently treated as non-GAAP financial measures under NI 52-112.

IFRS 18 also addresses the use of “additional” subtotals, which are subtotals of income and expenses that an entity chooses to present in its statement of profit or loss, beyond mandatory subtotals required by IFRS 18 if such subtotals are considered necessary to provide a useful summary of the entity’s financial performance. IFRS 18 requires “additional” subtotals disclosure to comply with strict conditions, including consistency across periods and the disclosure of “additional” subtotals being no more prominent than that for required subtotals. An example of an additional subtotal is “operating profit before non-recurring items,” where a related IFRS subtotal would be operating profit.

Summary of the Proposed Amendments

As a result of IFRS 18 requiring that MPMs be disclosed in the financial statements, certain current non-GAAP financial measures would fall outside of the scope of NI 52-112. By expanding the definition of “non-GAAP financial measure” to include management-defined performance measures, the Proposed Amendments aim to ensure that the “[status quo](#)” is maintained – meaning that financial measures that have historically been subject to NI 52-112, remain subject to its requirements.

Without the Proposed Amendments, in addition to the change in historical treatment, IFRS 18’s implementation could lead to unintended regulatory outcomes such as inconsistent disclosures across time periods or between financial statements and other disclosures, and uncertainty about the approach to relevant measures that are included in financial statements and in other disclosures. The Proposed Amendments aim to combat the consequences arising from the implementation of IFRS 18 on NI 52-112 and minimize disruption to established disclosure practices.

- **Reforming Non-GAAP Definitions:** The Proposed Amendments:
 - add a new definition of “management-defined performance measure” that references the accounting principles applied for the preparation of the relevant entity’s financial statements,

- expand the definition of “non-GAAP financial measure” to include management-defined performance measures, and
- add a new definition for “additional subtotal,” being a subtotal that:
 - is disclosed in the primary financial statements,
 - is not defined or listed in the accounting principles used for the issuer’s financial statements, and
 - is not a specified financial measure (i.e., not a non-GAAP financial measure, a non-GAAP ratio, a total of a total of segments measure).
- **No Impact on MPMs:** Issuers will continue to be required to clearly label MPMs as non-GAAP financial measures, explain their purpose, and reconcile them to the most directly comparable GAAP measure.
- **Incorporating Information by Reference:** The Proposed Amendments would allow issuers to incorporate certain information for MPMs such as the composition of the MPM, an explanation of why the MPM is useful to an investor and how management uses it, and the reconciliation of the MPM, by reference to the notes of the financial statements, provided the notes include that information in an effort to avoid duplicative disclosure. Incorporation by reference to the issuer’s MD&A was already permitted if the details were in that MD&A.
- **Additional Subtotal Disclosure:** When an additional subtotal is disclosed outside the financial statements, it must be accompanied by the most directly comparable IFRS subtotal that is not an MPM and cannot be presented more prominently than that IFRS subtotal. The Proposed Amendments, with respect to additional subtotals, look to align with the approach taken by IFRS 18 which permits certain additional subtotals in the primary financial statements to be shown no more prominently than IFRS defined totals and subtotals.
- **Exemptions:** The Proposed Amendments consolidate existing exemptions from NI 52-112 for issuers that are currently relying on existing blanket orders and Rule 52-503 - *Exemption from Disclosure of a Specified Financial Measure* (Rule 52-503) in Ontario. British Columbia’s existing blanket order Instrument 52-513 - *Exemption from National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure* will continue to apply to ensure uniformity in the application of the exemption across Canada.
- **Applications for Relief from NI 52-112:** The CSA has proposed to amend Multilateral Instrument 11-102 - *Passport System* to include NI 52-112 in Appendix D of that Instrument, which would allow applications pertaining to NI 52-112 to be made under the passport system.
- **Anti-Avoidance Guidance:** The Companion Policy adds new guidance for issuers, stating the regulators’ view that issuers should not disclose or refer to a financial measure in the *notes* to their financial statements for the purpose of avoiding application of NI 52-112. The regulators indicate that they expect issuers to apply the requirements of NI 52-112 pertaining to non-GAAP financial measures to a financial measure disclosed or referred to for such purpose in the *notes* to the financial statements if the other conditions set out in the definition of non-GAAP financial measure apply to such measures. The key condition would be that “with respect to its composition, [*the measure*] excludes an amount that is included in, or includes an amount that is excluded from, the

composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity.”

The CSA is of the view that the Proposed Amendments re-establish the baseline standards with respect to non-GAAP financial measures, without imposing any material that demands new requirements on issuers. However, issuers should review the final amendments against their existing policies and procedures.

What's Next

For the time being, the IASB has implemented limited changes to MPMs. However, the IASB is exploring whether to also require similar financial statement disclosure of other historically non-GAAP financial measures, such as free cash flow and other non-GAAP financial measures. The Proposed Amendments do not encompass possible future developments, limiting changes to the specific impact of current IFRS 18.

The comment period for the Proposed Amendments runs until February 11, 2026.

If you or your organization would like to submit a comment to the CSA, we welcome you to contact our [Capital Markets](#) Group to assist you in formatting and submitting your comments.

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