

**COMPANION POLICY 51-501CP  
TO SASKATCHEWAN LOCAL INSTRUMENT 51-501  
ANNUAL INFORMATION FORM AND MANAGEMENT'S DISCUSSION & ANALYSIS**

**PART 1 GENERAL**

**1.1 Introduction**

The purpose of this Companion Policy is to provide additional guidance to assist reporting issuers in complying with their obligations under Saskatchewan Local Instrument 51-501AIF and MD&A.

**1.2 Debt-Only Reporting Issuers**

The local instrument requires all reporting issuers that exceed the thresholds in section 1.1 of the local instrument, other than mutual funds, to file an AIF, including annual MD&A, and interim MD&A for the years required under the local instrument. This includes reporting issuers that are reporting issuers solely because they have debt securities outstanding. However, debt-only reporting issuers are not required under the local instrument to send the annual or interim MD&A to securityholders.

**1.3 Interrelationship with NI 44-101**

National Instrument 44-101 Short Form Prospectus Distributions ("NI 44-101") requires most issuers to file an AIF in order to be qualified to distribute securities under a short form prospectus. Form 44-101F1, which is the form of AIF, also contains the MD&A requirements. An issuer that files an AIF under NI 44-101 within 140 days after its financial year end, or if permitted, under subsection 4(4) of the local instrument within 180 days after its financial year end, satisfies the requirement to file an AIF and MD&A for its financial year under the local instrument without filing a separate AIF under the local instrument. The interim MD&A filing requirement is in addition to the requirement to file annual MD&A.

**PART 2 MD&A**

**2.1 Sending of Annual MD&A** - An issuer may satisfy the obligation in section 6 of the local instrument to send the MD&A to its security holders by including the MD&A in an annual report sent to security holders.

**2.2 MD&A Supplement for Canadian GAAP Discussion** - A Canadian issuer that files its AIF in the form of a current annual report on Form 10-K or Form 20-F under the 1934 Act and prepares MD&A based on financial statements that have been prepared in accordance with foreign GAAP is required under section 5 of the local instrument to file a supplement to its annual MD&A and under section 11 to file a supplement to its interim MD&A. The purpose of the supplement is to discuss the issuer's financial statements prepared in accordance with Canadian GAAP. It is not necessary for the supplement to restate the MD&A in its entirety. Instead, the supplement should focus on those parts of the MD&A that are affected by the fact that the issuer has prepared its financial statements in accordance with foreign GAAP

instead of Canadian GAAP and restate those parts based on financial statements prepared in accordance with Canadian GAAP.

### **2.3 Interim MD&A**

1. In preparing the interim MD&A, issuers may presume that readers of the MD&A have read or have access to the MD&A for the annual financial statements. Issuers should discuss the current period in the interim MD&A and how it compares to the corresponding period in the previous year, including commentary on any known trends or uncertainties that have had or that the issuer reasonably expects will have a favourable or unfavourable effect. A discussion that would largely duplicate the disclosure contained in the annual MD&A need not be repeated. For example, a discussion of the external economic and industry factors affecting the issuer need not be repeated if those factors are substantially unchanged from the annual MD&A. A statement that those factors remain substantially unchanged would suffice. On the other hand, when external factors or the specific circumstances of an issuer have changed subsequent to the end of the most recently completed financial year, disclosure is required. For example, significant changes in the nature and extent of an issuer's use of financial instruments would require discussion.
2. In preparing the interim MD&A, it is not sufficient for an issuer to recite, without explanation, the amount of changes from period to period that are readily computable from the financial statements. The discussion need not repeat numerical data contained in the financial statements. The issuer should include information that is available to the issuer and does not clearly appear in the issuer's financial statements.
3. In preparing the interim MD&A, issuers are required to address changes that are material. Materiality is a matter of judgement in particular circumstances, and should generally be determined in relation to an item's significance to investors, analysts and other users of the information. An item of information, or an aggregate of items, is considered by the Commission to be material if it is probable that its omission or misstatement would influence or change an investment decision with respect to the issuer's securities. In considering whether items are material, issuers should consider the potential significance of items individually rather than on a net basis where factors have an offsetting effect. An issuer should also take into account both quantitative and qualitative factors. This concept of materiality is consistent with the financial reporting notion of materiality contained in the Handbook.<sup>1</sup>
4. An issuer may combine the interim MD&A with the MD&A relating to the annual financial statement, if the issuer's interim financial statements to which the MD&A relates are presented together with its annual audited financial statement.<sup>2</sup>

### **2.4 Review by Audit Committee** - In the Commission's view, if an issuer has an audit committee, MD&A should be carefully considered and reviewed by the audit committee.

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<sup>1</sup> A similar materiality concept is found in Form 44-101F1. The term "Handbook" is defined in National Instrument 14-101 Definitions as meaning the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time.

<sup>2</sup> This comes from Instruction 1 to paragraph (b) of item 303 of Regulation S-K.