

FEI Canada's Policy Forum Top 10 Issues for 2020

Corporate Reporting

1. *Member preparedness in a challenging, demanding, cost-conscious reporting environment:*

Financial executives are well aware of the pressures to control or reduce costs while at the same time adding value. The financial reporting environment continues to exert increasing demands on finance organizations, whether it is new auditor reporting standards requiring more detail in their reports, certification of financial controls, and implementation of new and complex financial reporting standards or increased transparency of reporting. What are the implications for organizations and boards and what actions do they need to take?

2. *Alternative Performance Measures — Non-GAAP measures:*

In today's complex business world, there is data, there is information and there are Key Performance Indicators (KPI) and Non-GAAP measures. KPIs are fast and efficient tools used to measure business performance, helping decision makers adjust to the business realities in a timelier fashion. Financial executives are facing increasing challenges to identify, measure and disclose the most useful business analytics and KPIs that help guide their company's success. The past fifteen years has seen a growing trend where issuers of financial statements provide Non-GAAP financial measures. [From a Regulator's perspective, the increased prominence, extensive use and highlighted commentary around Non-GAAP financial measures and other non-financial measures \(jointly referred as Alternative Performance Measures\) is a big concern for most regulators.](#)

Governance and Risk

3. *Effective management of disruption risk:*

Effective risk management should both create value for an organization and help deal with uncertainty. An organization's ability to swiftly and effectively identify, assess, and manage disruptive risks is an important competitive advantage that should be integrated into business processes. Disruptive trends are occurring with more frequency and evolving much more quickly now, especially as technology reduces barriers to entry and enables new and more cost-effective business models. Implementing new technologies and other strategies to address these industry changes can introduce new risks to the business.

4. *Managing business risk around climate change:*

Managing business risks and opportunities of Climate Change risk is another dynamic force that is altering the future of entire industries. There is significant momentum driving initiatives to address climate change, which could significantly change entire industries. Companies need to consider the potential impacts of climate change risks to their business strategies and operating processes, including transition and physical risks. From cost implications of new regulations, supply change impacts due to changing weather patterns and environmental conditions, to the reputational impacts from changing customer preferences, climate change

risks can have far reaching implications for companies. These significant shifts can also present opportunities for new products, markets, and customers. Investors and lenders are looking to companies to provide more information on climate change strategies to inform investing and financing decisions. Effectively identifying and managing climate change risks and opportunities will be increasingly important for companies to succeed.

Treasury and Capital Markets

5. *Private Companies – Transition, Succession and Raising Capital:*

A recent FEI Canada BDO Canada membership survey “**Canada’s Wave of Business Transition**” noted that 54% of the respondents were expecting to sell their companies within the next to 2 years and a further 19% are expecting to sell within 3 – 5 years. As this happens, CFO’s will play a leading role in the two scenarios that this massive SME ownership transition will generate: (1) for entrepreneurs wanting to exit their businesses, private company CFOs will play a critical role in both maximizing their owners’ wealth and facilitating the transition process, and (2) this “tsunami” of private companies for sale will represent huge opportunities for companies wishing to grow through acquisitions, and their CFOs will be responsible for evaluating opportunities, putting together acquisition proposals and arranging the appropriate financing for these acquisitions.

One of the unique challenges that private company CFOs face is that their entrepreneurial owners expect them to be finance experts when often they have only dealt with their local banker. With a myriad of alternative capital providers focusing on SMEs – asset-based lenders, subordinated & mezzanine debt providers, private equity and Crown Corporations – FEI is creating a platform within FEI Chapters to inform, educate and mentor the many private company members on how to access the right financing with the right financial partner. With the launch of FEI’s **Private Company Committee**, private company CFOs will now have a unique and exclusive resource that they can turn to for help and guidance with these critical issues.

Taxation

6. *Tax Policy Simplification:*

The Tax Committee has advocated through past submissions to the Standing Committee of the House of Commons for a simpler, more effective Canadian tax system for both private and public Canadian companies. The tax system is very complex and difficult to navigate and requires the use of highly skilled experts in the field of taxation for simple business operating transactions. The taxation system must allow Canadian businesses to operate in a competitive global environment, where the flow of capital is widespread, and investors seek returns in varying jurisdictions.

7. *Advocacy for Competitiveness and Innovation:*

Canada is one of the world’s more generous indirect tax incentive funders of innovation; this is not an achievement in itself in today’s fast-paced globally competitive marketplace if Canada does not ultimately rank

among global leaders. According to 2019 World Economic Forum's Global Competitiveness Index Canada ranked 14th in the world, down from 12th in 2018, lagging well behind 2nd ranked U.S.

Tax policy to promote Canada's innovation and competitiveness needs to be revisited. The current Research and Development tax credit system and process provides little to no incentive to entrepreneurs and founders that will spur Canadian innovation and competitiveness. Governments should continue to support the elimination of inter-provincial barriers that hamper the transfer of skilled labour between provinces. We recommend government continue to provide leadership and vision to enhance collaboration between governments, business and industry, with the goal of improving market access for all Canadian exports – commodities, services and manufactured goods – enhancing Canada's economic stability. Recent studies estimate that internal barriers between provincial 'free trade' is between \$50 - \$130 billion each year.

Pensions

8. *Financial Wellness:*

Financial wellness seems to be all over the news lately and for good reason. The connection between financial literacy, financial wellness, physical health, and mental wellness raises the stakes for individuals, employers, and society. A lack of financial wellness not only affects our ability to be productive, to earn a better income, and to save for retirement; it can also lead to a host of physical and mental health problems. For these reasons, The FEI Canada Pension Policy Forum will focus on raising awareness on the subject of financial wellness for financial executives and our FEI Canada community at large.

Information Technology

9. *Business Intelligence Analytics:*

Business Analytics is becoming a growth tool for businesses, set to gain a competitive advantage. How can Finance facilitate its adoption? What is IT's role in this data-driven economy; are we becoming the guardians of data integrity, builders of databases and managing tools to assess this wealth of information? Some organizations have been progressing in this space. The tools are relatively niche and emerging (e.g. Adaptive Insights). However, they are powerful and allow users with nothing more than a web browser to access vast amounts of data. Critical to adoption of these tools is the increasing speed of telecommunication networks. However, the last mile of communication infrastructure remains a challenge in some geographical areas.

Some of the barriers to implementation are the availability of skillsets and software. To this end, it is helpful to have staff that are both solution architects as well as being very familiar with the business and how to effectively utilize this information to gain that competitive advantage.

10. Cyber Security

Despite heavy investment in defensive measures, cyber security remains a growing threat to business. FEI Canada produced a study on [Cyber Security and Business Continuity](#) highlighting potential shortfalls within the readiness of Canada's IT infrastructure to combat cyber threats. As a matter of national security and a prime concern to members, FEI Canada proposes the government establish a national initiative, working in collaboration with industry, to manage the implementation of policies, protocols and best practices to maintain the integrity of the nation's information systems. This National Cybersecurity Initiative would invest in technologies and expertise to repel cyber-threats, establish protocols ensuring the security and privacy of data maintained in Canada, promoting best cyber-security practices to Canada's businesses and government institutions.

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Read the [Policy Forum's latest comment letters, submissions, and policy papers](#) for FEI Canada's perspective on important financial management topics. Our Policy Forum and committees are comprised of expert financial executives across Canada, who regularly provide valuable thought leadership and guidance on current issues.

Interested in joining a Thought Leadership Committee?

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