Accounting Policies Process Narrative

Process Narrative

Overview of process

The purpose of this narrative is to describe the process and controls designed to ensure that accounting policies and practices are communicated across BlackBerry and that the consolidated financial statements are aligned with the US GAAP framework. The External Reporting team at BlackBerry is responsible for the execution of this process.

This process can be divided into the following sub processes:

1. Accounting Policy update and monitoring
    a. Identification and application of new/amended accounting standards
    b. Monitoring and assessment of recurring standards
    c. Accounting policy estimates
2. Financial statement alignment to standards and disclosures

BlackBerry Contacts

The following BlackBerry contacts are involved in the implementation of the Accounting Policies process:

Name	Job Title	Role within Process
Steve Rai	Chief Financial Officer	Control Owner
Jay Chai	Senior Vice President and Chief Accounting Officer	Control Owner
Fraser Dezial	Corporate Controller	Process Owner Control Owner (FG-01/ FG-07)
Cyndi McGillivray	Senior Director, Controller IoT	Process operator
Ahmed Virk	Manager, External Reporting	Process operator
Phil Kurtz	Chief Legal Officer and Corporate Secretary	Process operator

1.1 Accounting Policy Update and Monitoring narrative

Process Narrative
Identification of new accounting developments The release of new accounting standards and policies as well as updates to existing standards are monitored by the External Reporting team. The members of the External Reporting team are all on the Financial Accounting Standards Board's (FASB) action alert email list which distributes new standards as they are approved to their subscriber listing. Upon receipt of the e-mail, the Manager, External Reporting or the Director, Financial Reporting will track the published accounting standards updates (ASUs) and their implementation dates in an Excel workbook. The Treasurer and Senior Director will perform a high level assessment of the identified standards to determine if there are any areas the team should focus on and communicate any insights to the Director, Financial Reporting and the Manager, External Reporting who will prepare the respective accounting policy analysis memo. The ASU tracker workbook will indicate which ASUs are not currently applicable to BlackBerry with commentary on why the standard is applicable or not. More significant ASUs receive additional attention in the form of dedicated implementation 'working groups' and documentation of their assessment, prior to implementation, when the standards become effective. Annually, the Manager, External Reporting will prepare an accounting standard update memo which provides additional context to the documentation in the ASU tracker. The ASU tracker and memo are both reviewed annually by the Treasurer and Senior Director, Financial Reporting who will compare the standards in the tracker to the ASUs that have been released in the year to ensure that all standards have been identified and included ***[FG07]***. Treasurer and Senior Director,

Financial Reporting will then compare the standard identified on the tracker to the ASU memo to ensure that the memo is complete. Additionally, they will review the content of the ASUs to determine whether they are applicable to BlackBerry and that comments on applicability within the tracker and memo are appropriate. Review is evidenced by an approval email. The tracker and memo are also reviewed by the VP & Corporate Controller who will compare the documentation in the tracker to their knowledge of the standards that have been released for the year and their knowledge gained from their involvement with the various working groups.

LSPM-FG01: New standards or changes to existing standards are not completely and appropriately identified.
The engagement team notes that **FG07** is the key control to address **LSPM-FG01**.

Accounting for significant, new, unusual items
In accounting for significant, new and unusual items, an unusual transaction (or event) is defined as a transaction that is outside the normal course of business or a transaction that management has either not accounted for in the past, or only encounters the transaction on a limited basis. The VP & Corporate Controller is made aware of these transactions either directly from the Chief Financial Officer or they will be directly involved in the related event or transaction. That is, as a signing authority the VP & Corporate Controller would likely be required to sign or approve the document(s) relating to the transaction. The VP & Corporate Controller may also be informed of unusual transactions during their bi-weekly one on ones with the Senior Financial team including, but not limited to, the Treasurer & Senior Director, Financial Reporting, the Head of Accounting Operations and the Head of Taxation. For the Treasurer & Senior Director, Financial Reporting, it is also during these meetings that discussions are held on the applicability and implementation of the various standards. To the extent that the Treasurer & Senior Director, Financial Reporting does not oversee the business process affected by the standard, for example Payroll, the VP & Corporate Controller will instead work with the relevant member of the Senior Financial team to ensure that the assessment standard receives the necessary attention and technical expertise.

[LSPM-FG04]: *Significant or unusual items identified in the period are omitted from the financial statements*

Working Groups
When a new standard is announced, the VP & Corporate Controller will have an initial meeting with the relevant members of senior management (based on the affected financial statement line item or FSLI) to determine i) the timeline for implementation, ii) identify the areas of the standard that need to be addressed and iii) build out the working group. The development of the various working groups depends on the standard, the information required to perform the assessment of the impact of the standard and the skill set required to interpret and apply the standards.

For ASUs with effective dates that are coming due, or if there are minor changes to a standard that would not cause any significant impact to BlackBerry, there would not be a need to convene a working group. In those cases a member of External Reporting will prepare the related analysis in the form of a memo and will seek out firm-published views on the released standards to see the implementation of the standard on similar companies. However, to the extent there are significant changes in the standards, for example the changes in the standards for revenue, leases and CECL, then the Controllers of the various reporting units will put together a working group to identify what course of action needs to be taken. The working group will gather the relevant data and begin the process of assessing the impact of the standards including the selection of applicable accounting policy elections. There were no accounting policy elections made in the current period in relation to new standards. The working groups assess the impact of standards, including interpretive guidance, on their respective business processes and the External Reporting team will lend their accounting expertise to the working groups with respect to understanding what the guidance requires.

Monitoring of Recurring policies

In addition to newly released standards, the External Reporting team will prepare memos documenting their updated assessment of the impact of various accounting standards to BlackBerry. When deciding which standards are assessed by the various members of External Reporting, the Treasurer and Senior Director, Financial Reporting will allocate the respective tasks based on the complexity of the item and confidentiality of the underlying transaction. The more complex and the more confidential the related transaction, then the assessment will be performed by either the Senior Director, Financial Reporting or the Treasurer and Director, Financial Reporting. As mentioned above, final review of these accounting assessments are performed by the VP & Corporate Controller and/or the Chief Financial Officer (CFO). Please refer to the below list of recurring memos prepared, the related standards and where applicable, the specific control reference :

Control Reference	Standard and overview of memo
TEN11:	On a quarterly basis an assessment is performed by External Reporting to identify operating segments and determine the disclosure requirements per ASC 280 Segment Reporting.
TEN06	Annually an assessment is performed to determine the functional currency of BlackBerry Limited's wholly-owned subsidiaries (such as BlackBerry UK, BlackBerry Singapore, BlackBerry Canada and Secusmart GmbH) to determine whether their functional currency should be its reporting currency (i.e. USD) or its local currency. The memo also documents the assessment of the resulting foreign exchange translation impact in line with *ASC 830 - foreign currency matters*.
RB03	Annually management will prepare a memo to document their assessment of whether the investments held by BlackBerry Limited should be accounted for using the equity method, whether the investments have readily determinable fair value, as well as if any investments should be treated as a Variable Interest Entity ("VIE"). This impairment assessment is performed as guided by ASC 321 (Investments - Equity Securities) and ASC 323 (Investments — Equity Method and Joint Ventures)
TJN01	Quarterly, as per ASC 850 (Related-Party Disclosures), an assessment is performed to identify the Company's related parties and any transactions which may require disclosure as part of the Company's financial statement disclosure. This assessment is documented as part of the related party memo.
NBN01	Quarterly a long-lived asset ("LLA") impairment analysis is performed and documented in the form of a memo. This memo includes an assessment of whether any indicators of impairment of BlackBerry Limited's LLAs (including tangible, Right of Use ("ROU") assets and definite-life intangible assets) require a cash flow recoverability test to be performed. This memo will outline the methodology and results of the cash flow recoverability test, if applicable.
NBN06	Annually, management will review the reporting units in comparison to ASC 350 to determine if any changes are required to the reporting units of BlackBerry.
NBN10	Annually management will conduct a goodwill impairment test and document their assessment in the form of a memo. The memo will also address what accounting disclosures are required per ASC 350 - Intangibles – Goodwill and Other , if impairment exists.
UA12	Quarterly management will perform and document a going concern assessment on BlackBerry Limited ("the Company") given the Company's financial and operational performance. The memo will also document whether a going concern related disclosure is required as per ASC 205.
MB02	Quarterly management will prepare a memo to describe the various inputs and components of stock-based compensation expense (prepared in accordance with ASC 718) both related to stock options, Restricted Share Units ("RSUs") as well as the expense related to Deferred Share Units ("DSUs").
HJN01	The Purpose of this revenue policy is to provide a "plain English" guide to understanding revenue recognition. After all, every employee at BlackBerry shares a common goal to maximize revenue. **US GAAP Reference: <u>ASC 606</u>**

All accounting memos are reviewed by the VP & Corporate Controller, with the exception of the investments without readily determinable fair value - impairment memo which is reviewed by the Treasurer and Senior Director, Financial Reporting. As there usually are not many changes year to year or quarter to quarter to the content of the investments without readily determinable fair value - impairment memo, the VP & Corporate Controller will review the memo if the Treasurer and Senior Director Financial Reporting notifies them of a change.

[LSPM-FG02]: The accounting policies are not consistently or appropriately applied accordance with US GAAP

Estimates

Most estimates relate to large and very scrutinized transactions (higher value transactions require more members of management to provide approval), many of which are standard to the Company and applied on a recurring annual basis. For more complex or technical estimates management will involve an independent third party valuator. For example, KPMG was engaged when determining the fair value of convertible debentures. Each particular estimate would have its own process relating to how it is developed.

The identification of changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates may also come from the respective business processes. For litigation accruals, the External reporting team will meet quarterly with the CLO, Deputy General Counsel to discuss the litigation memo, and determine which particular legal cases require disclosure and/or accrual. In addition to the controls in place for the various estimates, an overview of the key estimates is provided by the CFO or the VP and Corporate Controller to the Audit and Risk Management (ARM) Committee during the quarterly meeting of the Board of Directors. This meeting is attended by the: i) Executive Chair and CEO, ii) Chief Legal Officer & Corporate Secretary, iii) Chief Financial Officer, iv) VP, And Corporate Controller, v) CLO, Deputy General Counsel & Assistant Corporate Secretary. The discussions are summarized and documented in the board meeting minutes.

2.2 Draft Financial Statements narrative

Process Narrative

Assessing presentation disclosures inline with GAAP

The Accounting Operations team consolidates information from the various teams to produce the financial statements. Once these drafts are completed they are emailed to the External Reporting team who populate the template required for external filing as well as draft the accompanying notes to the financial statements. For currently presented disclosures, the External Reporting team is always considering the necessary modifications to the notes disclosures in order to, in their professional opinion, provide the appropriate level of disclosure. The appropriate level of disclosure is based on considerations such as the materiality of the numbers related to the respective disclosures and as compared to the Company's industry peer groups disclosures. To facilitate this process BlackBerry utilizes a software known as DisclosureNet. DisclosureNet is a tool which allows them to access public disclosures, perform peer comparisons and monitor new filings, accounting standards, and regulations.

The External Reporting team will review the standards, which includes the disclosure requirements, as they become available. The Director, Financial Reporting will then draft the note disclosure for the financial statements well in advance of the period of adoption. This draft note disclosure would then be presented to the VP & Corporate Controller and the CFO for their review. This newly adopted standard would be reflected in note one 'Summary of significant accounting policies and critical accounting estimates' in addition to a related note disclosure of its own. In the case of a change to an existing policy, the respective note is restated as necessary. The impact of the standard will be considered to determine whether or not a new disclosure is needed (Ex. leases), or if a new note is not required, which existing note the standard applies and updating the note accordingly.

On a quarterly basis the Treasurer and Senior Director, Financial Reporting reviews the financial statement notes in conjunction with disclosure requirements to ensure compliance. The quarterly/annual disclosure checklist is completed to ensure that all required disclosures were made **[TEN02].** For more details on the controls covering the note disclosure process please refer to the FS Preparation and Notes narrative.

[LSPM-FG03]: Financial statements and disclosures may not be properly presented or disclosed

Once the financial statements and its accompanying notes have been prepared and reviewed by the Treasurer and Senior Director, Financial Reporting they are subsequently reviewed by the 10-K Review Group ("Review Group") prior to being sent to the Audit and Risk Management (ARM) committee ***[FG07]*** . The Review Group consists of the Chief Financial Officer, Vice President and Corporate Controller, Investor Relations, CLO, Deputy General Counsel & Assistant Corporate Secretary (internal legal counsel) and external legal counsel. The first distribution of the financial statements are sent to the Review Group for their initial comments. These comments are incorporated into the second distribution by the Director, Financial Reporting and sent back to the review group in advance of the 'page flip' conference call. Any comments that are carried forward from the first distribution (or second distribution if time permits for multiple versions prior to the call) that have not been reflected in the financial statements are discussed in the conference call and resolved. The conference call occurs over the course of one day (usually broken into two working sessions) and during the call the Review Group will review the financial statements page by page and each reviewer is given the opportunity to have their comments addressed or raise any questions. During the conference call the Director, Financial Reporting shares their screen with the distribution being discussed, and will update the statements for the resolved comments or any suggested and approved changes from the group. While a review is done of all disclosures, the focus of the discussion is on changes to the disclosures period over period as the standard/recurring disclosures have been discussed in more detail in prior periods. The discussion of the Review group includes whether there have been new or updated standard releases and if events or transactions arose throughout the period that needed to be accounted for and disclosed.

As mentioned above, the Treasurer and Senior Director, Financial Reporting and the VP & Corporate Controller have been involved in a number of reviews of the financial statement prior to this call and will provide any insights to the Review Group as questions arise. A review is performed by the internal and external counsel, Tory's LLP and Morrison & Foerster LLP BlackBerry's Canadian and US Securities lawyers respectively to ensure that, from a filing perspective, BlackBerry is meeting the requirements of the regulators.

PwC notes that while Investor Relations is a member of the Review Group, their role is to gain an understanding on what has been included in the financial statement package, as they will be responsible for communicating and answering questions on those details to the external market.

As a result of the various levels of review performed by the Review Group, **FG07** is the key control to address **LSPM-FG04 and LSPM-FG03.**

The updated financial statements, as a result of the page flip call, is the version that is sent to the ARM for review. The comments from both the ARM committee are sent to the External Reporting team for them to update the financial statements. If there are any changes as a result of the ARM committee's review the Director, Financial Reporting will email the updated financial statements and a blackline version to the Review Group for their review and any additional comments or questions. Changes to the distribution are usually focused on disclosures with no changes being made to balances in financial statements and evidence of review can be seen in the email from the aforementioned reviewers.

Once the final version of the financial statements have been prepared final approval is provided by the CFO by email authorizing that version of the financial statements for filing. **[FG07]**