Key Performance Indicators — Tool for Audit Committees

KPI Review Matrix

Note: For the KPIs selected, please tailor the sample questions below and adjust the number of columns, as needed.

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| Questions | Overall |
| **Overall**   1. Does the entity have a formal policy, and/or a set of controls regarding KPIs? 2. Have any of these controls or procedures been tested by internal or external auditors? 3. Has the issuer received a letter from a regulatory body indicating that KPIs are not relevant, consistent, comparable, reliable, or complete, or that the related disclosure is not transparent? |  |

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| Questions | **KPI #1 KPI  Category CY, PY1, PY2** | **KPI #2 KPI  Category CY, PY1, PY2** | **KPI #3 KPI  Category CY, PY1, PY2** | **KPI #4 KPI  Category CY ,PY1, PY2** | **KPI #5 KPI  Category CY, PY1, PY2** | **KPI #6 KPI  Category CY, PY1, PY2** | **KPI #7 KPI  Category CY, PY1, PY2** | **KPI #8 KPI  Category CY, PY1, PY2** | **KPI #9 KPI  Category CY, PY1, PY2** | **KPI #10 KPI  Category CY, PY1, PY2** |
| **Title, Value and Summary:**   1. Outline the KPI’s title, category (GAAP, non-GAAP, other financial, or non-financial/operational) and presented value in the current year (CY), and prior two periods (e.g., prior year 1 (PY1), prior year 2 (PY2)). 2. Describe how the KPI is calculated. 3. Identify the party responsible for this KPI in the organization? 4. Does management have internal targets for this KPI?  If so, what are they? 5. Has management provided guidance targets for this KPI? If so, what amount is included in the guidance? |  |  |  |  |  |  |  |  |  |  |

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| **Relevance:**   1. Is this KPI used internally to measure the entity’s strategic and operational performance? 2. How did management decide that this is the most appropriate/effective measure? 3. Is this KPI commonly used in the industry? If so, has it been calculated according to a recognized industry standard (if one exists) and has that standard been disclosed? 4. How does this KPI align with management’s performance and executive compensation plan? 5. Is the KPI based on a contractual term or covenant (e.g., debt covenant) which prescribes a method of calculating? |  |  |  |  |  |  |  |  |  |  |

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| **Transparent:**   1. Is there disclosure explaining how the KPI is calculated, including any key assumptions or estimates? 2. If the KPI differs from a commonly used industry standard, are the differences disclosed and explained?   *Highlighted for non-GAAP financial measures (NGFM) but may also be relevant for other classes of KPIs as well:*   1. Does the disclosure clearly indicate that the NGFM does not have any standardized meaning under the issuer’s GAAP and therefore may not be comparable to similar measures presented by other issuers? 2. Does the name of the NGFM distinguish it from disclosure items specified, defined or determined under an issuer’s GAAP and in a way that is not misleading? |  |  |  |  |  |  |  |  |  |  |

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| ***Transparent (continued)***   1. Is there disclosure explaining why the NGFM provides useful information to investors, and the additional purposes, if any, for which management uses the NGFM? 2. Has the most directly comparable measure specified, defined or determined under the issuer’s GAAP been presented with equal or greater prominence than that of the NGFM? 3. Is there a clear quantitative reconciliation of the NGFM and the most directly comparable measure specified, defined or determined under the issuer’s GAAP and presented in its financial statements? Is the reconciliation referenced when the NGFM first appears in the document or in the case of content on a website, in a manner that meets this objective (e.g., by providing a link to the reconciliation)? |  |  |  |  |  |  |  |  |  |  |

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| ***Transparent (continued)***   1. Has the disclosure of the NGFM inappropriately described adjustments as non-recurring, infrequent or unusual, when a similar loss or gain is reasonably likely to occur within the next two years or occurred during the prior two years? 2. Has the NGFM been presented on a consistent basis from period to period? However, where there is a change in the composition of the NGFM, has the reason for the change been explained, and have any comparative periods presented been restated? |  |  |  |  |  |  |  |  |  |  |

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| **Consistent:**   1. Is this the first time the KPI has been used? Is it replacing a previously used, similar KPI? If so, why? 2. Is this KPI no longer presented? Why? 3. If financial statement reclassifications have been made since the prior period, have these impacted the KPI? If so, has the KPI been restated? |  |  |  |  |  |  |  |  |  |  |
| **Comparable:**   1. Are there any significant differences in our presented KPIs, KPI calculations or KPI disclosures compared to industry standards or peers? (Although it may be difficult to determine how your peers calculate KPIs, making such comparisons may be useful.) 2. Do analysts’ comparability tables indicate significant differences between our KPIs and those of our peers? |  |  |  |  |  |  |  |  |  |  |

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| **Reliable:**   1. What controls are in place to ensure appropriate selection and calculation methods are used for this KPI? 2. What assumptions/estimates are used in the calculation and are they reasonable? 3. Has the KPI been subjected to internal audit procedures? 4. What procedures (if any) has the external auditor performed on the KPI? 5. Have other board members, analysts or other stakeholder groups raised concerns over the reliability, or the current level of internal and/or external auditor involvement in relation to this KPI? 6. Does the level of involvement by internal and/or external auditors appear to be reasonable based on the perceived importance of the disclosed KPI? Or should a higher level of involvement by internal and/or external auditors be considered by the audit committee and management at this time? |  |  |  |  |  |  |  |  |  |  |

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| **Complete:**   1. Does the KPI present a balanced picture of ongoing operations, or is it biased for/against revenue/expense items? (e.g., includes one-time gains, but omits losses?) 2. Are we missing relevant KPIs that our peers are disclosing? |  |  |  |  |  |  |  |  |  |  |

Subsequent Review Questionnaire

| Subsequent Review Questionnaire (Please tailor these sample questions to your entity, as needed) |
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| * Are there any new KPIs presented in this period? (If yes, then add to the KPI Review Matrix and complete the questions outlined there) |
| * Have any changes to the way a KPI is calculated been made since the KPI Review Matrix was last completed? If so, why has management decided to change it? Does the change improve the relevance, consistency, comparability, reliability, transparency or completeness of the issuer’s presented results, and has that change been appropriately disclosed and reflected in the comparative figures? |
| * Have industry peers changed any of their presented KPIs since the prior period? Have we made similar changes? Why or why not? |
| * Has anything changed from a strategic, operational or environmental perspective, which may call into question why a particular KPI is used or omitted? |
| * Has management received any communication from securities regulators with regard to the issuer’s KPI inclusions, calculations and disclosures? Have new regulatory requirements or guidance been issued? Has guidance been issued by relevant industry associations or regulators? |
| * Have we received any feedback from board members, investors, analysts or other stakeholders regarding our KPIs? |
| * Did our external auditors have any comments after reading the MD&A? |