



Board Charter and Board Terms of Reference

BOARD CHARTER

1 Role of the Board

The role of the Board is to oversee the stewardship, accountability and leadership of the Firm providing clear sighted counsel on the strategic direction of the Firm and alignment to its Vision, Values and Purpose.

In doing so the Board seeks to balance the interests of the various stakeholders to whom it is responsible in order for the Firm to have a successful and sustainable future.

The focus of the Board is:

- Ensuring that the Firm has an appropriate strategy that is consistent with the public interest and overseeing delivery of the strategy by the Executive Board;
- Overseeing good financial and cultural governance (including setting the tone from the top on culture and ethics); and
- Ensuring that the Firm has the best possible Executive Leadership Team and is operating effectively.

2 Stewardship and Accountability

The Board is:

- (i) Accountable to the partner group as a whole, as the Members of the LLP;
- (ii) Responsible for holding both the Senior Partner and the Executive Board collectively to account in respect of their executive functions.

The accountability (on behalf of partners) is for effective execution of the strategy and more broadly for the proper running of the Firm by the Executive Board. This is achieved by providing clear support and constructive challenge to help the Senior Partner and the Executive Board to perform effectively. The Board oversees performance and delivery against the Business Plan, financial growth and stability, risk management, people strategies and cultural governance.

The Board ensures that there is effective two-way communication on its role, work and remit with partners and other stakeholders so this accountability is clearly understood and is seen in action.

3. Ethical Leadership

Members of the Board are exemplars of the Firm's Values, acting with integrity, fairness and in the interest of the Firm. They maintain the Firm's focus on building inclusion, enrichment and trust for the benefit of people, stakeholders and communities.

The Board collectively embodies and promotes ethical leadership by asking the right questions and challenging to ensure that poor behaviour is sanctioned. The Board oversees cultural governance including setting the tone from the top on conduct and ethics.

4 Our Stakeholders

In carrying out its role the Board seeks to balance the interests of various stakeholders to whom it is responsible so the Firm has a successful and sustainable future, true to its Purpose and Values.

The LLP's (and therefore the Board's) key stakeholders are as follows, together with the responsibilities of the Board in relation to them¹:

Clients and Investors (in audited entities) – present and future

- (i) With relentless focus on quality and commitment, maintains and enhances our reputation for the quality and integrity of our advice for clients and assurance for investors
- (ii) Ensures a consistent standard of excellence that brings us market reputation and success. Supports the combining of the best thinking from across our geographies, solutions and sectors to bring clients our collective insights and innovative ideas

Partners – present and future

- (i) Protects, grows, invests and equitably distributes the financial value of the Firm for its partners, consistent with our Purpose and Values
- (ii) Engages and communicates with partners so their issues are understood, addressed and they are kept informed

Colleagues – past, present and future

Oversees the management of colleagues by:

- (i) Supporting and championing the creation of an environment where people bring their whole selves to work in the knowledge they are treated and rewarded fairly
- (ii) Being exemplars of the Firm's commitment to be a 'Magnet for Talent' and providing opportunities for colleagues to grow their capabilities and develop their careers

¹ N.B. Some responsibilities, such as effective and regular communication/engagement apply to many or all stakeholder groups and in the interests of brevity are not repeated.

- (iii) Recognising that our alumni are aligned to our Firm's reputation and success throughout their careers
- (iv) Understanding that "Generation Y/Z" are inspired by purpose and values of responsible business, not financial success alone

Regulators and Government

- (i) Sets and monitors high standards for quality, independence and responsible business that meet or exceed regulatory requirements and further our vision of having the public trust us
- (ii) Supports the Firm's position as a leading advocate in the development of relevant policy and regulation
- (iii) Recognises the opportunity and responsibility that our convening power affords us – our footprint as a responsible business and voice in policy development for the good of business and society as a whole (aligned to our Purpose)

Global Network

- (i) Ensures there is effective senior leadership linkage with the Global Board and influence and input into the Global agenda (both at Board and Executive Board level)
- (ii) Ensures Board decision making is aligned and connected to the Global strategy
- (iii) Ensures that the LLP's obligations and commitments as a member firm of the KPMG global network are fulfilled and that matters that could impact detrimentally on the Global network are escalated and communicated appropriately

Executive Board

- (i) Gives supportive and constructive challenge to the Executive Board in order that partners are assured that Executive Board and Executive Leadership Team members are delivering the agreed strategy
- (ii) Provides clarity on the respective responsibilities of the Board and Executive Board
- (iii) Recognises that the Executive Board is responsible for delivering the Firm's output, distinctive from the Board's supervisory/oversight role

Audit Board

- (i) Supports the Audit Board in its purpose to oversee the Audit practice, its delivery of Audit Quality and the interaction of the Audit practice with the rest of the Firm
- (ii) Provides clarity on the respective responsibilities of the Board and Audit Board

Wider Community

- (i) Ensures that the Firm's strategy, actions and decisions uphold public interest obligations, build public trust and reinforce our reputation as a responsible business that reflects and supports the community and profession in which we operate
- (ii) Seeks to uphold us as being a beacon for successful, sustainable, ethical business
- (iii) Leads fair and trusted business relationships with all suppliers/contractors/clients

5 How the Board works

In providing constructive challenge to the Chair and Executive Board, the Board examines issues and solutions through different lenses to confirm that decisions made are in the long term interests of the Firm.

In order to be consistent and aligned to the Firm's strategic goals, the Board balances economic value with risk and reward; Values and value; and competing stakeholder interests. It then applies judgement to balance these factors in the particular circumstances of each issue.

Economic value and risk and reward

The Board considers the public interest, economic and strategic value of each option, within an appetite for risk that the Board approves, using available data and knowledge of the competitive markets in which the Firm operates in order to decide if the risks and rewards justify proceeding.

Values and value

The Board takes the ethical and reputational aspects of each issue under consideration and challenges whether the proposed course of action is in accordance with the Values and standards of the Firm. This is the most important of the three lenses: the Board does not pursue commercial value at the expense of our Values; it is prepared to accept negative consequences if it's the right thing to do.

Balancing competing interests

The decisions that the Board takes have different, sometimes competing or even opposite, consequences for the different stakeholders. By way of example, a cost to today's partners may yield value to the partners of the future; increasing the services we offer may benefit clients but concern regulators; changing the partner reward model may advantage certain partners compared with others. The Board seeks to identify the impact of its decisions on all stakeholders and balance their interests impartially and equitably.

6 Terms of Reference

Composition and membership of the Board

6.1 The Board shall comprise:

- (i) The Chair;
 - (ii) Two Executive members nominated by the Chair;
 - (iii) Six Members, who are Members, elected by the Individual Members as Elected Board Members; and
 - (iv) Two Members, who are Members, nominated by the Senior Partner and then approved by the Individual Members as “Nominated Board Members”.
- 6.2 The cumulative number of Elected Board Members and Nominated Board Members of the Board shall always make up the majority of the Board. There shall at all times be a majority of Qualified Individuals (under the applicable auditor qualifications regulations) as members of the Board, as set out in the LLP Agreement; of which at least two of the Elected Board Members and Nominated Board Members shall be practising auditors.
- 6.3 The Elected Board Members are elected by the Individual Members of the LLP and shall be appointed for a three year term, with the option for this to be renewed for an additional two year period (or as otherwise determined by the Board). The maximum term that an Elected Board Member can serve on the Board is five years unless otherwise determined by the approval of the Board.
- 6.4 As determined by the Elected Board Members, in consultation with the Senior Partner, one of the Elected Board Members will be appointed as the Senior Elected Board Member.
- 6.5 The Senior Partner, as Chair, may nominate up to two Nominated Board Members to the Board (one of whom shall be the Chair of Audit), and the other committees established by the Board, to strengthen the Board’s skills and ensure appropriate representation of the LLP and to bring the client voice into the Board room, at his/her discretion subject to approval by the Members. Nominated Board Members shall be appointed for a two or three year term, with the option for this to be renewed for additional two or three year term, to a maximum five years in aggregate, subject to approval by Members.
- 6.6 The number of Elected Board Members shall be six and will always be more than the aggregate number of Nominated Board Members and nominated Executive Members.
- 6.7 Independent Non-Executive Members of the Public Interest Committee may attend any and all Board meetings as attendees (including annual Board strategy meetings and Board away days).
- 6.8 The Chair of the Audit Board may attend any and all Board meetings as an attendee (including annual Board strategy meetings and Board away days).
- 6.9 The Board will meet a minimum of six times a year and the Senior Partner or the Senior Elected Board Member in the Senior Partner’s absence, may call further meetings at other times in the year as considered appropriate.

6.10 Other members of the Executive Board, Members or staff can be invited to attend Board meetings, as required by the Senior Partner or the chair of the meeting.

7 Chair of the Board

7.1 The Board Chair shall be the Senior Partner.

7.2 If the Senior Partner is not present or so chooses then the Senior Elected Board Member shall chair the meeting of the Board (including agreeing agendas and papers and managing the Board).

7.3 In the event that the Senior Partner or chair of the meeting of the Board declares a conflict of interest, or the Board decides that such individual has a conflict of interest, then the Senior Elected Board Member shall chair the meeting of the Board or the relevant part of the meeting of the Board.

8 Quorum

8.1 The quorum for any meeting of the Board shall be two-thirds of its membership, which must include a majority of Nominated and Elected members present, at the time of the meeting.

8.2 The members of the Board may participate in a meeting of the Board from separate locations by means of conference technology or other communication equipment which allows those participating to hear each other and be heard, and shall be entitled to vote or be counted in the quorum accordingly.

9 Board Procedures

Except as otherwise stated in these terms of reference, the Board shall determine its own procedures.

10 Board Resolutions

10.1 The Board shall reach decisions by a simple majority of voting on the issues in question. If the numbers of votes for and against a certain proposal are equal, the Senior Partner or the Senior Elected Board Member if he/she is chairing the meeting, has the casting vote.²

10.2 Any resolution evidenced in writing or by electronic (including email) or voice recognition means, by such member or members of the Board as would have been necessary to pass such resolution had all members of the Board been present at a meeting to consider such resolution, shall be valid and effective as if it had been passed at a meeting of the Board duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Board.

² In the event the chair of such meeting is not a Qualified Individual, the Senior Partner shall, before the commencement of the relevant Board meeting, nominate in writing another member of the board who is a Qualified Individual to have the casting vote.

10.3 Executive members on the Board will not be able to attend certain supervisory sessions of the Board. In addition, unless otherwise determined by the Chair and a majority of the Elected and Nominated members of the Board, Executive members of the Board will not be able to be included in discussions or have a vote in relation to: (i) significant governance changes; (ii) Board Committee terms of reference and delegated authorities (including the Executive Board); (iii) review of the Executive Board, its Executive sub-groups and its members and their performance (collectively or individually); and (iv) any other session as determined by the Chair or a majority of the Elected and Nominated members of the Board.

11 Conflicts of interest of individual Board members

If a member of the Board finds themselves with a conflict of interest, they shall immediately disclose this to the Chair and Senior Elected Board Member and where appropriate recuse themselves from any deliberations or votes of the Board concerning the relevant subject-matter.

12 Board Objectives

12.1 The Board will agree objectives annually that are specific and measurable and will regularly review its progress in meeting and delivering the objectives.

13 Board Reserved Matters

Specific matters that are reserved for the Board (and cannot be delegated) are the following:

13.1 Values, Policies and People

13.1.1 Approval of the LLP's Values.

13.1.2 Approval of key policies related to people, risk, culture, values, independence and ethics.

13.1.3 Approval of Inclusion and Diversity targets (developed and proposed by the Executive Board).

13.2 Strategy and management

13.2.1 Approval of the LLP's strategy (developed jointly with the Executive Board and proposed by the Executive Board³) and long-term objectives, and oversight of delivery of the strategy.

13.2.2 Approval of the annual budget and UK Business Plan (developed and proposed by the Executive Board), including operating budget and capital expenditure, and oversight of performance against plan.

³ It is noted that the Audit strategy is developed by the Audit Executive and must be approved by the Audit Board prior to approval by the Board.

- 13.2.3 Any decision to change the operating model or any decision to cease to operate all or any material part of the LLP's business (developed and proposed by the Executive Board, or in the case of the Audit business, developed by the Audit Executive and approved by the Audit Board).
- 13.2.4 Any major decision in relation to the 'future of the profession' (developed and proposed by the Executive Board and taking account of recommendations of the Audit Board).
- 13.2.5 Approval of acquisitions, disposals, funding arrangements and any other transactions or matters with a value in excess of £5 million or where there is a material impact on the LLP from a financial, operational, strategic or reputational perspective and in any event up to a maximum of £75 million in accordance with the LLP Agreement (subject to any such material transactions or arrangements within the Audit business shall have been reviewed and recommended by the Audit Board prior to such approval by the Board).
- 13.2.6 Approval of an investment framework (developed and proposed by the Executive Board and, where relevant to Audit, by the Audit Executive, taking into account any recommendations of the Audit Board).

13.3 Structure and capital

- 13.3.1 Approval of changes relating to the LLP's capital structure.
- 13.3.2 Approval of material changes in the LLP's capital and liquidity positions.
- 13.3.3 Any changes to the LLP's status as a Limited Liability Partnership or major changes to the corporate structure.

13.4 Financial reporting and controls

In connection with year-end matters approval of:

- 13.4.1 The statement of internal control and independence and compliance with the Audit Firm Governance Code (on recommendation from the Audit Committee);
- 13.4.2 The going concern statement (on recommendation from the Audit Committee);
- 13.4.3 The profit distribution;
- 13.4.4 The letter of representation to the external auditors;
- 13.4.5 The Annual Report and Transparency Report (developed and proposed by the Executive Board);
- 13.4.6 The Financial Statements with a recommendation to the LLP Members for their approval by way of an Ordinary Majority;
- 13.4.7 Approval of any significant changes in accounting policies or practices (following on from the recommendation of the Audit Committee);

13.4.8 Approval of the appointment, re-appointment or removal of the external auditors (following on from the recommendation of the Audit Committee).

13.5 Internal controls

13.5.1 Reviewing the effectiveness of sound risk management and internal control systems to manage cultural, ethical, risk and reputation matters and comply with laws, regulations and global practices and policies relevant to the LLP's business.

13.6 Contracts and Agreements

13.6.1 Approval of contracts which are material strategically or by reason of size or public interest (taking into consideration, where relevant, the Audit risk appetite framework approved by the Audit Board).

13.7 Board and other appointments

13.7.1 Approval of changes to the structure, size and composition of the Board (following recommendations from the People Committee⁴).

13.7.2 Appointments to the Board to fill a casual vacancy (on the recommendation of the People Committee).

13.7.3 Appointments of Independent Non-Executives and external non-executive members of the Audit Board (on the recommendation of the People Committee).

13.8 Remuneration

13.8.1 The establishment or cessation of KPMG pension schemes and material changes to the rules, funding or management arrangements of any such pension schemes.

13.8.2 Approval of Partner promotions (developed and proposed by the Executive Board) and recommended by the People Committee.

13.8.3 Approval of design of remuneration policies and principles partner remuneration policies and framework (developed and proposed by the Executive Board) and recommended by the People Committee and (as concerns Audit Partners only) the Audit Board.

13.9 Delegation of authority

13.9.1 Approval of the establishment of Board Committees and the Audit Board and their terms of reference.

13.9.2 Determining and approving the responsibilities of the Chair and the division of responsibilities between the Heads of Clients & Markets and the Chief Operating Officer which should be in writing.

⁴ Formerly known as the Nomination Committee

13.9.3 Approval of the terms of reference for all Board Committees, the Audit Board and the Executive Board and determining which matters are delegated to such committees and boards and which matters are reserved for the Board.

13.9.4 Holding the relevant Board Committee, Audit Board or the Executive Board to account for anything delegated to them.

13.10 Risk Management

13.10.1 Approval of KPMG's Risk Appetite and Statement annually (on the recommendation of the Risk Committee, and as regards Audit Risk Appetite, the Audit Board) which will include setting high level parameters such as key principles, key metrics, expectations as to concentrations (whether in terms of revenue income, to single or connected client, sector or type of engagement) and will consider matters from a strategic perspective but also reflect upon the operational, financial, regulatory and conduct/reputational risk type matters (including whether certain services may or may not be appropriate for certain sectors or clients).

13.10.2 Approval of KPMG's Risk Management Framework (on the recommendation of the Risk Committee).

13.10.3 Prosecution, commencement, defence or settlement of, or appeal against the outcome of, actual or potential litigation, an alternative dispute resolution mechanism or regulatory proceedings that are material (i.e. involving or likely to involve sums of over £5 million (except in the case of claims brought by employees or former employees, in which case over £1 million), likely to attract public interest or matters that are generally not in the ordinary course of business of KPMG). The Board can from time to time direct what level of materiality shall apply for escalation to it and/or its approval to defend or settle regulatory or other dispute matters.

13.11 Other

13.11.1 Approval of the overall levels of insurance for KPMG including directors' & officers' liability insurance and indemnification of directors.

13.11.2 Any decision likely to have a significant material impact on KPMG from a financial, operational, strategic or reputational perspective.

13.11.3 Any proposed changes to the LLP Agreement or any other matter materially affecting the rights and obligations of the Members as a whole.

13.11.4 Approval of any relevant deeds, documents or other matters as required by the LLP Agreement.

14 Matters delegated by the Board to the Executive Board

Subject to the matters reserved for the Board and in addition to the matters that the Executive Board develops and proposes for Board approval set out in section 13 above the Board delegates, while maintaining oversight, the following to the Executive Board:

- 14.1 execution of the UK Business Plan underpinning the Firm's strategic goals, operational excellence, financial performance and fulfilment of regulatory, compliance and legal requirements;
- 14.2 implementation of the:
 - 14.2.1 LLP's Strategy approved by the Board; and
 - 14.2.2 (Through the Audit Executive) Audit Strategy as approved by the Board and the Audit Board;
- 14.3 Monitoring and maintaining operating and financial performance against budget;
- 14.4 Prioritisation and allocation of resources;
- 14.5 Managing the risk profile and internal controls of the Firm within the Board approved Risk Appetite and Risk Management Framework (including major claims and reputational issues);
- 14.6 Achieving the Board defined goals in relation to (i) strategic goals; (ii) operational excellence, (iii) financial performance and (iv) regulatory, compliance and legal; and
- 14.7 Crisis management;
- 14.8 Audit Quality and Performance;
- 14.9 Significant Global matters;
- 14.10 Managing the day to day activities of LLP Group.

The Executive Board will bring the above matters to the Board if they feel it is necessary.

15 Notice of meetings

The Board meeting agenda and papers in relation to the Board meeting shall [, ideally,] be circulated at least five working days prior to the Board meeting.

16 Documentation, Communication and Reporting

- 16.1 The Head of Clients & Markets and the Chief Operating Officer shall report to the Board at each Board meeting on relevant matters within the Executive Board's responsibility delegated by the Board (including but not limited to reporting on the implementation of achieving the Board approved four pillars – (i) strategic goals; (ii) operational excellence; (iii) financial performance; and (iv) regulatory,

compliance and legal commercial outcomes which will also include an attestation against each taking into consideration the Board approved Risk Appetite and Risk Management Framework).

- 16.2 Minutes of the Board to be kept and filed by the Board Secretary and held at the registered office of the LLP.
- 16.3 Board members will receive a copy of the minutes of the Board and access to relevant minutes of the Board Committees.
- 16.4 A summary of Board meetings will also be available to all Members.

APPENDIX – ROLES AND RESPONSIBILITIES

1 Senior Partner

The Senior Partner is elected for a five year term renewable for an additional term of 3 years taking responsibility for:

- 1.1 leading the LLP, the Board and the Executive Board and Executive Leadership Team to ensure effectiveness in all aspects of the Board's role;
- 1.2 being recognised in the market by regulators, the profession, the media and among other stakeholders as a leader in professional services;
- 1.3 providing ethical leadership: embodying and promoting ethical leadership throughout the LLP and to other stakeholders - behaviours consistent with the LLP's purpose and 'KPMG Values';
- 1.4 ensuring communication with partners, clients, investors, regulators and other stakeholders;
- 1.5 considering regularly, in consultation with the Senior Elected Board Member, succession planning and the composition of the Board;
- 1.6 nominating at his/her discretion the Nominated Board Members to the Board subject to the approval by the Members;
- 1.7 ensuring the Board's committees are properly structured with appropriate terms of reference, and in consultation with the Senior Elected Board Member determine their composition⁵, encouraging all Board members to engage in Board and committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence;
- 1.8 fostering relationships founded on mutual respect and open communication – both in and outside the Boardroom – between the Board and the Executive Board and Executive Leadership Team;
- 1.9 in his/her role as Senior Partner, developing productive working relationships with all members of the Executive Board and wider Executive Leadership Team, in particular, providing support and advice while respecting executive responsibility;
- 1.10 taking the lead on issues of Board development, including thorough induction programmes for new Board and Public Interest Committee members and regular reviews of the Senior Elected Board Member;
- 1.11 setting an overall Board agenda which includes quality, culture and risk as well as stewardship, strategy, performance, value creation and accountability, and ensuring that issues relevant to these areas are reserved for Board decision;
- 1.12 making certain that the Board determines the nature and extent of the significant risks the LLP is willing to embrace in the implementation of its

⁵ The composition of each committee of the Board is then approved by the Board.

strategy, and that there are no 'no go' areas which prevent the Board from operating effective oversight;

- 1.13 making certain the Board has effective decision-making processes and applies sufficient challenge to major proposals;
- 1.14 consulting the Senior Elected Board Member on all relevant Board matters;
- 1.15 acting on the results of Board evaluation; and
- 1.16 protecting the brand of the LLP and promoting, facilitating and enhancing the LLP's client relationships.

2 Board Chair

The Board Chair will take responsibility for:

- 2.1 encouraging all Board members to engage in Board meetings;
- 2.2 providing input (in collaboration with, if relevant, the Senior Partner and/or the Senior Elected Board Member) on the overall Board agenda and setting individual Board agendas;
- 2.3 ensuring a timely flow of high quality supporting information with the assistance of the Board Secretary;
- 2.4 sharing agendas, decisions and outcomes of the Board with the Members; and
- 2.5 following up on Board actions.

3. Senior Elected Board Member

The Senior Elected Board Member will take responsibility for:

- 3.1 acting as a sounding Board for the Senior Partner;
- 3.2 working with the Senior Partner and other Board members, and/or partners, to resolve significant issues and during periods when the Board is under stress;
- 3.3 facilitating informal meetings of the Elected and Nominated Board Members and to be the link between the Senior Partner and other Board members briefing each on issues arising and being the conduit for challenge and advice;
- 3.4 inputting into the evaluation of the performance of the Elected Board Members;
- 3.5 providing support for the Senior Partner in the delivery of his/her objectives, develop and agree his/her goals and provide annual and interim appraisal and feedback on behalf of the other Board members;
- 3.6 working with the People Committee, to be responsible for an orderly succession process for the Elected Board Members and Chair;
- 3.7 providing input to the Board Chair in relation to the overall Board agenda and individual Board meeting agendas;
- 3.8 acting as alternate Board Chair should the Senior Partner not be available;

- 3.9 compiling an annual report to the partnership on behalf of the Elected Board Members expressing its views on the performance of the Executive Board and presenting it at the Partner Conference;
- 3.10 communicating with Members on Board matters and other major themes at the AGM and other Member meetings;
- 3.11 attending Public Interest Committee (PIC) meetings to maintain an independent link between PIC and the partnership.

4. Elected and Nominated Members

- 4.1 The Elected and Nominated Board Members including the Senior Elected Board Member are drawn from the partnership with a sufficient mix of competency, experience and independence of the day-to-day running of the LLP.
- 4.2 They have a role representing the interests of the Members as a whole and being actively engaged in the Board and leadership obligations.
- 4.3 They are elected by the Individual Members in either a Nominated Board Member or an Elected Board Member capacity.
- 4.4 Elected and Nominated members of the Board will serve a three year term, with the option for this to be renewed for an additional two year period, up to a maximum term of five years (or as otherwise determined by the Board).

5 Board Secretary

The Board Secretary is responsible for:

- 5.1 supporting the Board Chair and Senior Elected Board Member by helping the Board and its committees to function efficiently;
- 5.2 reporting to the Board Chair and Senior Elected Board Member on Board governance matters; and
- 5.3 along with the Board Chair, ensuring effective protocols for the presentation of high quality information to the Board and its committees and to follow up agreed Board actions.