



## **People Committee – Terms of Reference**

### **1 Purpose**

The purpose of the People Committee is to:

- 1.1 Assist the Board of KPMG LLP (the “Board”) through its oversight of the Executive’s People strategy including being a magnet for talent, development and retention of that talent and the firm’s culture incorporating inclusion, diversity and ethical health.
- 1.2 On behalf of the Board ensure that policies and practices associated with the People strategy are consistent with the firm’s values and prescribed culture and support its long-term sustainable success.

### **2 Authority**

- 2.1 The People Committee is a Committee of the Board from which it derives its authority and to which it regularly reports.
- 2.2 The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.
- 2.3 The Committee has authority to investigate any matter within its Terms of Reference and to obtain such information as it may require from any Partner, officer or employee.
- 2.4 In addition, the Committee may have delegated authority from the Board for oversight of specified strategic, cultural or transformational projects led by the Executive Committee.

### **3 Constitution**

#### **3.1 Chairperson**

- 3.1.1 The Chair of the Committee will be either an Elected or Nominated Board member appointed by the Chair of the Board and ratified by the Board.
- 3.1.2 In the absence of the Chair of the Committee or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 3.1.3 The Chair shall co-opt an Independent Non-Executive member of the Public Interest Committee (“PIC”) onto any meeting determining the performance evaluation and remuneration of the Chair of the Board or the Chief Executive and such co-opted member will Chair that part of the meeting provided that the Independent Non-Executive PIC member does not make recommendations or approve the compensation of any individual and/or recuses themselves from any situation where this might arise.
- 3.1.4 In the event that the Chair of the Committee declares a conflict of interest, or the Committee decides that such individual has a conflict of interest, then the Committee shall appoint an alternative member of the Committee to chair the relevant meeting or the relevant part of the meeting.

## **3.2 Membership**

3.2.1 In addition to the Chair of the Committee the membership comprises:

- Two Elected or Nominated Board members;

3.2.2 Members of the Committee shall be appointed by the Board on the recommendation of the Chair in consultation with the Senior Elected Board Member.

3.2.3 Members can be co-opted onto the Committee as the need arises to help fulfil the duties and obligations of the Committee. These appointments shall be made by the Board on the recommendation of the Chair of the Committee.

3.2.4 Elected and Nominated Members shall comprise a majority of the Committee at all times.

3.2.5 Any or all members may be removed from the Committee at any time by the Board.

## **3.3 Duration of appointments**

3.3.1 Unless otherwise determined by the Board, the duration of appointments of Elected and Nominated members of the Committee and of co-opted members shall be for a period of up to three years which may be extended by the Board for an additional period of two years.

## **3.4 Board Secretary**

3.4.1 The Board Secretary or their nominee shall act as Secretary to the Committee and attend all meetings.

3.4.2 The Secretary shall record the proceedings and decisions of the Committee meetings and the minutes shall be circulated to all members and attendees, as appropriate, taking into account any conflicts of interest that may exist.

# **4 Proceedings of Meetings**

## **4.1 Frequency of Meetings**

4.1.1 The Committee shall meet at least four times a year and otherwise as required.

4.1.2 Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.

## **4.2 Quorum**

4.2.1 Any two members of the Committee may form a quorum, provided at least one Elected Member is in attendance.

4.2.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.2.3 In the event of difficulty in forming a quorum, Elected or Nominated Board members who are not members of the Committee may be co-opted as members for individual meetings.

4.2.4 The members of the Committee may participate in a meeting of the Committee 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 and/or be counted in the quorum accordingly.

#### **4.3 Attendees**

- 4.3.1 Only the members of the Committee and other Elected and Nominated members of the Board and Independent Non-Executives have the right to attend Committee meetings.
- 4.3.2 The following will be expected to attend Committee meetings on a regular basis:
- a) Head of People
  - b) Head of Partner Matters
  - c) Ethics Partner
  - d) General Counsel (or their delegate)
  - e) Board Secretary (or their delegate).
- 4.3.3 Any Partner, officer or employee of the LLP may attend at the invitation of the Chair of the Committee and they may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.

#### **5 Conflicts of Interest**

- 5.1 If a member of the Committee has a conflict of interest, they shall immediately disclose this to the Chair of the Committee and where appropriate recuse themselves from any deliberations or votes of the Committee concerning the relevant subject-matter.

#### **6 Resolutions**

- 6.1 The Committee shall reach decisions by a simple majority of those voting on the issue in question. If the numbers of votes for and against a certain proposal are equal, the Chair of the Committee shall have a casting vote.
- 6.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Committee as would have been necessary to pass such resolution had all members of the Committee 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 Committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Committee.

#### **7 Responsibilities**

The Committee shall:

##### **7.1 Leadership and management**

- 7.1.1 Oversee and support a formal, rigorous and transparent approach to senior appointments in the firm, including determining relevant processes for appointment to senior leadership roles within the Executive, as proposed by the Chief Executive.
- 7.1.2 Consider and recommend for Board approval candidates for promotion to Equity Partner, following a recommendation from the Executive Committee;

- 7.1.3 Oversee the maintenance of an effective framework for succession planning including reviewing and commenting on Executive Committee proposals for succession planning for senior leadership roles (and taking input from the Audit Board as regards succession planning in the Audit business);
- 7.1.4 Ensuring that the Executive Committee retain an appropriate structure, size and balance of skills to support the strategic objectives and values of the firm;
- 7.1.5 Overseeing the process for other appointments to Executive leadership roles (i.e. not being members of the Executive Committee or Vice-Chairs) and succession planning (in coordination with the Audit Board as regards senior appointments and succession planning in the Audit business);
- 7.1.6 Overseeing the Executive Committee development and delivery of the People strategy to include leadership and management, culture, knowledge and skills development, performance management and reward;
- 7.1.7 Considering policies designed to enable the recruitment, wellbeing, motivation and retention of partners and colleagues;
- 7.1.8 Monitoring key metrics and dashboards to support an assessment of the effectiveness and adequacy of the ethical policy framework, the overall ethical health of the firm, compliance with professional and ethical standards and the extent to which the firm's values have been successfully embedded; and
- 7.1.9 Monitoring culture and culture change (and ensuring linkage with the associated levers such as talent planning and remuneration and other matters within the scope of the Committee).

## **7.2 Evaluation and Reward**

- 7.2.1 Review and approve the remuneration policies for all partners which are designed both to recognise in-year performance and to support the long term business strategy and values of KPMG, as well as promote effective risk management and culture change (taking input from the Audit Board as regards such policies with respect to Audit Partners);
- 7.2.2 Maintain oversight of the effective implementation of remuneration policies for partners and colleagues by the Executive Committee;
- 7.2.3 Approve the remuneration of the members of the Executive Committee taking into account the assessment of their performance by the Chief Executive and their respective first and second line reviewer, and, in the case of the Head of Audit, incorporating the input on their performance by the Audit Board;
- 7.2.4 Establish a framework and determine criteria for the balanced scorecard and KPIs of the Chief Executive by which their performance is measured which shall include performance in relation to the goal of being the most trusted and trustworthy firm;
- 7.2.5 Approve the remuneration of the Chief Executive taking into account the evidence and feedback on their performance presented by the Chair;

- 7.2.6 Approve the remuneration of the Chair of the Board, taking into account the evidence and feedback on their performance presented by the Senior Elected Member (or other Elected Member designated by the Elected Members).
- 7.2.7 Review remuneration and benefits arrangements for Partners (including Audit Partners), and approve any material exceptions to policy, or material payments or guarantees outside the normal remuneration model;
- 7.2.8 Oversee the implementation of the pay appeals process approved by the Board and determine appeals submitted to the Committee by partners in respect of their remuneration, as related to their [banding and/or base units];
- 7.2.9 Review and make recommendations to the Executive Committee, where appropriate, in respect of the remuneration policies and framework for all staff to ensure they support the strategic objectives, culture and values of the firm.

### **7.3 Magnet for Talent**

- 7.3.1 Consider and comment on the strategy for attraction and retention of key talent and oversee effective execution by reference to key metrics;
- 7.3.2 Consider and comment on the strategy and actions for effective performance management for Partners and staff;
- 7.3.3 Consider and comment on the strategy for knowledge and skills development and oversee effective execution;
- 7.3.4 Review and comment on policies and actions to promote Inclusion and Diversity to meet Board approved targets;
- 7.3.5 Monitor, oversee and challenge actions being taken to support the wellbeing of Partners and staff.

### **7.4 Culture and LLP's Overall Ethical Health**

- 7.4.1 Monitor the firm's culture as set by the Board and led across the firm by the Chief Executive and the Executive Committee.
- 7.4.2 Consider and challenge the sufficiency of the ongoing measures being adopted by the firm to ensure that an appropriate culture, underpinned by the firm's values, prevails within the firm (including the adequacy of the firm's Code of Conduct and the annual ethics programme proposed for the firm);
- 7.4.3 Monitor the adequacy of measures (including the adequacy of training programmes in ethics) taken to ensure there is an effective and embedded Speak Up culture that facilitates the reporting of any issues of concern;
- 7.4.4 Consider what the key metrics, including whistleblowing reports, disciplinary and grievances, member behavioural issues, employee feedback and other relevant metrics so defined from time to time indicate about the firm's overall ethical health and culture and consider the sufficiency of the firm's response to trends and features indicated by the key performance indicators;
- 7.4.5 Monitor, oversee and challenge the actions taken (including potential sanctions and/or other interventions) in individual cases where serious Partner behavioural issues related to ethics or values have been identified to ensure that behaviours accord to the goal of being most trusted and trustworthy;

- 7.4.6 Ensure that there is an effective communications strategy for the ethics programme reinforcing ethical values and good practice in the firm and censuring unacceptable practice;
- 7.4.7 Consider the evidence to support compliance with the Code of Conduct bi-annually;
- 7.4.8 Recommend amendments to the Code of Conduct to the Board, ensuring that lessons learnt from internal and external sources are integrated as required; and
- 7.4.9 Review and make recommendations to the Board on proposals and policies associated with ethics and behaviours.

## **8 Reporting**

- 8.1 The Chair of the Committee shall report to the Board after each meeting on matters within its duties and responsibilities.
- 8.2 The Committee shall compile a report of the work of the Committee in discharging its responsibilities for inclusion in the Transparency Report, including a description of significant issues dealt with by the Committee.
- 8.3 The Committee shall work and liaise as necessary with other committees of the Board and with the Audit Board.

## **9 Governance and Resources**

- 9.1 The Committee shall, via the Secretary to the Committee, make available to new members of the Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Committee.
- 9.2 The Committee shall conduct an annual self-assessment of its activities under these Terms of Reference and report any conclusions and recommendations to the Board and, as part of this assessment, shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual plan of work is manageable.
- 9.3 The Committee shall in its decision making, give due regard to any relevant legal or regulatory requirements, and associated best practice guidance, as well as to the risk and reputation implications of its decisions (liaising where relevant with other committees).
- 9.4 In order to ensure the integrity of its decision making, where the Committee is considering any proposal related to either the appointment to a leadership position, or the remuneration, of a partner who: (i) is a member of the Committee; or (ii) was within the previous 12 months a member of the Extended Nomination Committee for the Chief Executive election, then the Committee shall co-opt at least one additional Elected Board member and one Independent Non-Executive PIC member (in a non-voting capacity) for the specific consultation and decision-making process and that discussion will be chaired by the Independent Non-Executive PIC member provided that the Independent Non-Executive PIC member does not make recommendations or approve the compensation of any individual and/or recuses themselves from any situation where this might arise.

The Committee shall have access to sufficient resources in order to carry out its duties and have the power to engage independent counsel and other professional advisers and to invite them to attend meetings.

## **10 Terms of Reference**

- 10.1 The Committee shall annually review its Terms of Reference and may recommend to the Board any amendments to its Terms of Reference.