



## **Risk Committee – Terms of Reference**

### **1 Purpose**

The role of the Risk Committee (“the Committee”) is to assist the Board of KPMG LLP (“the Board”) in its oversight of the effectiveness of the Enterprise-Wide Risk Management Framework. It performs its role through:

- Overseeing risk appetite and risk tolerance appropriate to each business area;
- Considering the risk policy and strategy;
- Ensuring that there are adequate enterprise-wide processes and systems for identifying and reporting risks and deficiencies, including emerging risks;
- Overseeing compliance with the stated risk appetite and policies and procedures related to risk management governance and the risk controls framework;
- Monitoring the alignment of the risk framework to the firm’s growth strategy, supporting a culture of risk taking within sound risk governance;
- Having an overview of the key risk issues identified across the organisation and the wider network.

### **2 Authority**

- 2.1. The Risk Committee (the “Committee”) is a committee of the Board of KPMG LLP (“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. When required, the Committee may delegate matters to a panel comprising a minimum of two members of the Committee plus such additional individuals with relevant expertise as deemed appropriate, in order to make specific decisions on behalf of the Committee or to escalate recommendations for approval by the Committee. Such panels should be subject to terms of reference (including protocols for escalation to the Committee) as determined by the Committee.
- 2.5. In addition, the Committee may have delegated authority from the Board for oversight of specified strategic, cultural or transformational projects led by the Executive.

**Terms of Reference approved by the Board on 26 May 2022**

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### **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 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 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 meeting or the relevant section of the meeting.

#### **3.2 Membership**

3.2.1 In addition to the Chair the membership comprises:

- A member of the People Committee;
- An additional Elected or Nominated Board Member.

3.2.2 Additional 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 Working groups of the Committee may be established by the Committee for specific tasks and activities, including for analysis, consultations and escalations as appropriate; such groups may be comprised of representatives of the Committee and other individuals with relevant expertise.

3.2.5 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 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 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**

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## **4.1 Frequency of Meetings**

4.1.1 The Committee shall meet every two months 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 and 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 telephone 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.

## **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 Chair of the Audit Board (or, at his/her request, another member of the Audit Board) shall be invited to attend the regular meetings of the Committee as well as any meeting of the Committee which is of direct or indirect relevance to the responsibilities of the Audit Board,

4.3.3 The following will be expected to attend Committee meetings on a regular basis:

- a) An Independent Non-Executive;
- b) Chief Risk Officer;
- c) General Counsel;
- d) Head of Regulatory Affairs;
- e) Head of Internal Audit;
- f) Head of Corporate Affairs; and
- g) Board Secretary or their nominee

4.3.4 The Chair, Chair of the Audit Committee, Senior Elected Member, Chief Executive, Chief Operating Officer will attend meetings on an as needed basis.

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4.3.5 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 Resolutions**

- 5.1 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 Committee Chair shall have a casting vote.
- 5.2 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.

## **6 Responsibilities**

The Committee's responsibilities shall be determined by the Board from time to time and, in any event, include the responsibility to:

- 6.1 Advise the Board and (with respect to the Audit business) the Audit Board in relation to the determination of overall risk appetite, tolerance and strategy, taking account of (a) the LLP's values and public interest purpose, as well as the current and prospective regulatory, macroeconomic, technological, environmental and social developments and trends that may be relevant for the LLP's risk policies; and (b) relevant policies, guidance and determinations of KPMG International and its global risk management steering group.
- 6.2 Oversee and advise the Board and (with respect to the Audit business) the Audit Board on the current risk exposures of the LLP, appropriate determination of risk appetite and future risk strategy, including as regards the following families of risk: strategic, operational, financial and compliance, conduct and reputation risks;
- 6.3 Provide advice and assurance to the Board by adopting a holistic and enterprise-wide view of the firm and the key risks that it is exposed to, assessing the adequacy and effectiveness of the firm's adoption of the Enterprise-Wide Risk Management Framework;
- 6.4 Undertake horizon-scanning of the risk landscape, including material risks, reputational and franchise impacts arising from the Global network and undertake deep-dive reviews into significant risks at the request of the Board or where, in the Committee's view, further scrutiny is required;
- 6.5 Using internal and external sources of assurance monitor the robustness of the firm's risk management policies and processes, including the firm's Enterprise-Wide Risk Management Framework and their fitness for purpose when tested against the Board approved Risk Appetite (including the Audit practice's appetite framework and

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- mitigations for accepting higher risk audits as approved by the Audit Board) and the LLP's strategy ;
- 6.6 Consider and review the prevailing risk culture in the organisation (values, beliefs, knowledge, attitudes and understanding about risk) and maintain oversight of relevant work streams and projects to bring about the desired risk culture;
- 6.7 In relation to risk assessment:
- 6.7.1 Keep under review the LLP's overall risk assessment processes that inform the Board's and the Audit Board's decision making, ensuring both qualitative and quantitative metrics are used;
- 6.7.2 Review regularly and approve the parameters used in these measures and the methodology adopted; and
- 6.7.3 Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 6.8 Review the firm's capability to identify and manage new risk types;
- 6.9 Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the LLP, and taking independent external advice where appropriate and available;
- 6.10 Review reports on any material breaches of risk limits and the adequacy of proposed action;
- 6.11 Review and approve the statements to be included in the annual report concerning risk management;
- 6.12 Consider and approve the remit of all risk and assurance functions and ensure they have adequate resources and appropriate access to information to enable them to perform their respective functions in first, second and third lines of defence effectively and in accordance with the relevant professional standards. The Committee shall also ensure these functions have adequate independence, as applicable, and are free from inappropriate management and other restrictions;
- 6.13 Recommend to the Board the appointment and/or removal of the Chief Risk Officer (the "CRO") and provide input to the evaluation of the CRO's performance;
- 6.14 Review promptly all reports on the LLP from the CRO;
- 6.15 Review and monitor management's responsiveness to the findings and recommendations of the CRO;
- 6.16 Consider the major findings of any relevant internal investigations into fraud or misconduct and management's response (in the absence of management where necessary);
- 6.17 Consider the major findings of any relevant Internal Audit reviews and investigations which are identified as Enterprise-Wide Risks and any other Internal Audit investigations deemed appropriate by the Audit Committee Chair in consultation with the Chair of the Committee (it being noted that the Audit Committee has primary responsibility for Internal Audit) and management's response (in the absence of management where necessary).

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- 6.18 Ensure the CRO shall be given the right of unfettered direct access to the Chair and to the Chair of the Committee.

## **7 Reporting**

- 7.1 The Chair of the Committee shall report to the Board after each meeting on matters within its duties and responsibilities.
- 7.2 The Committee shall produce a report of its activities and the firm's risk management and strategy to be included in the annual report.
- 7.3 The Chair of the Committee shall report to the Audit Board, Audit Committee and People Committee after each meeting on relevant matters within its duties and responsibilities.
- 7.4 The Committee shall work and liaise as necessary with other Committees of the Board and the Audit Board.

## **8 Governance and Resources**

- 8.1 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.
- 8.2 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.
- 8.3 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).
- 8.4 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.

## **9 Compliance, Whistleblowing and Fraud**

The Committee shall:

- 9.1 Review the firm's procedures for detecting fraud;
- 9.2 Review the firm's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 9.3 Review reports from the firm's Money Laundering Reporting Officer and the adequacy and effectiveness of the firm's anti-money laundering systems and controls; and

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- 9.4 Review regular reports from the Risk function in relation to compliance and keep under review the adequacy and effectiveness of the firm's compliance function.

## **10 Insurance Arrangements**

The Committee shall:

- 10.1.1 Annually assess the adequacy of the firm's insurance arrangements and high-level governance having regard to the nature of the firm's business and insurable risks; and
- 10.1.2 Make recommendations to the Board of any changes to the insurance programme as a result of its annual review.

## **11 Terms of Reference**

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