



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.
- 1.2 On behalf of the Board ensure that policies and practices associated with the People strategy are consistent with, and have regard to, the firm’s values, Inclusion, Diversity & Equity (**IDE**), culture ambition and its commitment to the purpose and principles of the Audit Firm Governance Code to support its long-term sustainable success.
- 1.3 Support the Board in fulfilling its oversight responsibilities with respect to the appointment and performance of the Executive Leadership of the Firm, in particular members of the Executive Committee.

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 invite an Independent Non-Executive member of the Public Interest Committee (“PIC”) to attend and chair any meeting to consider the performance evaluation and determine remuneration of the Chair of the Board or the Chief Executive, provided that the Independent Non-Executive shall not make recommendations or approve the compensation of any individual.
- 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:

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

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 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 six 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) Chief People Officer
- b) Head of Partnership Office
- c) Ethics Partner
- d) General Counsel or their delegate
- e) Board Secretary or their delegate.

4.3.3 The Chair, Senior Elected Member, Chief Executive and Chief Operating and Financial Officer will attend meetings from time to time as appropriate .

4.3.4 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, on behalf of the Board or, where appropriate, in support of the Board in fulfilling its responsibilities:

7.1 Leadership and management

7.1.1 Oversee a formal, rigorous and transparent approach to senior appointments in the

firm, as set out in Appendix one of these Terms of Reference.

- 7.1.2 Recommend for Board approval candidates for promotion to Equity Partner, following a recommendation from the Executive Committee;
- 7.1.3 Approve the candidates for promotion to Salaried Partner following a recommendation from the Executive Committee;
- 7.1.4 Oversee the maintenance of an effective framework for succession planning including reviewing and commenting on Executive Committee proposals for succession planning for Executive Leadership roles, as defined in Appendix one (and taking input from the Audit Board as regards succession planning in the Audit business);
- 7.1.5 Oversee the composition of the Executive Committee in the context of its members needing to have an appropriate balance of skills, experience, knowledge, influence and authority within the firm to fulfil their assigned responsibilities and to support the strategic objectives and values of the firm ;
- 7.1.6 Oversee the Executive Committee development and delivery of the People strategy to include leadership and management, culture ambition, knowledge and skills development, performance management and reward;
- 7.1.7 Oversee policies designed to enable the recruitment, wellbeing, motivation and retention of partners and colleagues;
- 7.1.8 Oversee the framework and policies for Partner promotions and movements between bands, including their implementation and reference to IDE, risk metrics and Partner Conduct Dashboard ratings.

7.2 Evaluation and Reward

- 7.2.1 Approve the remuneration policies for all partners which are designed both to recognise in-year performance and to support the long term business strategy, values and cultural ambition of the Firm, as well as to promote effective risk management (taking into account input from the Audit Board as regards such policies with respect to Audit Partners);
- 7.2.2 Oversee 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 (their “dual pens”), and, in the case of the Head of Audit, incorporating the input of the Audit Board on their performance (by inviting the Chair of the Audit Board to that portion of any relevant meeting or discussion);
- 7.2.4 Approve a framework and determine criteria for the balanced scorecard and KPIs of the Chief Executive by which their performance is measured;
- 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 Oversee 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 approach and application of out of cycle pay changes as approved by the Executive Committee.
- 7.2.9 Oversee the implementation of the pay appeals process approved by the Board and establish appeal panels to determine appeals submitted to the Committee by partners in respect of their remuneration, as related to their banding and/or base units;
- 7.2.10 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, cultural ambition and values of the firm.

7.3 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 Consider and comment on policies and actions to promote IDE to meet Board approved targets;
- 7.3.5 Oversee actions being taken to support the wellbeing of Partners and staff.

7.4 Culture and LLP's Overall Ethical Health

- 7.4.1 On the request of the Board or at the request of the Head of Professional Conduct or Head of Ethics and Independence, receive reports on the Ethical Health of the Firm, the Firm's Code of Conduct or reports involving serious Partner behavioural issues related to ethics or values.
- 7.4.2 Make recommendations to the Board with respect to determining the Firm's IDE targets and monitor and challenge the actions being taken where achievement against targets is outside acceptable levels.
- 7.4.3 Consider the Firm's Pay Gap data (provided by the Executive Committee) and escalate any concerns to the Board.
- 7.4.4 ;
- 7.4.5 Consider the evidence to support compliance with the Code of Conduct bi-annually;
- 7.4.6 Recommend amendments to the Code of Conduct to the Board, ensuring that lessons learnt from internal and external sources are integrated as required; and
- 7.4.7 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. In particular, the Committee shall liaise with the Audit Committee as contemplated in the latter's Terms of Reference as regards the consideration of those people-related matters that support the quality of engagements in the firm's system of quality management (e.g. leadership, resource management, performance management, remuneration policies, skills development and succession planning).

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, IDE, Values, public interest 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 Nomination Committee for the Chief Executive election or for the Chair 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.
- 9.5 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.

Appendix One

Appointment of Executive Leadership

"Executive Leadership" means all leaders who report directly to the Chief Executive (including all

members of the Executive Committee).

- Executive Leadership members report to Chief Executive as first or second pen therefore Chief Executive appoints and removes them from leadership post.
- People Committee has oversight of the quality and composition of the Executive Committee and holds the Chief Executive accountable accordingly.
- People Committee will review any significant role changes within Executive Leadership and will periodically review the Chief Executive's assessment of the balance of skills of the members of the Executive Committee (including when there are significant changes to its composition and in any event at least annually in a closed private session with the Chief Executive).
- The Chief Executive will provide reasonable advance notice (i.e., no less than one month, save in an emergency) to the Chair of the People Committee of any anticipated appointments to the Executive Leadership.
- People Committee has delegated power from the Board to review certain designated Executive Leadership appointments, whether internal or external candidates, prior to appointment by the Chief Executive. At the date of this document, the designated roles are Chief Risk Officer, Chief Financial Officer and (if a separate role from CFO) Chief Operating Officer. The People Committee must be satisfied both that the process for identification of potential candidates has been appropriate and that the candidates for these roles are acceptable, by reference to the written criteria for each role and taking account of the overall composition of the Executive Committee.
- Removal of Executive Leaders from leadership position is a decision for the Chief Executive; however, the People Committee can ask for an Executive Leader to be removed from role (including on the basis of KPMG Global input) with escalation to the Board if necessary.
- The Nominations Committee is responsible for Board appointments and therefore is responsible for making recommendations as regards any Executive Leader being put forward by the Chief Executive as a proposed Executive Member of the Board.
- People Committee oversight includes review of Executive Leadership talent reviews and succession planning.
- Candidates for the designated Executive Leadership roles above should be interviewed by the Chair of the People Committee or, for proposed Executive Members of the Board, by the Chair (or by another Board Member nominated by them as an alternate). An Independent Non-Executive may also be involved in the interview and review process.
- Although it is not essential for more than one candidate to be presented when the People Committee reviews a proposed appointment, the Committee must be satisfied a proper process has been followed and documented, and principles of IDSE respected.
- The Chair of the People Committee and the Chief Executive shall liaise with regards to determining the relevant process for any other appointments to Executive Leadership roles (including the level of involvement and visibility on the part of the People Committee). However, in any event, having received advance notice of any other such appointment, the People Committee is entitled to call in such proposed appointment for its review, which will be conducted on a basis determined by the Chair of the People Committee, in consultation with the Chief Executive.

Documentation:

- Documentation of the process agreed by People Committee to be followed for each senior appointment including decision as to whether to run an open process or not.
- Documentation that the approver (Chair of the People Committee and the Chief Executive to decide on who the approver will be depending on who makes up the panel) has obtained and reviewed the results of any relevant external assessment, panel interview and independence checks to determine whether the assessment made is appropriate in

accordance with the firm's standards within its system of quality management and that the candidate:

- Has the appropriate experience and knowledge to fulfil the assigned accountabilities and responsibilities
 - Demonstrates a commitment to quality through their actions and behaviours, including recognizing and reinforcing the importance of professional ethics, values, attitudes, and establishing the expected behaviour of personnel relating to the performance of engagements and activities within the system of quality management.
 - Has the appropriate competency and capability based on experience and knowledge to fulfil the accountabilities and responsibilities.
- Documentation that shows that any steps recommended by the Panel / People Committee have been considered for action. This documentation will then be retained for all future Senior appointments.