



UK Transparency Report 2023

Meeting our reporting requirements

In respect of the year ended **30 September 2023**

January 2024 | kpmg.com/uk/ourimpact

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01 Transparency report

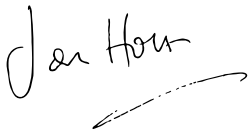
Transparency report

This Transparency Report provides information about our firm's governance, culture, relentless focus on quality, and processes for risk management.

Whilst KPMG is a multi-disciplinary firm, the report is primarily focused on our Audit practice and the policies and programmes we have in place to support audit quality.

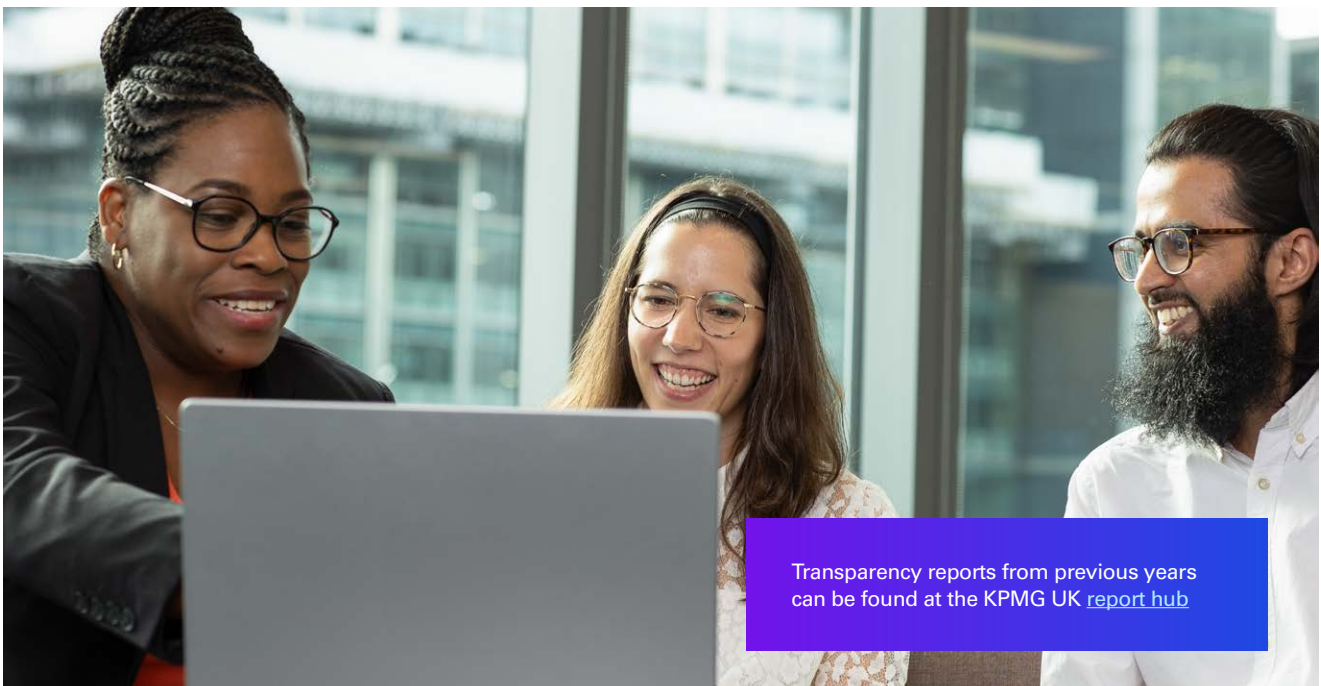
The information disclosed relates to KPMG in the UK's activities as at 30 September 2023, and demonstrates compliance with the following reporting requirements:

- Audit Firm Governance Code (Revised 2016).
- Article 13 (Transparency Report) of Regulation (EU) No 537/2014 of the European Parliament and of the Council – as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019.
- The Local Auditors (Transparency) Regulations 2020.
- Consultative Committee of Accountancy Bodies Voluntary Code of Operative Practice on Disclosure of Audit Profitability (March 2009).



Jon Holt / Chief Executive and Senior Partner,
KPMG in the UK

30 January 2024



Transparency reports from previous years can be found at the KPMG UK [report hub](#)

Messages from our Leadership



Jon Holt /
Chief Executive and
Senior Partner,
KPMG in the UK



Binha Mehta /
Chair, KPMG in the UK



Cath Burnet /
Head of Audit,
KPMG in the UK



Jonathan Evans /
Chair of the Public
Interest Committee

Claire Ighodaro /
Chair of the Audit Board

Our commitment to Audit Quality

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management.

All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

To that end, KPMG has a Global Quality Framework (GQF) for use across KPMG globally. This framework guides how we work and how we approach the audit. It helps ensure a consistent approach with quality at its heart.

To provide more transparency on what drives KPMG audit and assurance quality, this report is structured around the KPMG Global Quality Framework.

The drivers outlined in the Framework are the ten components of our KPMG system of quality management (SoQM). In line with the International Standard on Quality Management (ISQM) 1, our SoQM also aligns with the requirements of the International Code of Ethics for Professional Accountants (including International

Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform audits of financial statements.

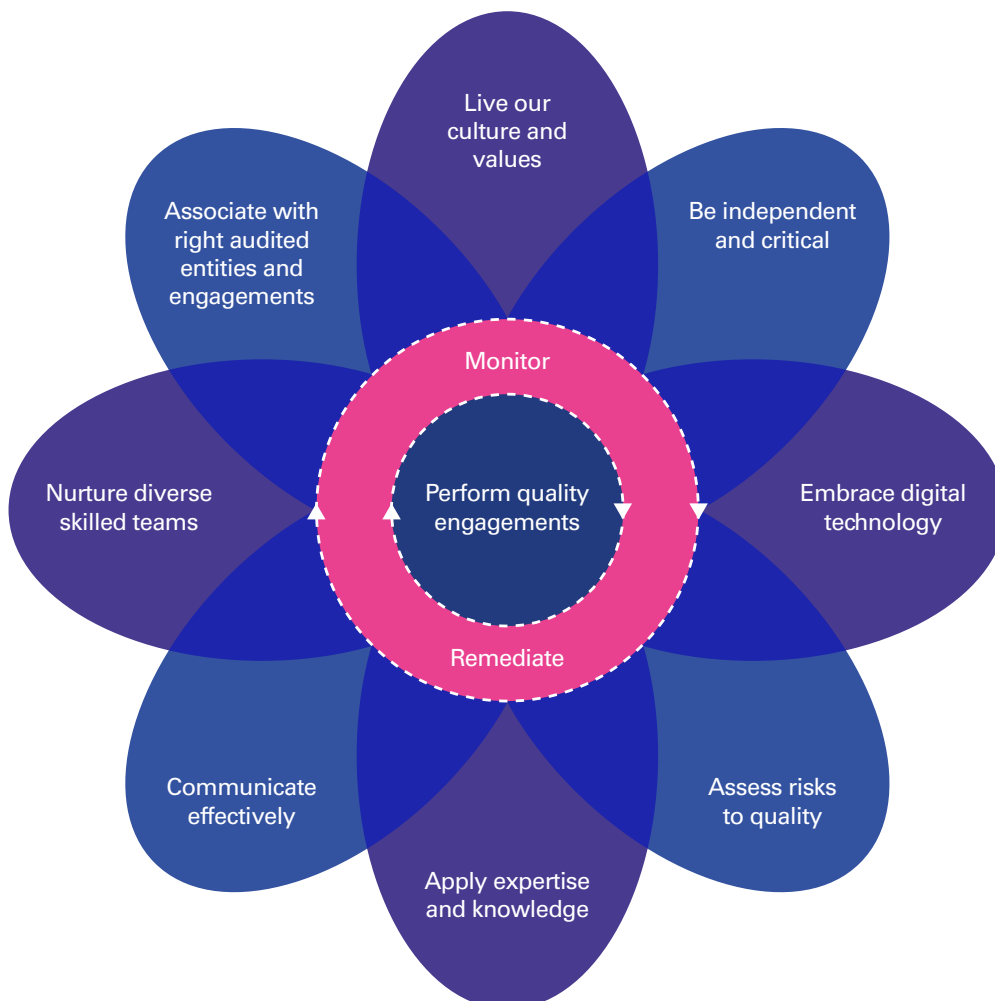
Visit the [Audit quality](#) section for more information on the components of this framework, and the activities we’ve delivered during the year against it.

Under ISQM1 we are required to evaluate the effectiveness of our system of quality management on an annual basis. Our first evaluation was performed as of 30 September 2023.

Based on the annual evaluation of the Firm’s System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our full Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2023 can be found in [Section 5: Quality Control and Risk Management](#).

Our Global Quality Framework





02

Our leadership

Our leadership

Our Chair and Chief Executive

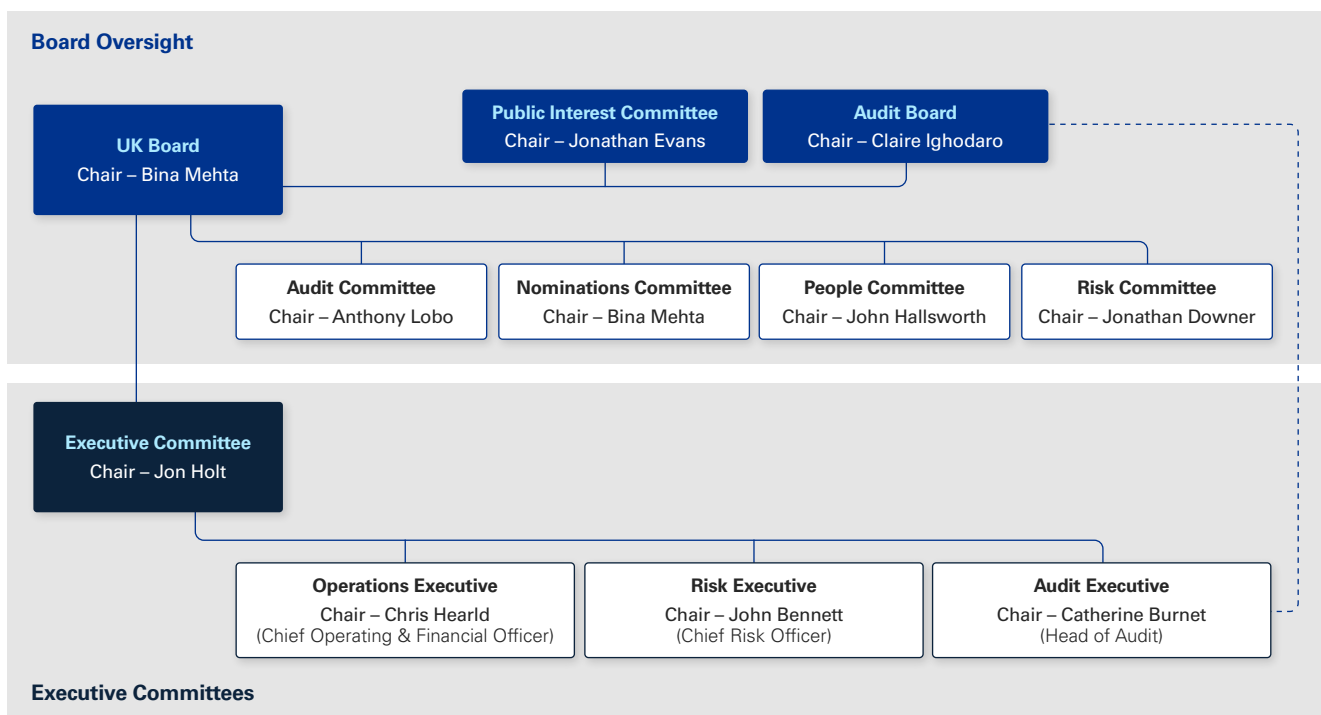
Bina Mehta, our Chair, is responsible for leading the Board, ensuring it fulfils its responsibilities to set the tone from the top, oversee strategy and hold leadership to account. The Chair is accountable to the partners in fulfilling these responsibilities.

Jon Holt, our Chief Executive and Senior Partner, is responsible for leading the whole business of the multi-disciplinary firm and is accountable for the executive leadership's execution of the firm's Board-approved strategy. The Chief Executive is accountable to the Board and the partners in fulfilling these responsibilities.

Hear Bina and Jon's reflections on 2023:

Our governance structure

Governance structure as at 1 October 2023



Our leadership

Continued

Our Chair and Chief Executive

We made no significant changes to our overall governance structure in 2023. However, we did make some changes to the composition of our Board and Board Committees effective 1 October 2023 along with changes to the terms of reference. These changes were as follows:

Appointment of Louise Kirby as an Elected Member of the Board*

Appointment of Jonathan Downer as a Member and Chair of the Risk Committee*

Appointment of Louise Kirby as a Member of the Risk Committee

Appointment of Louise Kirby as a Member of the People Committee

Appointment of Melissa Geiger as a Member of the Risk Committee

Appointment of Annette Barker as a Member of the Audit Committee

Updates made to the terms of reference for the Board and Board Committees were to refine the scope of the delegations of authority and to ensure effective liaison between the various governance bodies (including specifically oversight and monitoring of the system of quality management).

*Linda Main retired from the Board, the Nominations Committee, the Audit Committee, the People Committee and the Risk Committee (where she was Chair) effective 30th September 2023.

Independent oversight

The important role of independent oversight

Our Independent Non-Executives (INEs) and Audit Non-Executives (ANEs) remain in a position of independence from the leadership decision-making of the firm and outside its chain of command. As such, they do not carry votes on the Board or its other Committees. Notwithstanding this, the INEs and ANEs have access and opportunity to question and challenge KPMG in the UK at both the Board and Board Committee meetings. They are also able to comment on the activities of KPMG in the UK to external stakeholders, including our regulators, in an objective and dispassionate way in furtherance of their public interest and audit oversight roles.

The Chair, upon recommendation of the Nominations Committee and approval by the Board, appoints the INEs and ANEs. They are chosen to provide specific insights considered to be relevant to the activities of the Public Interest Committee (PIC) and/or the Audit Board and the development of the firm, including expertise in financial and corporate matters, governance, culture, and investor needs. Their appointments are for a fixed term of either two or three years. This may be renewed up to a maximum of three terms, or nine years.

KPMG has six Independent Non-Executives. Four are INEs and three are ANEs; one of the Independent Non-Executives is both an INE and ANE.

The Public Interest Committee comprises the four INEs, Jonathan Evans (Chair), Anne Bulford, Oonagh Harpur and Kathleen O'Donovan. The Audit Board comprises the three ANEs, Claire Ighodaro (Chair), Melanie Hind and Kathleen O'Donovan, as well as two partners, Jonathan Downer and Anthony Lobo.

Hear Jonathan and Claire's reflections on 2023.

Our leadership

Continued

Independence of INEs and ANEs

KPMG has considered the Audit Firm Governance Code and the FRC's Ethical Standard in drawing up criteria for appointment of the members of the PIC and ANEs. Whilst our INEs and ANEs are not considered to be part of the chain of command for the purposes of auditor independence requirements, they are required to comply with certain criteria which have been developed to reflect the need for INEs and ANEs to maintain appropriate independence from the firm and its partners and to be free from actual or perceived conflicts of interest. These criteria include considering the impact of any financial, business, employment, or family relationships they have with the firm's audited entities or KPMG itself:

- None of the INEs or ANEs are permitted to hold a director or key management position role at any entity where KPMG UK (or any KPMG network firm) is the statutory auditor.
- They are not permitted to be the beneficial owner of a financial interest in an entity where KPMG is the auditor if they have significant influence over that entity.
- They are required to notify the firm if (i) a member of their immediate or close family is a director, holds a key management position, or is in a financial reporting oversight role at an entity where KPMG is the auditor, (ii) if they intend to enter into any business relationship (including providing services) with an entity where KPMG is the auditor, or (iii) if they hold any financial interests in any entity that is material to them. This notification is required to enable the firm to consider if any of these relationships could give rise to an actual or perceived conflict of interest that requires safeguarding.
- With respect to relationships with KPMG itself, if an immediate or close family member of an INE or ANE became a partner (or equivalent) of KPMG UK, they would no longer be eligible to hold their role.
- The INEs and ANEs are also required to notify KPMG if an immediate or close family member becomes an employee of the firm. Again, this is to enable the firm to consider the scope for conflicts with their role.

All INEs and ANEs are checked prior to their appointment to ensure they meet these criteria. As a condition of their appointment, they are under a continuing obligation to disclose to KPMG any matters which may constitute a change to their roles or relationships as soon as they become aware of them. They are also required to make an annual declaration of their compliance with the independence criteria.

Support

To support the INEs and ANEs in discharging their role, the firm provides them with:

- An Executive Lead and an assistant to help them in navigating the business and discharging their duties under the Code.
- Secretarial support.
- Any information they require about the firm's business to discharge their duties.
- Access to independent professional advice at the firm's expense where judged necessary to discharge their duties.

Remuneration

The annual remuneration of each Non-Executive is £110,000, plus an annual fee of £10,000 per Board Committee they attend as a designated Non-Executive. The Chair of the PIC and the Chair of the Audit Board receive an additional amount of £40,000 in respect of chairing duties.

Communication with partners as members of KPMG LLP

The Chief Executive, together with members of the Executive Committee, have primary responsibility for communication with partners in the UK.

The Chief Executive leads regular calls with the firm's partners. The Chief Operating and Financial Officer provides an update to partners on the firm's performance. In addition, wider Executive Committee members and Partners are invited to present on key topics. The calls provide the opportunity for two-way feedback between partners and Executive Committee leadership.

The Chair writes formally twice a year to partners to update them on the focus of the Board and its Committees (Audit, People, Nominations and Risk).

All Partners are invited to an extended partner call to discuss a range of topics including the firm's results and business planning. Every other year this becomes an in-person Partner conference. There is also a dedicated Partner intranet containing partner-specific resources and communications.

Where there is an immediate need to communicate matters, an all-Partner email is used or, exceptionally, all-Partner calls are convened.

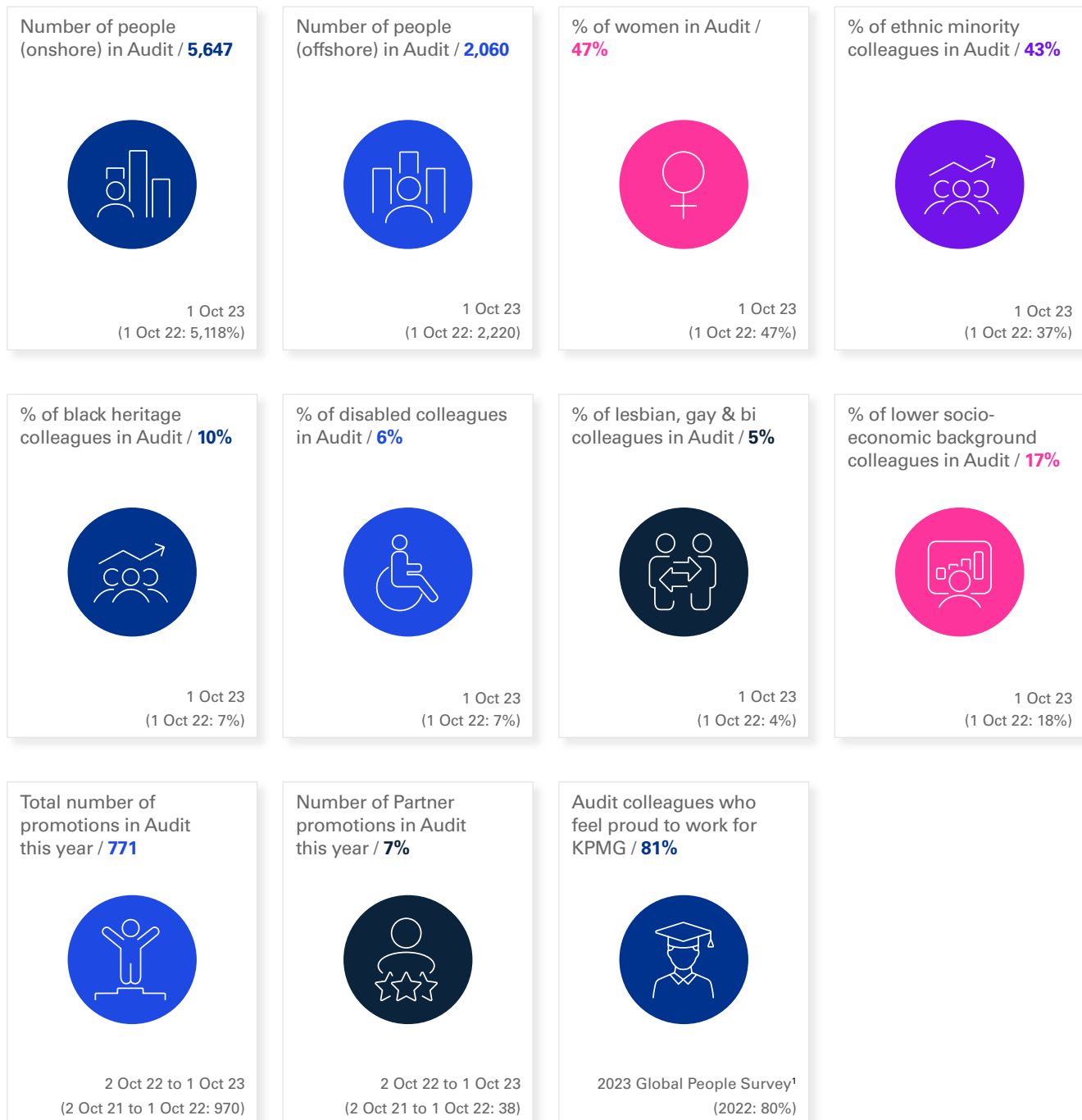


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People and culture

People and culture

Our people in numbers



¹ 2023 Global People Survey data is based on 4,055 Audit colleague responses (2022: 3,371 Audit colleague responses)

People and culture

continued

Firm-wide culture

At KPMG we are guided by our values and doing great work that matters.

Our values represent what we believe in and who we aspire to be: Integrity, Excellence, Courage, Together, For Better.

Our values bind us together, across our different backgrounds and cultures, and are common to each of us. They guide our behaviours day-to-day, informing how we act, the decisions we take, and how we work with each other.

We have set a bold ambition to become the most trusted and trustworthy professional services firm. To achieve that, we need to build our culture with trust at the core. Our values are key to this.

We're building a culture that is open, safe and inclusive, and that operates to the highest ethical and quality standards. A culture and environment that is continually listening, evolving and learning.

Our firm-wide Culture Plan has five pillars to help build the consistent culture we want across the whole of our firm:

- Values-led organisation
- Do work that matters
- Open, safe and inclusive
- High quality and ethical standards
- Listen, learn and evolve

You can find out more about our firm's culture [here](#).

Our risk management principles (see [Section 5: Quality control and risk management](#)) help us to ensure we manage risks that we take across the firm and act responsibly in line with our values.

Audit culture

In Audit, we have eight practical goals enabling us to embed our High Challenge, High Support culture. These eight goals are aligned to the five firm-wide Culture Plan pillars:

Firm-wide Culture Plan pillar	Audit culture goal
Values-led organisation	1. We lead with integrity
Do work that matters	2. Do work that matters
Open, safe and inclusive	3. We foster an open, safe and inclusive environment
High quality and ethical standards	4. Uphold highest ethical and quality standards
	5. Recognition, measurement and reporting
	6. Culture of challenge
Listen, learn and evolve	7. Quality coaching
	8. We listen, learn and evolve

We recognise that having the right culture drives a professional scepticism mindset and empowers our people to thrive with us and learn for a lifetime. Creating and nurturing the right culture improves audit quality and supports the effective delivery and growth of our business. We provide the right environment to support our people and give them opportunities to develop their skills and gain relevant experience.

Our culture programme activities are foundational to our strategy in Audit. This programme of work has matured, and we have built resources, local networks and mechanisms to constantly embed that culture, with leaders demonstrating with leaders demonstrating the right behaviours.

We continue to be highly encouraged by the extent to which our High Challenge, High Support culture resonates with Audit colleagues. During our 2023 culture focus group sessions, 71% of colleagues told us they felt there was a "High challenge, High support" culture within their engagement teams. Our 2023 Global People Survey¹ results also show that 73% of our people see KPMG as taking the right steps to strengthen the culture.

People and culture

continued

The eight goals of our High Challenge, High Support culture in Audit

Our eight Audit culture goals enable us to have continuity with the whole firm culture approach, while also accommodating the specific needs and dynamics of the Audit environment.

1. We lead with integrity

We continue to ensure that our values and cultural mindset are driven from the top, with leadership demonstrating and communicating a commitment to quality, ethics and integrity which can cascade down through the organisation.

Leaders are key in setting the tone and embodying the values we aspire to – and they also need to be accessible and available to colleagues. That is why we have continued to give colleagues the opportunity to share their views with leadership, through a variety of mechanisms such as open forums and informal events.

To help build and deepen understanding of our values and how they translate into our everyday work, we held a week-long celebration across the firm in November 2022 – Values Week – that focused on a different value each day. Activities included:

- A diverse line-up of guest speaker events to provoke discussion on our values. These were: a panel of England women's football Lionesses talking about Excellence, World Champion diver Tom Daley talking about Courage, former Deputy Chief Medical Officer Sir Jonathan Van-Tam talking about Integrity, and education activist Vee Kativhu talking about For Better.
- Colleague-led content reporting on and discussing our values.
- Regional learning opportunities and creative installations in our offices, to help bring our values to life.
- The week ended with our second People Awards – focused on Together, aimed at recognising the teams and individuals at KPMG who exemplify our values.

Following the success of Values Week, we ran Values Immersion sessions across the firm – with 205 sessions taking place across Audit (180 face-to-face and 25 virtual) from November 2022 to March 2023. These sessions provided our people with the opportunity to explore and discuss our values, what they mean, where they can be compromised and the powerful impact that living our values has on us as individuals and as a firm. In total, 4,874 people in Audit attended a Values Immersion session, representing 94% of total Audit colleagues during that period.

We held our second Values Week (this time globally) in November 2023 and are currently running the follow-on to the Values Immersion sessions (called Our Values In Action sessions) given the importance of remaining focused on the Firm's values. The Our Values in Action sessions will explore our values of Integrity and Courage in more depth.

78% / of Audit colleagues feel our Partners demonstrate our Values in their everyday behaviours and actions



2023 Global People Survey¹
(2022: 82%)

2. Do work that matters

Our purpose is to support sustainability and resilience in our society by building investor trust. This has never been more vital to ensure a properly functioning audit market, as audit plays a pivotal role in the economy.

We participate in a number of public interest initiatives such as the Spring Report on audit quality, as well as running our Audit Committee Institute (also known as our Board Leadership Centre) and a wider investor engagement programme. For more information see [Section 4: Audit quality \(External communication and engagement\)](#).

Improving social mobility in our local communities is core to our firm's values and is at the heart of our communities strategy. Through our Opening Doors to Opportunities programme, we aim to give one million young people the opportunity to develop their skills by 2030. Our work on National Numeracy Day, which we co-founded with charity National Numeracy in 2018, is one of our flagship initiatives supporting this aim – the sixth National Numeracy Day took place on 17 May 2023, with the campaign garnering support from 9,369 individuals and organisations.

In addition, through our strategic philanthropy work, we not only raise vital funds for our national charity partner, Marie Curie, but also bring colleagues together, supporting wellbeing and connection across the Firm. Over 1,200 Audit colleagues (approximately 20% of Audit's headcount) signed up to take part in KPMG Big Walks over the summer months to raise money for Marie Curie.

In our 2023 Global People Survey¹ survey, 73% of Audit colleagues responded that they are encouraged to contribute to their community. This was an increase of 13 percentage points from the GPS in 2022.

¹ 2023 Global People Survey data is based on 4,055 Audit colleague responses (2022: 3,371 Audit colleague responses)

People and culture

continued

3. We foster an open, safe and inclusive environment

Inclusion, Diversity and Equity (IDE)

Our strategy to build trust and grow our firm is underpinned by an inclusive culture. Fostering an open, safe and speak-up culture is crucial to promote diversity, equity, and a sense of belonging. Within Audit we use many culture interventions and activities that promote a psychologically safe environment where colleagues feel confident to speak up and challenge the day-to-day.

Our leaders are committed to driving change and are held accountable with set targets and action plans to 2030 for IDE which they're measured against regularly. We also remain committed to being transparent about our remuneration and pay gaps. In 2021 we became one of the first UK businesses to publish our socio-economic background pay gaps, and we continue to report on our pay gaps against several under-represented characteristics (our current and historical Pay Gap Reports can be found here).

Examples of our commitment to date include:

- Inclusive Leadership Board (ILB) – The ILB started in 2016 and is a collection of internal senior stakeholders and a number of external consultants who meet once a quarter to advise KPMG on our Talent strategy, specifically from an inclusion perspective. In 2023, topics discussed included gender equity, the future of work, social mobility, wellbeing and multi-generational inclusion. We have brought this group together with the co-chairs and partner sponsors of our 16 employee networks for a collaboration and mentoring event.
- Black Lives Action Plan – This has been in place for over three years and has recently been refreshed and updated. This plan includes the launch of our Black Heritage Allyship Programme; our Cross Company Allyship Programme; our Black Lives Matter learning pathway; and our Black Entrepreneurs Awards. We are really proud of the impact seen to date which includes 32% of Black heritage colleagues from the first two cohorts of the Black Heritage Allyship Programme having been promoted within 12 months of joining the programme. KPMG also ranked in the Top 10 of the Investing in Ethnicity Matrix.
- IDE training – Our mandatory training 'Enhancing our Vision' was launched in 2022 to all KPMG UK partners and employees. It is designed to engage colleagues and encourage them to reflect on how their identities influence their experiences and how other people may experience things differently. The module covers the legal and regulatory landscape with specific reference to the Equality Act 2010 and protected characteristics. It outlines colleagues' roles and responsibilities in helping the Firm meet our obligations under the law and our own policies, including our firm-wide policy on Inclusion, Diversity and Equity. The training includes significant levels of user-generated content to drive engagement.
- Ask Me Anything sessions – These have been rolled out across 23 engagements in Banking Audit to encourage a breaking down of silos and hierarchy as well as building psychological safety within teams. Many topics have been positively discussed, and our people have really welcomed the opportunity to ask questions about any topics that are important to them. These sessions continue to be rolled out across the whole of Audit through our Culture Ambassador network.

- Employee networks – In our bid to build an inclusive culture, we have 16 employee networks open to all, providing a sense of community and creating learning experiences for those who want to increase their own diversity awareness or become an ally. They deliver a calendar of events throughout the year to celebrate key moments, where people can voice their own lived experiences and provide vital feedback and insight to leadership.

We are proud to have been recognised externally as a Times Top 50 Employer for Gender Equality; as a Disability Confident Leader; as a top 10 employer in the 2023 Stonewall Workplace Equality Index; and to have ranked in the top five in the Social Mobility Employer Index every year since its inception in 2017.

When considering our talent, we strive to attract people from all backgrounds at every stage of their career and empower them to reach their full potential. To help us access diverse talent pools we have engaged with specialist recruitment agencies such as Auticon who improve the employment prospects of autistic people by helping find high quality careers for skilled neurodiverse adults. We also work with GapTalent who help us reach and place Black heritage hires. In addition, we continue to invest in programmes such as Access Accountancy where all our KPMG Discovery work experience places are for candidates from low socio-economic backgrounds. We have enrolled our second cohort of colleagues into our Audit Black Heritage Talent programme, which explores numerous themes with internal and external speakers to support people in their career development and maximise their potential.

Wellbeing

Our people are what make our firm a success. We recognise the importance of health and wellbeing in enabling our people to be at their best - so we make it a priority. We provide all our colleagues with extensive access to essential services, guidance and support networks, helping them thrive at work and at home. Examples include:

- We held a Wellbeing Innovation Challenge, with the winning idea, 'Focus Time Working', launched in our January 2022 Wellbeing Week alongside sessions on wellbeing in a hybrid world.
- Our wellbeing ambassadors continue to promote wellbeing at a local level and we have successfully piloted Mental Health First Aiders in Audit.
- We run a speaker series which brings our Culture Ambition and expected behaviours to life. Through a diverse range of speakers from across industry, the series stimulates thinking and supports our people with practical actions, hints and tips that they can apply to their everyday working lives. This year we have focused on the theme of psychological safety with leaders from the business talking through their own stories and learnings from the past.

People and culture

continued

Driving quality through fair opportunity

One of the key drivers of quality is making sure we assign people with the right level of skills and experience to the right engagements. Doing this requires a focus on the recruitment, development, promotion and retention of our people, and the development of robust capacity and resource management processes.

Key considerations include experience, accreditation, training and capacity in view of the size, complexity, industry and risk profile of the engagement and the type of support to be provided. This may include involving local specialists or those from other KPMG member firms.

We know that getting this right also has a huge impact on the opportunities and career development of our people from historically under-represented groups. We ensure that engagements and projects are allocated fairly.

Recruitment

All candidates follow a thorough selection process which, depending on the role, includes:

- Application screening.
- Competency based interviews.
- Fit and proper checks.
- Psychometric and ability testing.
- Qualification and reference checks.

Upon joining the firm, qualified joiners take part in an induction programme which includes training in areas such as: ethics and independence, quality and risk management, engagement management and people management procedures, with a particular focus on KPMG's values and culture.

As part of our Audit people strategy, we have recently made a number of significant improvements to the way we onboard and welcome our qualified joiners, helping set them up for success in their new roles. Our induction programme now gives candidates a truly blended experience, learning new skills in a classroom environment and then immediately applying them through on-the-job experience from week one. New joiners receive dedicated support via an online portal and have access to an onboarding experience lead to help them with any early queries. We also recognise that joining from another country brings with it other challenges and have launched a new pre-boarding programme to support international joiners, with buddies assigned from the moment an offer is accepted to provide additional support.

Accelerated Programme

For our Class of 2023 we have developed an Accelerated Programme which focuses on our graduates working towards an ACA qualification. The programme is structured to invest in and boost our graduates' technical abilities up front, making them 'work ready' more quickly. Those on the programme spend the first of three years learning and gaining the majority of their ACA qualification, with around 65% of this learning being delivered face-to-face. This gives our graduates more time and space to get up to speed, whilst also offering greater opportunity for them to build their professional networks and learn together.

Alongside the core curriculum covered as part of the ACA qualification, we also upskill on other soft skills and train the new recruits in the big issues facing business, like ESG and technology.

Hybrid Working

We have continued to embed our hybrid working model – our people tell us that they appreciate having more flexibility about where they work as this provides better work-life balance. Hybrid working allows us to do many of the things we used to do pre-pandemic but in an environment with more variety and where we bring together the best of both worlds – working at home as well as being in the office and at engagement sites, where the full diversity of our people can flourish, empowered by agile working. In our 2023 Global People Survey¹, 84% of Audit colleagues said that they feel they can work where they are most effective to meet audited entity, business and team needs.

We have re-introduced in person learning to allow our people to collaborate, knowledge share and build stronger networks. From October 2023, we also began hosting the final stage of our student recruitment process (Launch Pad) in person.

4. Uphold highest ethical and quality standards

Firm-wide Ethics Programme

To help achieve our culture ambition of ensuring that we consistently operate to the highest ethical standards, in 2022 we developed a formal ethics programme, with the assistance of the Institute of Business Ethics ('the IBE'), which operates across the whole of the firm. The programme is framed around each of the eight elements in the IBE's Business Ethics Framework and each element is sponsored by a member of our ExCo. The programme, which is rolled forward on a quarterly basis, is overseen by our firm's Ethics Partner who reports into the Executive and the Board every quarter on both the delivery of the programme and on what the key MI indicates about the firm's ethical health. In addition, all Capability leadership teams, including the Audit Executive, receive quarterly ethical health reporting for their part of the business. In 2023, we invited the IBE back to provide an independent perspective (one year on) of the execution and impact of the ethics programme.

Ethics and reporting

Where colleagues have any concerns about any ethical or conduct issue, they are encouraged to speak to their manager in the first instance if they feel comfortable to do so – but a number of other routes are available. This includes our whistleblowing hotline, Speak Up, which is overseen by an external ombudsman and is completely confidential. We also have a network of Ethics Champions – colleagues based at each of our UK offices who are available should colleagues wish to discuss any ethical concerns. In the year to 30 September 2023, there were over 100 Ethics Champions (2022: over 100) nationwide who helped colleagues with 202 concerns they wished to raise (2022: 214). We are pleased to see that our colleagues also continue to use the Speak Up hotline where 50 separate matters were reported (2022: 45). Members of our Audit Board also meet with people around the business several times a year as an important part of taking a temperature check on culture.

People and culture

continued

Putting quality at the core of performance evaluation and remuneration

84% / of Audit colleagues feel the review of their performance place a significant emphasis on their contribution to audit quality



2023 Global People Survey¹
(2022: 81%)

Audit quality is the most important metric for measuring the performance – and by extension, the reward – of Audit partners and professionals. The Quality and Performance Matrix we use to assess an individual's performance looks at quality and how it interacts with other factors. An individual's overall rating depends on the interaction of both.

We use a quality monitoring report to collate objective evidence of an auditor's performance in relation to quality. Evidence includes indicators from reviews and inspections, and feedback on the auditor's engagement with the quality process.

The Chief Auditor and Audit Risk Management Partner contribute to the assessment of performance in respect of risk and quality matters and this assessment is factored into the remuneration discussions for Audit partners. The governance of this process is overseen by the Audit Board.

Auditors must be independent to do their jobs effectively. As such, everyone in the Audit practice, and staff from other areas of the firm that contribute to audits, are not evaluated, promoted or remunerated for the selling of non-audit services to entities we audit. There are no incentives for auditors to do this.

In 2023, 98% of people between Partner and Manager level were awarded a quality rating consistent with no, or only limited, performance improvements necessary. The remaining 2% of individuals where more significant performance improvements were identified were provided with targeted improvement plans and goals.

Personal development and performance evaluation

We continue to place a strong emphasis on the personal development, performance management and fair reward of all people within the Audit practice.

Our Open Performance Development framework supports our people when thinking about career aspirations, progression and personal development needs via regular performance conversations and ongoing feedback from those they work with. We are further developing a Career Pathways Tool to support people's understanding of how they can build their skills to facilitate moves into different teams.

There is a clear focus on setting stretching goals and investing in annual performance reviews to help identify high performers who have the potential to take on more senior or complex roles. High performers are further developed through rotation opportunities, internal and global secondments and talent programmes.

We have reward and promotion policies that are clear, simple and linked to performance evaluation processes so that our people know what is expected of them and what they can expect to receive in return.

Partner admissions

Our process for admission to the partnership is rigorous and thorough for both internal promotes and external hires. This includes a business and personal case for the individual candidate as well as an independent psychometric assessment. Our key criteria for admission to partner (both Equity and Salaried) reflect our commitment to professionalism and integrity, delivering high-quality audits and being the best choice for the entities we audit and our people.

Basis of partner and director performance and remuneration

Our remuneration model drives and rewards behaviour consistent with our strategy and values, reflecting an individual's performance over time as well as current in-year performance against their goals.

For our salaried partners and directors, Audit Quality is the primary indicator of performance and caps are applied to performance ratings where there are quality issues identified. For FY23, bonuses for all staff and salaried partners are based on firm-wide, Capability and individual performance (performance ratings).

The Salaried Partner Pathway profit share bonus is calculated using percentage of salary, a unit value performance modifier and an individual performance zone modifier.

For our equity partners, there are four Partner Bands and a Unit Based remuneration model that has been in place since FY21. The four bands outline the expected impact and scale of sustainable contribution to the firm at different levels of partner, with expectations and complexity increasing with seniority.

Each member's Unit allocation, including those who are on the Executive Committee, is determined with reference to the descriptors which set out the expectations at each Partner Band:

- Sustained performance. Audit quality is the primary factor within the Audit practice.
- Market value of skillset.
- Individual capability.
- Leadership qualities and overall contribution to the group.

¹ 2023 Global People Survey data is based on 4,055 Audit colleague responses (2022: 3,371 Audit colleague responses)

People and culture

continued

The LLP Partnership Agreement requires that a minimum of 75% of group profits, excluding the results of certain overseas subsidiaries (adjusted group), must be allocated to members. The Board's discretion in respect of amounts not allocated is subject to a maximum retention of 25% of the accounting profits of the group for the period. Any proposal of the Board to retain more than 25% of the accounting profits of the group for the period is subject to a member vote.

During the year members receive monthly drawings and further profit distributions. The level and timing of the additional profit distributions are decided by the Executive Committee, considering the partnership's cash requirements for operating and investing activities. Both the monthly drawings and profit distributions are reclaimable from members until the date on which profits are allocated.

As at 1 October 2023, there were 364 Salaried Partners and 469 Equity Partners in the UK firm. There were 109 Equity Partners in Audit, of which 97 are RIs, the rest do not require RI status.

5. Recognition, measurement and reporting

Recognising our success

Through our revamped Audit Quality and Culture Awards and also our firmwide People Awards, we have seen many excellent examples of individuals and teams living our values and reaching the highest standards of professionalism and quality.

The Audit Quality and Culture Awards, which run twice a year, recognise and celebrate those individuals and teams who champion audit quality and demonstrate our expected behaviours. The winning nominations are judged by an expert panel and gold and silver medallists are chosen for each category, with medallists winning a significant financial reward. In FY23, we had over 1,900 winners and good news stories linked to our culture goals. These stories continue to be used across Audit to further embed our culture ambition and drive good practices.

The People Awards 2022 were our most ambitious and inclusive yet, filmed from five regional locations with senior leadership and Executive Committee members also in attendance. The Awards received over 850 nominations which were narrowed down over two rounds of judging to 30 individual and team finalists in six categories.

As part of these awards this year we also recognised colleagues who went above and beyond in the Sustainability and Social Impact category, and we gave the opportunity for our viewers to vote live for the new 'People's Choice' Award.

6. Culture of challenge

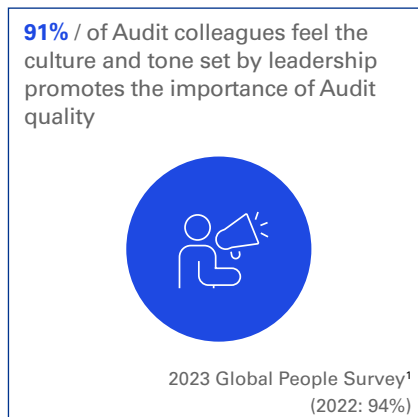
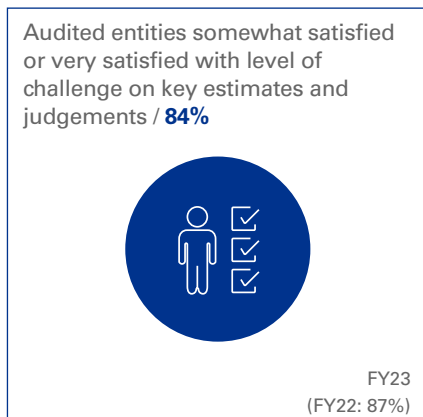
We continue to roll out practices and interventions that promote a culture of challenge. This is essential in upholding the principles of quality, independence, objectivity and ethics while promoting continuous improvement.

Our culture of challenge narrative is shared and reinforced with audit colleagues through our mandatory audit training. For 2023 we have focused content on:

- Adopting a curious mindset to look for disconfirming evidence and challenging management.
- What it means to stretch safely and have a growth mindset.
- Building an effective working environment to enable scepticism and challenge.
- Bringing to life the importance of understanding the responsibilities between KPMG, the audited entity and the Audit Committee Chair.

The FRC carried out a Thematic Review 'What makes a good environment for auditor scepticism and challenge?' during the year which included tailored recommendations for each firm. The FRC's recommendations have been assigned to Audit's leadership to drive these forward. Demonstrating the importance of a culture of challenge continues to form part of our quarterly mandatory auditor training and was the golden thread through our KPMG Audit University (KAU), an annual residential programme for both auditors and IT auditors that takes place each summer.

Our 194 Culture Ambassadors (FY22: 140) continue to drive positive messaging around demonstrating a culture of challenge and share our Challenge and Support videos at a local level. These videos reinforce the High Challenge, High Support culture for audit teams, what we expect of colleagues, and what they should expect of each other. Our Culture Ambassadors and Wellbeing Ambassadors presented at each KAU event this year to reinforce our messages around FocusTime Working and Productivity.



¹ 2023 Global People Survey data is based on 4,055 Audit colleague responses (2022: 3,371 Audit colleague responses)

People and culture

continued



I really enjoy these ‘culture of challenge’ training modules that encourage us to challenge our current way of thinking. The materials are well-written and explained, meaning that I can easily buy into the High Challenge, High Support culture.”

Nirith Basdow, Assistant Audit Manager

7. Quality coaching

To invest in building the skills and capabilities of our professionals, we continue to adopt a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling colleagues to achieve their full potential.

Our Coaching for Quality programme, which was developed with the support of external behavioural psychologists, gives colleagues the tools they need for productive coaching conversations.

New engagement leaders are also provided with an experienced mentor to support their transition into this critical role.

A Coaching Challenge was rolled out across 23 engagements in Banking Audit during FY23, with further roll-out planned to all audit performance groups. Team feedback confirms that this challenge has made colleagues feel psychologically safe to speak up and ask more questions and has built stronger relationships across engagements.

As part of the Audit Quality Coaching Awards we had 244 winners who demonstrated quality coaching in the spring and autumn 2023 awards cycles. These stories feature individuals who exemplified our culture by investing heavily in coaching their teams and developing junior team members.

Spring 2023 Audit Quality Culture Awards – Delivering Quality winner

Vivek Kohli, Audit Director, is a role model in driving audit quality and empowers his teams to focus on optimising the audit approach, challenging management and being professionally sceptical. Vivek supports his teams to focus on complex issues up front and to consult when needed. He is always willing and available to share his knowledge with all team members and provide high-quality coaching on technical areas and development of other skills too. Vivek takes time to coach to a high standard and explain concepts in detail which enables the whole team to develop.

8. We listen, learn and evolve

Practical tools and resources continue to create culture change on the ground

We have been embedding our Culture Ambition by developing practical tools, resources and events that help our colleagues understand and apply our Culture Ambition in practice. Our progress in 2023 has included:

Audit-led activities and resources:

- We’ve conducted over 65 culture focus groups together with the Root Cause Analysis team to understand cultural and behavioural drivers and identify areas that may require improvement.
- We’ve produced talking points to discuss with audit committees and audited entities about the respective culture and behavioural responsibilities within the ecosystem of KPMG, the audit committee and audited entity management. These talking points have been shared with engagement teams through our mandatory training and technical updates.
- We’ve also created talking points about our High Challenge, High Support ethos for teams to use in audit tenders.

Driving cultural change locally:

- Our Culture Ambassador network has grown to 194 colleagues helping to embed our Culture Ambition.
- Using our Curiosity Quarter speaker series podcasts, we have held local teams accountable to drive engagement and apply learnings through the Culture Ambassador network.
- Our coaching materials continue to be used locally and reinforced in quarterly mandatory training. Coaching training is also delivered to newly promoted managers and experienced hires.

Management information and how we use it

Continuing to measure our progress is key to success. We baseline and measure our culture on a holistic basis, using a variety of sources of management information including our firm-wide Culture Dashboard, our culture assessments, and through consultation with our Audit Evolution Board.

The sources of management information we use include:

- Our Global People Survey which gives colleagues from KPMG member firms an opportunity to express their views on a range of topics about life at KPMG. We use the responses to gather insight and identify issues that affect colleagues both locally and globally. We regularly update Audit colleagues on the progress we are making against the focus areas in a newsletter called ‘You Said, We Did’.
- Our bi-annual Pulse surveys which are a temperature check to measure our progress against our firm-wide priority areas.
- Our Audit Listening Programme which gathers views from the entities we audit.
- Culture assessments where we provide opportunities to effectively listen to and support audit teams, departments and offices in understanding the level of embeddedness of our values and Culture Ambition.

People and culture

continued

- A culture measurement tool, CultureScope, which helps identify our culture strengths, areas of focus and action plans.
- Reports to our Speak Up hotline.
- Coaching surveys.
- Audit leaver feedback.
- Root Cause Analysis Outcomes
- In FY24 we will use Culture Amp, a new employee experience platform, which will provide us with more detailed, real-time analysis of colleague sentiment, enabling us to identify areas of focus and take action sooner than we've previously been able to.

Working with the Root Cause Analysis team, we also continue to measure our culture through focus groups where we deep dive into the behaviours we need to focus on, to test the vision of what 'High Challenge, High Support' looks like and how we get there. We held over 65 focus groups in 2023 which were attended by over 400 Audit colleagues. These inputs are helping us target our actions where they will have the greatest impact.

Learning

70% / of Audit colleagues feel their leaders take an active role in their learning and development



2023 Global People Survey¹
(2022: 69%)

A comprehensive learning programme is in place for our Audit practice. This covers both technical and non-technical skills and includes a mix of face-to-face, virtual and digitally delivered content. The formal learning programme is complemented with many informal workshops and locally run sessions on a variety of topics. One example is our Milestone programme, which is run firm-wide for newly promoted Managers and Senior Managers. This has just been refreshed for this year and focuses on what their new role entails, what the firm's culture ambition is and how they can further develop their leadership skills.

Our graduates work through our Audit Foundations programme over a two-year period, covering all elements of a KPMG audit, including our methodology, workflow and technology as well as the business skills required for their role. From their third year onwards, they attend our flagship programme, KPMG Audit University. More information on this programme is included in the Audit Quality section of this report.

As part of the revamp of our onboarding programme for Qualified New Joiners, we have ensured that a significant part of their learning is carried out face-to-face. The learning is also complemented by an on-the-job experience passport, worked through whilst being mentored on their initial engagements, to enable them to apply their learning more effectively and be set up for success in their new roles.

Our Audit Evolution Board

As our audit landscape changes and the role of the auditor transforms, it becomes increasingly important for leadership to listen to the views from those closer to audit delivery and impacted by key decisions made across the Audit practice. For this reason, the Audit Evolution Board (AEB) was formed in 2020.

The Audit Evolution Board's role is to provide challenge, diversity of thought, new insight and recommendations to matters discussed by the Audit Executive and Audit Board and to play a part in improving the culture of trust and quality within the Audit business. There are 12 members, from trainees to Senior Managers across an array of locations within our UK Audit practice, also including one non-Audit member. This diverse group brings a wide range of opinions, experience and perspectives to meetings. Monthly meetings are attended by AEB members, the Chair (who is a member of our Audit Executive team), and presenters.

This year, the Audit Evolution Board has restructured itself into pillars that align with our audit strategy (People, Audit Quality, Delivery and Growth). This allows the AEB to draw focus, drive change effectively and act as a sounding board for leadership proposals.

The Audit Evolution Board participated in two of our judging panels in 2023 including the Audit Quality and Culture Awards and the Audit Innovation Challenge. The AEB will continue to act as a representative on these panels to show our commitment, alongside the Audit Executive, to ensuring individuals are recognised and rewarded for delivering high-quality work and living our values and Culture Ambition.

¹ 2023 Global People Survey data is based on 4,055 Audit colleague responses (2022: 3,371 Audit colleague responses)

People and culture

continued

People and culture priorities for FY24

We're committed to delivering on our strategic plans through our People and Culture programmes for FY24.

People

- Furthering our career development initiatives through digitalised career 'maps', creating skills-based learning pathways (technical and non-technical), and providing practical skill application opportunities.
- Promoting our High Challenge, High Support culture with the revamped pre/onboarding process for our future qualified joiners and providing 'hyper-care' support via a dedicated website and concierge, particularly for international joiners.
- Developing new learning programmes for future managers and senior managers to engage, develop and prepare them for the transition to management roles, with a focus on motivating, engaging and leading audit teams and engagements.
- Continuing to enhance our routes to market in terms of sourcing talent across all levels with an ongoing focus on candidate experience.
- Continuing to support and develop our leaders in Audit, particularly around what behaviours we expect and how we measure against these.
- We will maintain a focus on leadership skills and how we develop these throughout our people's careers in Audit.
- We will remain focused on our Inclusion, Diversity and Equity action plan which has clear and tangible actions to meet our published targets by 2030.
- We will review our feedback culture to ensure that colleagues are giving and receiving feedback continuously throughout the year aligned with a growth mindset and High Performance culture.
- We will continue our focus on wellbeing, and ensure that we have suitable support mechanisms in place for our auditors and a high support culture for all.

Culture

- Continuing to drive engagement locally through our Culture Ambassador network, further embedding our High Challenge, High Support culture.
- Creating further resources to build trust and psychological safety in teams, supporting a culture where people feel able to speak up if necessary.
- Continuing to source culture and behavioural success stories through our Audit Quality Culture Awards which have been structured to recognise the behaviours that underpin our Audit Quality and Culture strategy and goals.
- Measuring culture success and delivering insights through existing management information and the use of Culture Amp.
- We will continue to embed culture learning into the 2024 KPMG Audit University syllabus and our Auditor Update training programme.
- We will keep bringing different perspectives to broaden horizons and stimulate innovation through our internal and external speaker series.



04

Audit quality

Audit quality

Audit quality is fundamental to the effective functioning of the capital markets and is key to investor and public trust. That is why sustainable, high-quality audits sit at the heart of our strategy as we strive to serve the public interest.

Delivering sustainable quality

We define “audit quality” as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management.

All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

To that end, KPMG has a Global Quality Framework (GQF) which guides how we work and how we approach the audit. It helps ensure a consistent approach with quality at its heart. In this section, we show how the GQF is helping us do this with reference to each individual component of the framework. For three of the components - Live our culture and values; Be independent and ethical; and Nurture diverse skilled teams – we have redirected to other parts of the report.

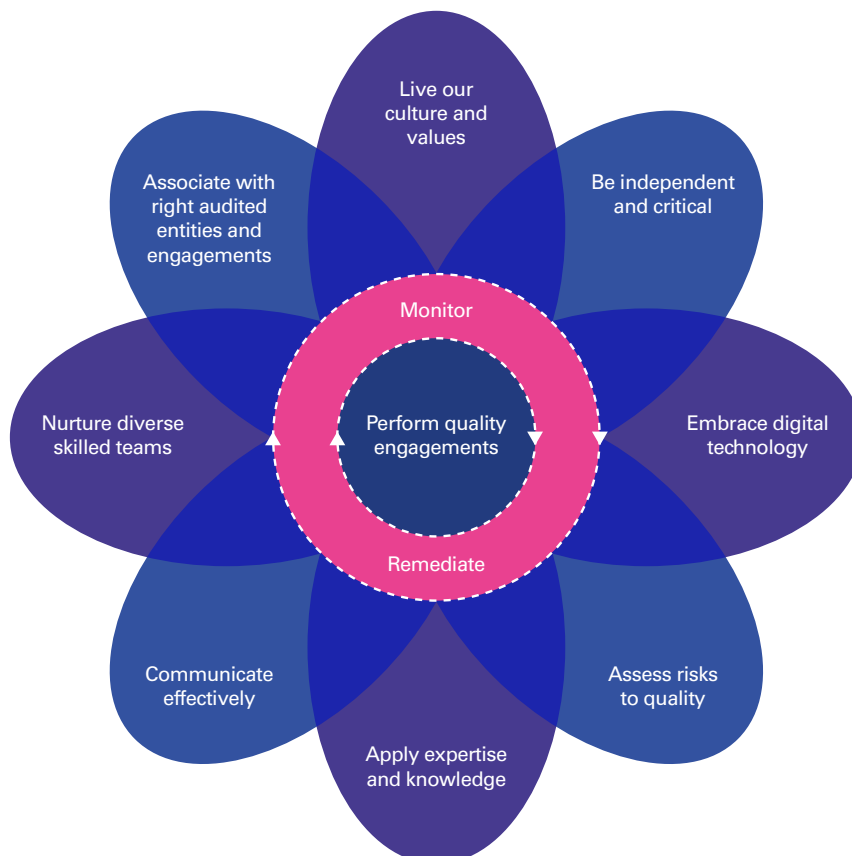
In the UK, we support our Global Quality Framework with our Single Quality Plan; a dynamic and responsive plan that monitors our response to quality-related issues which is reviewed and refreshed throughout the year. This helps us focus on the key areas we have identified that will enable us to continue to deliver sustainable quality.

Alongside this, we recognise that harnessing new technology, including AI and machine learning, is key to the future of audit, especially as audited entities themselves integrate these technologies into their businesses. We have therefore continued to invest heavily, in the UK and across our global network, in building new technologies into how we work (embedded into our smart audit platform, KPMG Clara) and strengthening our significant partnerships with major technology providers such as Microsoft.

Our focus on delivering sustainable audit quality is at the heart of our strategy, supported by our other strategic priorities: empowering our people, supporting seamless delivery, and maintaining robust growth. Our risk management principles (see [Section 5: Quality control and risk management](#)) ensure we appropriately manage risk across the firm and help to support audit quality.

We are seeing the fruits of our strategy in our audit quality journey and our average results across FRC, ICAEW and our own internal inspections over the last two years show an upward trend.

Our Global Quality Framework



Audit quality

continued

1. Perform quality engagements

Activities during the year

External monitoring by our regulators

KPMG has a number of regulators due to the types of services we provide. This includes the Financial Reporting Council (FRC), the Institute of Chartered Accountants in England and Wales (ICAEW), the Financial Conduct Authority (FCA), the Solicitors Regulation Authority (SRA), audit third country regulators, and other regulatory and oversight bodies (including HM Government). We're committed to meeting the expectations of our regulators and ensuring our regulatory engagement is based on the principles of openness, transparency, integrity and accountability.

The regulatory environment continues to evolve and change. We continue to scan the horizon and prepare the firm for incoming regulatory changes. In particular, we continue to engage and work with the FRC to help shape the future for a profession that produces high-quality audits and acts in the public interest.

The results from the FRC and ICAEW inspections together with the results of our own internal monitoring programme, and those of any other regulator including the Public Company Accounting Oversight Board (PCAOB) in the US, provide an overview of our performance of quality engagements. In addition, the FRC's Audit Firm Supervision (AFS) and Audit Market Supervision (AMS) teams perform inspections, reviews and deep dives into our firm-wide and audit-wide policies and procedures. The results of this work are shared with us throughout the year and the findings are published annually in our Audit Quality Inspection and Supervision report.

Audit quality is our number one priority, and we value the constructive input and challenge from the FRC through their inspection and supervision process. We continue to work closely with the FRC to understand their identified areas of good practice, and importantly where we need to continue to focus to ensure that we build trust and confidence in our profession and the markets.

The FRC's AQR report listed areas of good practice and aspects where improvement was required.

In individual audits, good practice included examples relating to risk assessment and planning, execution, and completion and reporting. Areas for improvement included instances relating to impairment, expected credit losses in banking audits, and accounting judgements and disclosures.

The report also included a section on our firm-wide quality control procedures, with examples of good practice and areas for improvement.

The final section of the report focused on the FRC's forward-looking supervisory approach – identifying and prioritising what firms must do to improve audit quality and enhance resilience. There, we saw recognition of our efforts in developing the Single Quality Plan:



The firm has positively embraced the SQP initiative and embedded it throughout their business, as a framework to deliver sustainable audit quality."

FRC's Audit Quality Inspection and Supervision Report, July 2023

The report also noted that further actions are necessary to implement a comprehensive and robust Root Cause analysis process. We have taken those actions and described them in [Section 4: Audit quality](#).

The FRC's report is available to read [here](#).

FRC – Audit Quality Inspection and Supervision Report findings

74% of FRC inspections required no more than limited improvements

2022/23
(2021/22: 84%)
(2020/21: 59%)

78% of FTSE 350 inspections required no more than limited improvements

2022/23
(2021/22: 91%)
(2020/21: 75%)

One audit inspected required significant improvements

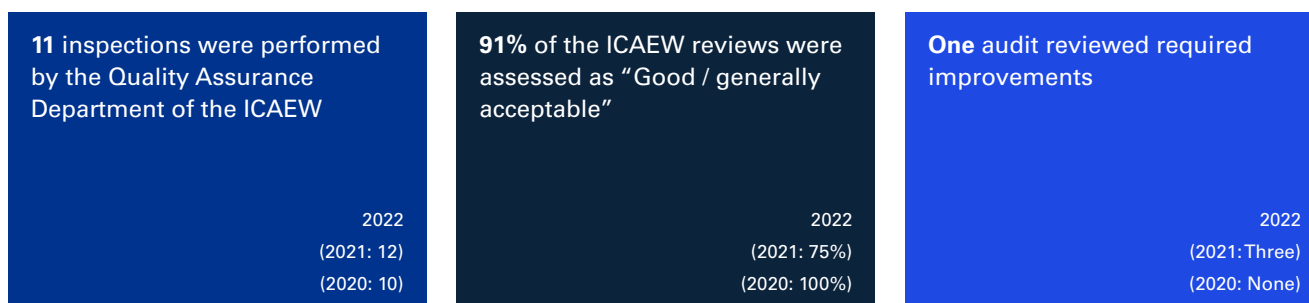
2022/23
(2021/22: None)
(2020/21: One)

[FRC's Audit Quality Inspection and Supervision Report, July 2023](#)

Audit quality

continued

ICAEW - Monitoring review by the Quality Assurance Department



FRC's Audit Quality Inspection and Supervision Report, July 2023

The ICAEW identified good practice across all but one of the files reviewed. Broad themes were:

Effective use of internal specialists with clear linkage to audit work done and conclusions.

Clear evidence of appropriate consultation with the firm's technical department, particularly in areas of judgement.

Comprehensive audit documentation in areas of estimation and judgement, including property and derivative valuations, and pension related work.

For a summary of the QAD's review findings, refer to the [FRC's Audit Quality Inspection and Supervision report for KPMG LLP \(July 2023\)](#).

PCAOB

KPMG in the UK is subject to inspection every three years by the US Public Company Accounting and Oversight Board (PCAOB). In accordance with this cycle, the PCAOB was due to inspect during 2021. However, as a result of the COVID-19 pandemic, the PCAOB deferred its inspection to 2022. We look forward to receiving the final report in 2024.

Regulatory investigations and sanctions

Ongoing FRC matters

There were no on-going FRC investigations into matters announced in previous years at the end of the year¹.

New FRC matters or developments on ongoing matters during the year

One new FRC investigation in respect of KPMG was announced during the year, relating to the audit of Carr's Group plc for the period ended 28 August 2021. This investigation is on-going.

FRC matters closed during the year

Four matters¹ relating to periods between 2013 and 2020 were closed during the year:

In April 2023, the FRC announced sanctions against KPMG LLP and a former employee relating to the audit of the financial statements of Luceco Plc for the financial year ended 31 December 2016. KPMG LLP was fined £875,000, severely

reprimanded, and ordered to analyse the underlying causes of the breaches of relevant requirements and identify and implement any remedial measures necessary to prevent a recurrence. The former employee was fined £35,000 and severely reprimanded.

In April 2023, the FRC announced sanctions against KPMG LLP and a former partner relating to the audit of the financial statements of The Works.co.uk plc for the financial year ended 26 April 2020. KPMG LLP was fined £1,023,750, severely reprimanded, and ordered to take action to mitigate the effect or prevent the recurrence of breaches of relevant requirements. The former partner was fined £43,875 and severely reprimanded.

In June 2023, the FRC announced sanctions against KPMG LLP and a former partner relating to the audit of the financial statements of Eddie Stobart Logistics plc for the financial year ended 30 November 2017. KPMG LLP was fined £877,500, severely reprimanded, and ordered to take specified actions to prevent the re-occurrence of the contravention. The former partner was fined £45,500 and severely reprimanded.

In October 2023 the FRC announced sanctions relating to the audits by KPMG Audit Plc and KPMG LLP of the financial statements of Carillion plc for the financial years ended 31 December 2013 to 2016, and additional audit work in 2017. In relation to the audit for the 2013 financial year, KPMG Audit Plc was fined £2,450,000 and severely reprimanded and a former partner was fined £70,000 and severely reprimanded. In relation to the audits for the 2014 to 2016 financial years and the additional audit work in 2017, KPMG LLP was fined £18,550,000, severely reprimanded and ordered to take remedial action aimed at preventing recurrence of the breaches of relevant requirements including evaluating and reporting whether the measures taken by the firm since 2017 are sufficient in this regard. A former partner was fined £350,000, severely reprimanded and excluded from membership of the ICAEW for 10 years.

ICAEW matters

Two ICAEW investigation outcomes were announced during the year. These related to audits of financial statements of entities and compliance with ethical standards by KPMG LLP and KPMG Audit Plc.

¹ Where the FRC or other regulatory body has exercised discretion not to publicise a particular inquiry or investigation, the details of such matters are not disclosed in this report.

Audit quality

continued

Internal monitoring

Quality monitoring and compliance programmes that are created by KPMG International are used by KPMG firms to identify quality issues, perform root cause analysis and develop remedial action plans, both for individual audits and for their overall System of Quality Management (SoQM). The programmes evaluate:

- Engagement performance in compliance with the applicable professional standards, applicable laws and regulations and key KPMG International policies and procedures;
- Our firm's compliance with key KPMG International policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures

The internal monitoring and compliance programmes also contribute to the evaluation of our SoQM operating effectiveness. These programmes include:

- Audit Quality Performance Review (QPR)
- KPMG Quality & Compliance Evaluation (KQCE) – formerly known as the Risk Compliance Programme (RCP).
- Global Quality & Compliance Review (GQCR)

The results and lessons from the integrated monitoring and compliance programmes are communicated at local, regional and global levels (as relevant) and we establish action plans to make improvements where needed. Results are also considered by KPMG International.

Audit Quality Performance Review (QPR) programme

The Audit QPR programme is the cornerstone of our efforts to monitor engagement quality. It assesses engagement level performance and identifies opportunities to improve engagement quality.

Risk-based approach

All engagement leaders of statutory and non-statutory audits and other assurance engagements are generally subject to selection for review at least once in a three-year cycle. A risk-based approach is used to select engagements.

We conduct the annual QPR programme in accordance with KPMG International QPR instructions, which promote consistency across the KPMG organisation. Reviews are overseen by an independent experienced lead reviewer from another KPMG firm. QPR results are reported to KPMG International.

Evaluations from Audit QPR programme

Across the global organisation, consistent criteria are used to determine engagement ratings and KPMG firm Audit practice evaluations. Definitions of engagement ratings are explained below:

Compliant

When the audit work performed, the evidence obtained and the documentation compiled fully comply with internal policies, auditing standards and legal and regulatory requirements; and key judgements concerning significant matters in the audit and audit opinion are appropriate.

Compliant - improvements needed ('CIN')

When the auditor's report is supported by evidence and is not incorrect in any material respects, but the independent reviewer required additional information to reach the same conclusion as the auditor; or where supplementary information obtained as part of the audit was not sufficiently documented in the audit; or where specific requirements of our audit methodology were not embedded. A 'CIN'-rated engagement is not considered an adverse quality outcome.

Not Compliant

When the auditor did not perform the engagement in line with KPMG's professional standards and policies in a more significant area, or where there are deficiencies in the related financial statements. Where appropriate, in a limited number of cases we remediate engagement files to ensure the audit evidence obtained is adequately documented. Engagement teams undertake specific incremental or remedial training. In addition, engagement leaders receiving a Not Compliant rating are subject to at least one follow-up review.

Reporting

Prior to the finalisation of the review, there is a rigorous moderation process to ensure consistency of grading. A remedial action plan is created for quality areas in which deficiencies were identified which are considered to be significant, applicable at an engagement and a firm level. We share our findings from the Audit QPR programme through internal training tools and in periodic partner, manager and team meetings. Any issues are also emphasised in subsequent monitoring and compliance programmes to gauge the extent of continuous improvement and the effectiveness of the implementation of remedial actions. Lead engagement partners are notified of Audit QPR not compliant ratings on their respective cross-border engagements.

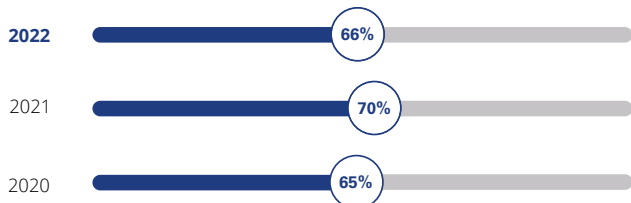
Our Audit QPR programme is designed to hold audit teams to quality levels that assess not only compliance with auditing standards but also adherence to internal requirements such as the performance of specified procedures or completion of specific mandated consultations. As such, teams that perform audits that are very substantially compliant with auditing standards may receive a rating other than Compliant in our internal reviews. Accordingly, it is difficult to make direct comparisons between the results of our internal and external inspection processes.

- Percentage of gradings at Compliant / Compliant – Improvements Needed / Not Compliant: 61% / 25% / 14%
- Percentage of engagement leaders reviewed: 37%
- Number of engagements reviewed: 138

Audit quality

continued

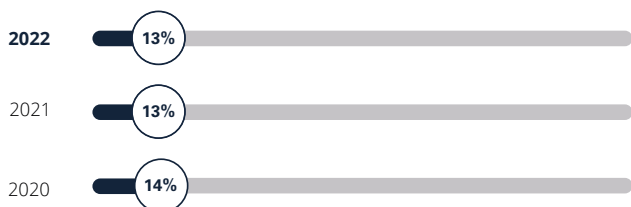
Rating / Compliant



Rating / Compliant - improvements needed



Rating / Not Compliant



Number of engagements reviewed



KPMG Quality and Compliance Evaluation (KQCE) programme

The KQCE programme encompasses the testing and evaluation requirements of a KPMG firm's SoQM which are necessary to support both their compliance with ISQM 1, and compliance with the firm's quality and risk management policies. KQCE programme requirements are mandated for all KPMG firms. The 2023 KQCE program covered the period from 1 October 2022 to 30 September 2023.

Monitoring, remediation and evaluation of the SoQM

Monitoring activities include:

- Testing of UK Member Firm SoQM controls performed in the UK and overseas, and at a Network level (including general IT controls);
- Review of 'other sources' e.g. QPR and GQCR findings, root cause analysis, regulatory developments etc.

The evaluation of the SoQM involves the identification and assessment of findings from monitoring, and of deficiencies. Judgement is required to assess whether findings result in a deficiency, and the severity and pervasiveness of any deficiencies, individually and in aggregate. Those judgements include considering both the significance of findings to the achievement of quality objectives and the extent to which actions taken up to the evaluation date mitigate the effects on the SoQM. Such judgements are made by the monitoring team, overseen by the Chief Risk Officer, and the final evaluation scrutinized and independently challenged by the Audit Committee.

Our evaluation of the effectiveness of our SoQM is set out in [Section 5: Quality control and risk management](#).

Compliance testing

During the year, member firms were required to self-assess their overall levels of compliance with quality and risk management policies not in scope of the SoQM as either compliant, substantially compliant or non-compliant.

For the year ended 30 September 2023, our approach to quality and risk management policies was rated substantially compliant (defined as where significant compliance findings are not pervasive in nature and action plans to address their identified causes have either already been implemented or substantially implemented or are planned to be implemented within a timeline which will allow for compliance testing in the succeeding period).

Action plans to address the identified root causes of SoQM Deficiencies and Compliance Findings have been developed and are in the process of being delivered. The status of remediation is monitored by the Risk, Operations and Audit Executives and is overseen by the Audit Committee.

Global Quality and Compliance Review (GQCR) programme

A GQCR is conducted by a KPMG International team, independent of the member firm. Firms are selected for review using a risk-based approach, which considers a number of factors, including financial conditions, country risks, results of monitoring programmes and people surveys, with each firm subject to a GQCR at least once in a four-year cycle.

The GQCR team performing the review comprises partners and managers who are independent of the firm subject to review. The overall objective of the GQCR programme is to assess the firm's compliance with selected KPMG International policies, including those related to governance and SoQM.

The UK firm was subject to a GQCR review during 2021 when a number of opportunities for improvement were identified, including areas which were also generally identified by the UK firm's Audit Quality and Banking Audit Quality Improvement Plans, Risk Compliance Programme (RCP)/KPMG Quality and Compliance Evaluation (KQCE) and other compliance and quality control processes. Implementation of these improvements is largely complete.

Audit quality

continued

Framework description

- Critically assess audit evidence, using professional judgement and scepticism.
- Direct, coach, supervise and review, including Second Line of Defence and EQCR.
- Appropriately support and document conclusions.
- Consult when appropriate.

How an audit is conducted is as important as the result. Everyone at KPMG is expected to demonstrate behaviours consistent with our values and follow policies and procedures in the performance of effective and efficient audits.

How we apply this in the UK

Critical assessment of audit evidence, exercise of professional judgement and professional scepticism

We consider all audit evidence obtained during the course of the audit, including consideration of anything that is contradictory or inconsistent. This analysis requires each of our team members to exercise professional judgement, maintain professional scepticism and demonstrate appropriate challenge to obtain sufficient and appropriate audit evidence.

Professional judgement and scepticism training is embedded in our core audit technical training programme for junior staff and ongoing training and workshops for more experienced staff.

Timely senior involvement and monitoring of milestones

The engagement leader is responsible for the overall quality of the audit engagement and therefore for its direction, supervision and performance. Involvement and leadership from the engagement leader early in the process helps set the appropriate scope and tone for the audit. To reinforce this, we mandate the completion and review of audit planning activities within specified timeframes to evidence completion of the relevant planning activities.

The engagement leader reviews key audit documentation – in particular, documentation relating to significant matters arising during the audit and conclusions reached. The engagement manager assists the engagement leader in meeting these responsibilities as well as in the day-to-day liaison with the audited entity and monitoring of engagement milestones.

Involvement of our Second Line of Defence

Our Second Line of Defence team is a group made up of senior auditors which supports our higher risk engagements with a focus on public interest and listed entities. The team performs in-flight reviews of audits to improve the quality of audit execution and documentation, including effective challenge of management in judgemental areas. These senior auditors also help throughout the audit cycle, to identify issues before they impact audit quality. This has a dual purpose: firstly, to enable coaching of teams and, secondly, to act as another level of review and challenge to help engagement teams in the delivery of high-quality audits. In addition, it informs our ongoing horizon scanning for emerging issues that may require broader responses.

Appropriate and timely involvement of specialists

Our engagement teams have access to a network of specialists, which may include involving UK specialists or those from other KPMG member firms. Our audit methodology requires the involvement of relevant specialists in the core audit engagement team when certain criteria are met or where the audit team considers it appropriate or necessary.

Appropriate involvement of the Engagement Quality Control Reviewer

Our Engagement Quality Control Reviewers (EQCRs) are independent of the engagement team and have appropriate experience and knowledge to perform an objective review and challenge of the more critical and judgemental elements of the audit. The audit report can only be released when the EQCR is satisfied that all significant questions raised have been resolved.

An EQCR is appointed for the audits, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQCR under applicable laws or regulations, and other engagements as designated by the Audit Risk Management Partner or the Chief Auditor.

Ongoing mentoring and on-the-job coaching, supervision and review

To invest in building the skills and capabilities of our professionals, we adopt a continuous learning environment. We support a coaching culture throughout KPMG as part of enabling colleagues to achieve their full potential.

Our Coaching for Quality programme, which was developed with the support of external behavioural psychologists, gives colleagues the tools they need for productive coaching conversations.

New engagement leaders are also provided with an experienced mentor to support their transition into this critical role.

Appropriately supported and documented conclusions

Audit documentation records the audit procedures performed, evidence obtained, and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

Standardised approaches and workpapers assist our audit teams with appropriately supported and documented conclusions.

Monitoring our progress

The results of our external and internal monitoring processes can be found under [Internal monitoring](#) (page 26).

Audit quality

continued

2. Live our culture and values

Activities during the year

This is at the heart of how we drive a mindset focused on quality and continuous improvement.

[Section 3: People and Culture](#) sets out in detail how we are placing a culture of “High Challenge, High Support” at the centre of our values-based approach, to help drive audit quality and create an environment of continuous improvement.

Framework description

- Foster the right culture, starting with tone at the top.
- Define accountabilities, roles and responsibilities related to quality and risk management.
- Robust governance structures.

It’s not just what we do at KPMG that matters — we also pay attention to how we do it. The KPMG values are our core beliefs, guiding and unifying our actions and behaviours. Shared across all colleagues and in every country, jurisdiction and territory in which we operate, they are the foundation of KPMG’s unique culture.

How we apply this in the UK

[Section 3: People and Culture](#) sets out in detail how we are embedding these factors to help drive audit quality and create an environment of continuous improvement.

3. Be independent and ethical

Activities during the year

These are crucial attributes for anyone connected to Audit.

[Section 5: Quality control and risk management](#) explains the processes and controls we have in place to ensure we meet the standards required.

Framework description

- Act with integrity and live our values.
- Maintain an objective, independent and ethical mindset, in line with our code of conduct and policies.
- Have zero tolerance of bribery and corruption.

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

How we apply this in the UK

As described in [Section 5: Quality control and risk management](#), we have adopted the KPMG Global Independence Policies which are derived from the IESBA Code, and, in the UK, supplement them with other policies to ensure compliance with the FRC’s 2019 Ethical Standard.

These policies and processes cover areas such as firm independence, personal independence, firm financial relationships, employment relationships, partner rotation, and approval of audit and non-audit services.

Compliance with laws, regulations and standards is a key aspect for everyone at KPMG. In particular, we have zero tolerance of bribery and corruption.

We prohibit involvement in any type of bribery – even if such conduct is legal or permitted under applicable law or local practice. We also do not tolerate bribery by third parties, including by the entities we audit, our suppliers or public officials.

More about KPMG International’s position and policies on anti-bribery and corruption can be found on the [anti-bribery and corruption site](#).

Audit quality

continued

4. Embrace digital technology

Activities during the year

Technology is at the heart of our efforts to enhance audit quality, create greater consistency and drive efficiencies in how we deliver our audits. It's why we are making smart technology our business-as-usual mode of audit delivery – it's simply the way a modern audit is carried out.

Matching the power of smart technology with curious and inquisitive minds and professional scepticism will enhance audit quality. We are now using our smart audit platform, KPMG Clara, on all of our audits and this is having a positive impact.

We continue to use data analytics to identify and respond to risks, ensuring our work is data-driven; in FY23 we processed 1.433 trillion rows of data through our proprietary analytics tools.

During the last year we've invested in a range of emerging technologies, focusing on artificial intelligence but also ensuring we have solutions in place to audit cryptocurrency balances and to automate our audit work in response to the latest financial reporting standards (e.g., IFRS 17).

Internationally, KPMG has invested \$5bn in technology and innovation over the last four years and during 2023 announced a further multi-billion-dollar investment with Microsoft.

KPMG Clara

KPMG Clara is our global, digital audit platform. It is used worldwide by over 85,000 auditors on over 100,000 audits.

KPMG Clara is built on four key capabilities:

- Collaboration – Providing a window into the audit for everyone in the engagement team, meaning no more Excel trackers or manual information requests.
- Coordination – The platform contains a digital project manager, ensuring we have the right people, in the right place, at the right time.
- KPMG Clara workflow (KCw) – This acts as the auditor's workbench. Based on our brand new methodology, it guides auditors through the audit process, ensuring they address the right risks in the right way, putting quality front and centre at all times.
- Analytics, AI and automation – The fuel in the engine of our digital audits, allowing us to leverage the systems and data from audited entities to deliver a robust data-driven audit.

During the last year, in the UK we have transitioned all our audits from our former audit software to our next-generation, cloud-enabled audit workflow tool, KPMG Clara workflow (KCw). This is faster, more intuitive and has a clearer connection between risk assessment and audit response. The new tool also provides our central quality monitoring team with the ability to monitor our teams' progress and highlight where additional support may be needed to ensure effective and timely planning.

Half of the audits in this year's FRC AQR inspection were delivered using KCw and the results compare favourably to the audits delivered using our previous software.

Artificial Intelligence (AI)

AI will transform the future of audit, so we are making significant investments in both AI technology and training. Our Microsoft Alliance is key to this.

Emerging technology like generative AI will have a significant impact on all professional services, including audit. That is why we are investing and collaborating with Microsoft to bring generative AI to life in how the audit is conducted. KPMG will adopt Microsoft Copilot and we are layering Microsoft's state-of-the-art machine learning models, natural language processing capabilities and enhanced analytics into KPMG Clara. We are also integrating Microsoft Fabric into our platform, bringing KPMG teams the ability to directly access data instead of having to extract and ingest it into our audit tools. This is a key component in helping our teams perform audits on a more real-time basis.

A further significant development during the year was our strategic alliance, announced in May 2023, with MindBridge, to bring increased levels of machine learning into KPMG Clara. By combining KPMG's in-depth industry experience and MindBridge's advanced risk discovery and anomaly detection techniques, we will digitally transform audits, providing increased quality and value to our audited entities and enhancing public trust.

Technology skills

We continue to invest in our central audit technology team, increasing headcount from 208 at the end of FY22 to 258 by the end of FY23. The team works closely with auditors across the business to develop and deploy the latest technology into our digital audits.

Alongside this, we have a comprehensive training and upskilling programme for all our audit professionals in new technology, innovation, data analytics and AI – working to create the 'Next Generation' of auditors as we embrace digital and the quality and performance benefits it can deliver.

Framework description

- KPMG Clara.
- Intelligent, standards-driven audit and assurance workflows.
- Digital data and emerging technologies.

At KPMG, we are anticipating the technologies that can shape our near future and are driving an ambitious innovation agenda. KPMG has transformed the audit experience for KPMG professionals and clients. The alliances and leading technologies used across the global organization are enhancing audit quality by increasing our ability to focus on the issues that matter.

How we apply this in the UK

Technology is at the heart of our efforts to enhance audit quality, create greater consistency and drive efficiencies in how we deliver our audits. It's why we are making smart technology our business-as-usual mode of audit delivery – it's simply the way a modern audit is carried out.

Matching the power of smart technology with curious and inquisitive minds and professional scepticism will enhance audit quality. We are now using our smart audit platform, KPMG Clara, on all of our audits and this is having a positive impact.

We continue to use data analytics to identify and respond to risks, ensuring our work is data-driven.

We're also investing in a range of emerging technologies, focusing on artificial intelligence but also ensuring we have solutions in place to audit cryptocurrency balances and to automate our audit work in response to the latest financial reporting standards (e.g., IFRS 17).

Audit quality

continued

5. Assess risks to quality

Activities during the year

We continue to refine our processes and controls to ensure we can mitigate and respond to risks which could affect audit quality. Our key quality control processes include:

Audit Quality Council

The Audit Quality Council is a forum for the leaders of our Audit Quality central teams and those with a role in driving audit quality activity in our Audit Performance Groups to discuss and agree on actions to implement our audit quality strategy. The Council meets monthly and receives updates from our Audit Quality central teams on their observations and activity for the month together with consideration of actions to address any emerging issues. Progress on both internal and external inspections are discussed and also the monitoring of remedial actions from prior reviews and inspections. Our audit learning plan is also approved at the Quality Council on an annual basis. The meeting is chaired by the Head of Audit Quality with members of the Quality Council including the heads of the Audit Quality teams e.g., Departments of Professional Practice, Second Line of Defence, Chief Auditor, Chief Accountant, and heads of internal and external inspections. The meeting is also attended by the Chief Risk Officer (CRO) for Audit, Audit Learning Director, Head of Culture for Audit and the partners who lead on Quality in the Audit Performance Groups including our offshore Quality Team.

Audit Risk & Quality sub-committee

The Audit Risk & Quality sub-committee meets on a monthly basis to assess and proactively address the risks that threaten audit quality. This could be across our Public Interest Entity, Other Entities of Public Interest or wider audited entity portfolios. The main areas considered by the sub-committee include the assessment and challenge of the safeguards and mitigations in place in response to the movement in internally calculated risk scores associated with individual audited entities and sectors; the response to the Second Line of Defence team's assessment of individual audit engagements; updates on regulatory developments and the status of associated regulatory commitments; and the identified actions in response to entities, engagements and themes included on the capability risk watchlist. Membership of the sub-committee includes the Audit Chief Risk Officer as Chair, Head of Audit Quality, Chief Auditor, Chief Accountant, Head of Audit Regulatory Compliance and representatives from the key performance groups across the Audit capability.

Annual review of engagement leader portfolios

The Chief Risk Officer for Audit attributes red, amber or green ratings to engagement leaders based on the size, nature and risk profile of their portfolios. These ratings may then be adjusted upwards to take account of other risk-based factors such as high hours, low holidays, high sickness and high managed volume. Engagement leaders discuss their rating, portfolio, wellbeing and any other concerns they may have in an interview as part of the Annual Risk Review. Findings are reported to Audit Risk Management and Audit Leadership, who take action as required.

Accreditation

To drive continuous improvement of audit quality we need to have the right people, with the right skills doing the right work at the right time.

Our audit portfolio has been divided into segments based on the risk and nature of the entities subject to audit. This has resulted in three defined main accreditation segments for managers and above – Listed and Regulated, Private Capital and Public Sector.

Each main accreditation segment is in turn made up of a number of sub-segments, enabling targeted competence and capability requirements within the overall accreditation segment.

Additional technical audit requirements apply to individual audits of certain entities. Each technical overlay has additional technical capabilities and some involve specific training over and above those of the three accreditation segments. Those technical overlays without specific training requirements are awarded at the discretion of the Audit CRO or Chief Auditor.

Accreditation requirements are determined at the engagement level and are driven by the sub-segment of the audited entity.

On an annual basis, all auditors from Manager to Partner are awarded a Certificate of Accreditation on the basis of their experience and training.

During the year we implemented new software – eQualify – to track whether individuals hold the accreditations needed to work on an audit in a more robust fashion. eQualify is a one-stop solution to people's accreditations. Phase one deals with technical overlays, which are requirements specific to individual audited entities as discussed above. Each individual in KPMG in the UK and KGS in India has a profile in eQualify and can see at a glance what Audit Technical overlays they hold. They can also see if they need any further technical overlays which are linked to the jobs in their portfolio. If they do, the detail in the technical overlay links directly to our Learning Management system and each person can assign themselves the relevant training without the need to consult. Once they have completed the relevant training, the technical overlay is automatically marked "green" in the audited entity on which they are working.

With effect from 5 December 2022, new regulations introduced by the FRC require all audit engagement leaders who sign UK public interest entity audits to be registered on the PIE Auditor Register ("PAR"). Our accreditation process supports our assessment of those engagement leaders registered to audit UK PIEs. Currently 101 audit engagement leaders are included on the PAR.

Audit risk panels

Audit risk panels are held at planning and completion stage on high-risk engagements to challenge the audit team on their key judgements and planned audit approach. These panels are held prior to key communications with audit committees and include a review of the planned communications and financial statements. Each panel is chaired by an audit quality partner and supported by an experienced field partner and includes key members from the engagement team as well as the Second Line of Defence reviewer. Actions coming from the panel in previous years have been to delay signing, to consult further with a technical expert, to adjust the audit approach or to amend clarity of disclosures in the annual report. In a survey of engagement teams, an overwhelming majority found them a useful process for challenging and refining their approach.

Second Line of Defence "hot reviews"

Our Second Line of Defence team seeks to mitigate execution risk in the most significant areas of the audit for relevant engagements by evaluating and providing feedback on both the audit approach and the clarity of audit documentation. We have continued to grow our Second Line of Defence team in the current year and to

Audit quality

continued

enhance the approach that is followed. Notable developments this year included:

- Expanding the range of audits where Second Line of Defence support is provided to include engagements delivered by our KPMG Private Enterprise performance group, in addition to audits already covered in our Corporate Listed and Regulated, Financial Services, and Public Sector performance groups.
- Piloting a variation of role where Second Line of Defence reviewers act as Engagement Quality Reviewer Assistants on selected audit engagements.
- Piloting a more structured ‘close the loop’ approach regarding the re-review of audit work by Second Line of Defence reviewers following the consideration of audit teams’ responses to their original observations.

Our Second Line of Defence reviewers provide monthly reporting to the Performance Group Leaders with an assessment of the engagements they are supporting with a RAG (red, amber, green) rating of the risks facing the engagement team from a resourcing or quality point of view. The RAG rating will alert the Performance Group Leader to the need to take remedial action to mitigate any risks.

Pre-issuance review by the Department of Professional Practice of annual reports

For listed or high-risk entities, an independent review of financial statements is carried out by the Department of Professional Practice prior to the audit report being signed. This review seeks to identify instances of material non-compliance with reporting requirements and areas where disclosures are unclear or could be improved.

The pre-issuance review is, of necessity, conducted when the final financial statements are available, which tends to be towards the end of the audit. This year we have developed our pre-issuance review guidance and process to further support audit teams and enhance the quality of the audit. We have improved communication between pre-issuance reviewers and audit teams by holding more upfront planning discussions and encouraging greater dialogue between the audit team and the reviewer.

For the largest and highest-risk engagements, pre-issuance reviewers are now identified much earlier in the audit cycle and audit teams are encouraged to discuss accounting and reporting matters with the reviewer throughout the audit. This aims to reduce the issues identified late in the audit process.

In addition, we are encouraging entities to prepare their annual reports earlier to facilitate conducting pre-issuance reviews on an earlier draft of the document. Where this is not possible, the pre-issuance reviewer can review individual disclosure notes where these are new or considered by the audit team to be higher risk.

Emerging Issues process

The Emerging Issues (EI) process is a standard reporting framework which captures emerging audit quality issues, to determine and evaluate common issues identified across our technical teams, findings from internal and external quality reviews, and other external sources. The purpose of the EI process is to stay abreast of issues arising and take necessary action. Actual or potential emerging issues are identified from a number of sources including audit leadership, field auditors, the Audit Centre of Excellence (ACE) and audit quality monitoring activities (on both live and completed engagements). In addition, other potential emerging issues are identified from third party

sources such as FRC announcements, press comments and other regulatory announcements. This allows us to capture an inventory of possible emerging issues, based on the activities of ACE and more widely across the audit practice. The EI process aggregates themes, prioritises them and provides mitigating responses to the audit practice in a timely manner.

The Chief Auditor presents a monthly summary discussion paper at the Audit Quality Council (AQC) for approval of the proposed actions. Root Cause Analysis (RCA) will be used to investigate selected issues where more detailed insight is needed before a response can be developed and deployed. This complements the existing RCA process focused on quality review findings.

The EI framework is designed to capture emerging issues and deliver timely responses to them. However, we recognise that, from time to time, a faster reaction may be needed. For example, issues may arise that are considered by the AQC to be of sufficient significance (i.e., they relate to a matter that audit teams more generally need to be aware of in short order to ensure audit quality) as to require a more immediate response, or an interim response while a longer-term solution is developed. These urgent escalations will either be in the form of communication in the DPP Bulletin or via an immediate communication from relevant audit leadership if an even swifter response is required.

We monitor the effectiveness of actions taken through existing monitoring processes in liaison with the action owners.

Framework description

- Identify and understand risks to delivering quality and implement effective responses.

The quality of a KPMG audit rests on our SoQM and KPMG’s global approach to ISQM 1 emphasizes consistency and robustness of controls within KPMG firms’ processes.

How we apply this in the UK

- Our key quality control processes include:
 - Audit Quality Council
 - Audit Risk & Quality sub-committee
 - Annual review of engagement leader portfolios
 - Accreditation
 - Audit risk panels
 - Second Line of Defence “hot reviews”
 - Pre-issuance review by the Department of Professional Practice of annual reports
 - Emerging Issues process

Iterative risk assessment process (iRAP)

In line with the KPMG Global SoQM Methodology, KPMG in the UK conducts an iterative risk assessment process (iRAP). This continuous process, overseen by those with operational responsibility for the SoQM and the Audit Committee looks at a range of internal and external sources to assess whether there are any additional risks relevant to the System of Quality Management (SoQM) that may require the implementation of additional controls or formal inclusion of existing controls within the SoQM. Once identified, controls are subject to monitoring and evaluation activities.

Under ISQM1 we are required to evaluate the effectiveness of our system of quality management on an annual basis.

Audit quality

continued

6. Apply expertise and knowledge

Activities during the year

Completing the transition to the KPMG Clara workflow (KCw) this year means that it will be easier for our people to execute high-quality audits and respond consistently to identified risks.

This is accompanied by the KPMG Audit Execution Guide (KAEG) which sets out our methodology requirements. The methodology is based on the requirements of the International Standards on Auditing (ISAs) and all member firms are required to follow it. KAEG also includes additional requirements that go beyond the ISAs and which KPMG believes enhance the quality and value of our audits. At KPMG in the UK, we add local requirements and guidance to comply with additional professional, legal or regulatory requirements specific to the UK and our own internal policies.

As ever, in the UK we will continue to develop our audit methodology to remain in step with changes in laws and regulations, and to proactively respond to economic or industry events. KPMG Clara provides our audit teams with access to such requirements and industry knowledge with smart libraries embedded within the tool. This allows for a consistent approach, tailored by industry, and focused on key audit risks.

To further support our teams, standardised workpapers and guidance assist our audit teams in consistent delivery. During the year we implemented a new online tool, the UK Audit Requirements Tool, to deliver this content to our people in a manner that is consistent with, and complementary to, the KPMG Clara workflow.

Deep technical expertise and knowledge

We are committed to ensuring that audit professionals have appropriate audit, accounting and industry knowledge, experience and training. Our accreditation process enables us to ensure the right partners and employees are assigned to engagements and are licensed where necessary.

Our formal audit training programme supports the development of technical expertise and knowledge within our audit practice. It includes mandatory audit and accounting technical training, industry-specific training and risk courses. This is supported by

centrally run fortnightly technical briefings, lunch and learns (including a new programme on core audit skills and fundamental knowledge), drop-in clinics and locally run sessions using centrally developed content.

This year, our flagship training programme, KPMG Audit University (KAU), ran over three days and was attended by 3,062 (FY22: 2,728) Audit and IT Audit colleagues. The training was based around a case study which participants worked through in teams, mirroring a real audit team structure. The content included risk assessment, controls, sampling, journals testing and fraud, and introduced new technology in the audit in the form of AI transaction scoring. We also spent time on what the future of audit means to us all and how our audit practice is evolving to respond to the macro-driven changes. The content was delivered in a mix of plenary and breakout sessions. As well as linking multiple UK locations for the event kick-offs, we also ran some sessions directly with our offshore KPMG Global Services (KGS) colleagues, who completed the same content at their events.

The mandatory learning curriculum includes quarterly updates focusing on performing an effective quality audit with different topic areas included as relevant. An Audit Quality and Risk Workshop is delivered twice a year for engagement leaders and focuses on key messages driven by internal and external monitoring findings. This content is also extended to audit managers and senior managers through live and recorded workshops.

In addition, partners and audit professionals must complete training relevant to their grade and role. This includes sector-specific training as well as training to support staff in their roles, such as working on US engagements, and has included a new global banking curriculum this year.

Our curriculum extends beyond audit technical learning. For example, our 'Building Trust' risk training has this year focused on conflicts of interest, client acceptance, our Code of Conduct, protecting information, and firm and personal independence.

As well as the technical curriculum, auditors also spend time on skills programmes to support their career and professional development.

80 / Average number of hours of mandatory training completed by audit partners and audit professionals



FY23
(FY22: 81%)

63 / Average learning hours for technology experts in audit



FY23
(FY22: 32)

Audit quality

continued

Technical support for our engagement teams

Internal consultation, both formal and informal, is a fundamental contributor to quality; it is always encouraged and is mandated in certain circumstances. We provide appropriate consultation support to audit engagement professionals through professional practice resources – this includes our Chief Auditor, Chief Accountant, DPP (Department of Professional Practice) Accounting & Reporting, DPP Audit and Audit Risk Management.

The mandatory consultation requirements include matters such as where we identify non-compliance with laws and regulations, where a team proposes to deviate from our standard methodology, or where certain risks such as issues with going concern are identified. Consulting on issues is a fundamental part of our high challenge, high support culture – this year we have sought to improve the support to teams by introducing service level agreements and extending the scope of consultations in some areas to include review of certain documentation on the audit file.

We have also established Audit Risk Panels, led by an audit quality or audit risk management partner and supported by an experienced field partner. These enable direct challenge of the approach to the key audit issues on our highest risk audits and support the team in reaching robust conclusions on approach and timing.

The Second Line of Defence team provide coaching and technical support through their hot review programme which provides feedback on both the audit approach and the clarity of audit documentation. Our US Accounting and Reporting group (USARG) based in London provides coaching and technical support for our US engagement teams and further technical support is also available through our International Standards Group as well as the US Capital Markets Group based in New York, for work on SEC registrants.

Framework description

- Methodology aligned with professional standards, laws and regulations.
- Standardised methodology and guidance.
- Deep technical expertise and knowledge.
- Quality and risk management policies.

Across the global organisation, KPMG is committed to continuing to build on our professionals' technical expertise and knowledge recognising its fundamental role in delivering quality audits.

How we apply this in the UK

Consistent audit and assurance methodology and tools

- The KPMG Clara workflow (KCw) makes it easier for our people to execute high-quality audits and respond consistently to identified risks.
- The KPMG Audit Execution Guide (KAEG) sets out our methodology requirements, based on the requirements of the International Standards on Auditing (ISAs), and additional requirements that go beyond the ISAs and which KPMG believes enhance the quality and value of our audits. At KPMG in the UK, we add local requirements and guidance to comply with additional professional, legal or regulatory requirements specific to the UK and our own internal policies.
- Standardised workpapers and guidance assist our audit teams in consistent delivery.

Deep technical expertise and knowledge

We are committed to ensuring that audit professionals have appropriate audit, accounting and industry knowledge, experience and training. Our accreditation process enables us to ensure the right partners and employees are assigned to engagements and are licensed where necessary.

Quality and risk management policies

KPMG International ("KPMGI") has established a quality framework across its network of member firms based on the International Standard on Quality Management (ISQM1) issued by the International Auditing and Assurance Standards Board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform statutory audits and other assurance and related services engagements.

The policies and associated procedures within this framework enable member firms to comply with relevant professional standards, and with regulatory and legal requirements, and help our partners and employees act with integrity and objectivity, performing their work with diligence.

KPMG in the UK supplements KPMG International's quality framework with additional policies and procedures that address its specific business risks as well as rules and standards issued by the FRC, the ICAEW and other relevant regulators, such as the US Public Company Accounting Oversight Board (PCAOB).

Refer to: [Section 5: Quality control and risk management](#) (Our quality control and risk management systems)

Audit quality

continued

7. Communicate effectively

Activities during the year

Effective communication is critically important, both externally to key stakeholders and internally to staff and audit teams.

External communication audiences include our regulators through reporting and regular dialogue, as well as investors and other interested parties primarily via our audit reports. We also communicate with the entities we audit through two-way channels. Confidentiality, information security and privacy are also essential concerns that we take extremely seriously.

Wider communication to all stakeholders who may take an interest in our business is a growing priority too – as evidenced by the time and resource we commit to our public reporting via this Transparency Report and other reports linked to our Annual Review such as our: Planet Impact Report; Community Impact Report; Pay Gap Report; Partner Diversity Report; Climate, Energy and Carbon Report; and our Members' Report and Financial Statements. This is all hosted on Our Impact, which is the home for all of KPMG in the UK's corporate reporting.

Strong internal communication is also key, to ensure that our people know what is expected of them, how the practice is performing, and priorities moving forward – and also to give our staff a mechanism to have their views and feedback heard by audit leaders.

External communication and engagement

The Spring Report

In Q4 2022, and in response to an invitation from the Audit Committee Chairs' Independent Forum (ACCIF), a group of experienced audit committee chairs, auditors, and executives from the Financial Reporting Council (the Group) first came together to see how they could further advance their common objective to enhance audit quality and the wider understanding of the subject.

The Spring Report was the outcome of these deliberations.

The Group's discussions were focused at the company level and on the enhancements that could be made to support a high-quality statutory external audit. Quality improvements can be found in recognising that audit is a dynamic process, requiring continuous engagement between the auditor and company at all levels.

The outcome from this project has been a series of key learnings that, if embraced by all stakeholders, the Group believes will enhance audit quality in both its form and execution as well as its role and understanding in the wider stakeholder community. These are summarised in four areas:

- Audit planning.
- Audit execution.
- Completion and reporting.
- Performing a "good" audit of a "challenging" company.

The Key Learnings Discussion by the Group highlighted that delivering a high-quality audit relies on the auditor, management and those charged with governance (boards and their audit committees) working effectively together. It was also acknowledged by all Group members that a company's audited statutory accounts are the sole responsibility of the Board of

Directors and are not, as some have suggested, the "auditor's accounts".

The key learnings from the Spring Report were shared with KPMG's audit partners and directors to enable them to have the relevant discussions with the audit committee chair of audited entities so that the key learnings can be put into practice on audit engagements.

Audit and Corporate Governance reforms

Throughout the year, the firm has been actively involved in the latest Audit and Corporate Governance reform developments. This includes engaging with and responding to consultations and calls for evidence from the FRC and the Department for Business and Trade.

In our view it's essential that the UK's regulatory framework retains and builds on its world-leading position so that we continue to be an attractive destination for business, investment and talent. As a firm we are supportive of reducing any unnecessary red tape.

We believe that reliable corporate reporting is vital to well-functioning financial markets, business investment and growth. In particular, we believe that resilience statements and revised capital maintenance disclosures, together with a new framework for internal controls reporting and the creation of the new regulator ARG (the Audit, Reporting and Governance Authority) with statutory powers to regulate across the boardroom, have the greatest potential to make a positive impact.

Although it was disappointing to see the statutory instrument which introduced new corporate reporting requirements withdrawn, we look forward to continuing to engage with the next stage in the process and, in particular, the revised UK Corporate Governance Code and the forthcoming consultation on the UK Stewardship Code.

Audit Committee Institute

Our Audit Committee Institute (ACI) helps audit committee members enhance their awareness, commitment and ability to implement effective processes – with a view to contributing positively to the long-term sustainability of UK plc.

The ACI in the UK now has around 2,277 (2022: 3,100) members across both the private and public sectors. 56 FTSE 100 companies (2022: 67) have engaged with the programme through the active attendance of one or more board members. The audit committee chairs of 61 FTSE 100 companies (2022: 74) are members – receiving our thought leadership, guidance, updates and surveys.

Investor engagement

High-quality information and effective governance are an essential foundation for strong capital markets. KPMG's Investor Insights programme has been set up to facilitate communication between auditors, who provide vital assurance over financial statements issued to the markets, and investing shareholders, who rely on that assurance.

Our programme aims to:

- Provide a forum to discuss and share perspectives on how corporate reporting and governance can evolve to meet investors' needs today and in the future.
- Explain the impact of developments in corporate reporting and assurance from an investor's point of view.

Audit quality

continued

The programme is sponsored by the Audit Executive, reports to (and is challenged by) our Audit Board and Public Interest Committee and is delivered with the support of some of our most experienced audit partners. In the current year, we have continued to extend our engagement with investors and investor organisations to better understand their needs and inform how we can best respond.

Ongoing initiatives to reform corporate governance regulation, corporate reporting and audit have been important topics to explore in our conversations with investors, generating valuable insight into how the audit might need to change to better meet investors' needs. We have incorporated that feedback into our responses to the various reviews of the profession.

We greatly value the insight and challenge provided by investors over the course of this year and encourage investors to continue to engage with us as we help shape the future of audit.

The impact of our engagement in practice

ESG and climate change in the financial statements and audit

Investors remain heavily focused on ESG (especially climate change) and how it is being captured and reflected in the financial statements. We continue to engage with the investor community to better understand the calls for additional transparency in our audit reports and discuss how material climate risk exposures are factored into our audit process.

We have provided investors with clarity on the topic by including a section in all Long Form Audit Reports for the FTSE 350 explaining the impact of climate risk on our approach to the audit and including the link between these risks to our key audit matters and significant judgements and estimates, where relevant.

We have a dedicated ESG Assurance team working closely with audit teams and are offering those that are ready, additional assurance over KPIs that are of most interest to investors.

Political engagement

As a leading professional services firm, we recognise the importance of engaging with politicians, policy makers and our regulators on issues of importance to business and society. We are committed to ensuring that our political engagement is based on principles of transparency, integrity and accountability, and we maintain a position of political neutrality at all times. We have a firm-wide political relationships and activity policy that all colleagues must comply with to ensure we demonstrate best practice at all levels of engagement.

Further details of our approach to political engagement can be found in [Appendix 9: Our approach to transparent political engagement in the UK](#).

Internal communication

Talking Audit is our monthly online news publication, supporting the cascade of progress and updates aligned to our strategic priorities for Audit (Empowering Our People, Delivering Sustainable Quality, Supporting Seamless Delivery, and Maintaining Robust Growth). We are increasingly shaping our storytelling around our Future of Audit vision, all of which underpin our ambition to become the most trusted firm.

Cath Burnet, Head of Audit, shares practice and firm-wide updates via a monthly video, and we spotlight leaders and colleagues to drive further engagement across topics and teams. Our monthly People Stories explore the variety of roles and career paths within the practice, helping bring to life our approach to supporting Inclusion, Diversity and Equity and our High Challenge, High Support culture.

To ensure leadership are informed on topical updates (from economic, regulatory and governance to strategy, quality and people matters), monthly calls for the Audit partner and director population are hosted via Teams, supported with the opportunity to ask questions and complementary key messages and actions.

A regional roadshow schedule also supports both leadership visibility and colleague opportunity to have open and honest dialogue in an informal face-to-face setting, with conversation themes informing all our communications.

Framework description

- Provide insights, and maintain open and honest two-way communication.
- Conduct and follow up on the Global People Survey.

We recognise that another important contributor to upholding audit quality is to obtain and promptly act upon feedback from key stakeholders.

How we apply this in the UK

Effective communication is critically important, both externally to key stakeholders and internally to staff and audit teams.

External communication audiences include our regulators through reporting and regular dialogue, as well as investors and other interested parties primarily via our audit reports. We also communicate with the entities we audit through two-way channels. Confidentiality, information security and privacy are also essential concerns that we take extremely seriously.

Wider communication to all stakeholders who may take an interest in our business is a growing priority too – as evidenced by the time and resource we commit to our public reporting via this Transparency Report and other reports linked to our Annual Review, such as our: Planet Impact Report; Community Impact Report; Pay Gap Report; Partner Diversity Report; Climate, Energy and Carbon Report; and our Members' Report and Financial Statements. This is all hosted on Our Impact, which is the home for all of KPMG in the UK's corporate reporting.

Strong internal communication is also key, to ensure that our people know what is expected of them, how the practice is performing, and priorities moving forward – and also to give our staff a mechanism to have their views and feedback heard by audit leaders. Annually, all KPMG colleagues are invited to participate in KPMG's Global People Survey, to share their perception on their experience of working at KPMG. Each member firm is responsible for taking appropriate actions to communicate and respond to its findings.

Audit quality

continued

8. Nurture diverse skilled teams

Activities during the year

We are committed to being a place where diverse talent can flourish and recognise that it is the quality of our people that will ultimately determine our success.

Section 3: People and Culture explains the measures and policies we have in place to ensure we remain focused on diversity, skills and quality.

Framework description

- Recruit appropriately qualified and skilled people with diversity of specialist skills, perspective and experience.
- Assign appropriately qualified team.
- Invest in data-centric skills — including data mining, analysis and visualisation.
- Focus learning and development on technical expertise, professional acumen and leadership skill.
- Recognise quality.

Across the global organisation KPMG people make the real difference and are instrumental in shaping the future of audit at KPMG. We put quality and integrity at the core of our audit practice. KPMG auditors have diverse skills and capabilities to address complex problems.

How we apply this in the UK

We are committed to equipping our people with the skills and tools they need to deliver high-quality work for our stakeholders and for the entities that we audit.

One of the key drivers of quality is making sure we assign people with the right level of skills and experience to the right engagements. This requires a focus on recruitment, development, promotion and retention of our people and the development of robust capacity, accreditation and resource management processes.

You can read more about our UK people strategy in the People and culture section.

Audit quality

continued

9. Associate with right audited entities and engagements

Activities during the year

Robust application of our well-established acceptance and continuance policies enables us to make swift, consistent and good decisions about which entities we work with and what work we do.

We evaluate all prospective audited entities at a number of points in the onboarding process, starting with the decision to participate in a tender. Checks cover areas including conflicts of interest, independence and the identity and integrity of management and owners.

All evaluations are reviewed by a second partner; high risk evaluations are reviewed by the Chief Risk Officer for Audit. The review process may identify additional mitigations to be put in place against specific audit risks including delivery risks such as information security and data privacy.

We reconsider whether to continue as auditor on each audit annually. We take into consideration weaknesses within the audited entity's governance structure, control environment, finance function, culture and behaviours, and where applicable any known or suspected non-compliance with laws and regulations. Where there are issues that pose a significant risk to audit quality, we may impose conditions on our continuance as auditor.

The issuing of conditions on continuance, in writing, to those charged with governance allows the engagement leader to document the issues experienced during the course of the audit and to outline the necessary steps and/or actions that need to be taken by those charged with governance.

We have developed tools to support engagement leaders who have imposed conditions on continuance in performing regular ongoing monitoring of progress against the conditions. Where there is little evidence of progress, the engagement leader will escalate the case to the Head of Business Risk for consideration of next steps which could include a formal continuance panel.

During the year we delivered on-screen training to all our people on the importance of following our acceptance and continuance policies, including using our ACCEPT framework to support and articulate our acceptance and continuance decisions. We work with audited entity management to agree any conditions on continuance and monitor progress against commitments.

Framework description

- Follow acceptance, engagement and continuance policies.
- Accept appropriate engagements.
- Manage portfolio of engagements.

Rigorous client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.

How we apply this in the UK

We evaluate all prospective audited entities before accepting them. This includes a review of any non-audit services provided to the entity and of other relevant relationships and matters which may have a bearing on our independence. We also perform background checks on the prospective audited entity, its key management and beneficial owners. A key focus is on the integrity of management.

A second partner, as well as the evaluating partner, approves the prospective audited entity evaluation. Where the audited entity is considered to be 'high risk', the Risk Management Partner is involved in approving it. Each prospective engagement is also evaluated. The engagement leader evaluates this in consultation with other senior colleagues and Risk Management leadership as required.

Controls are built into our engagement management system to ensure we complete the audited entity and engagement acceptance process appropriately.

Additional safeguards may be introduced to help mitigate any identified risks and potential independence or conflict of interest issues are documented and resolved prior to acceptance.

We will decline a prospective audit engagement if a potential independence or conflict issue cannot be resolved satisfactorily.

Audit services are reviewed at least annually. Ongoing monitoring means that audited entities are re-evaluated earlier if there is an indication that there may be a change in their risk profile. Recurring or long-running engagements are also subject to periodic re-evaluation.

Audit quality

continued

10. Monitor and remediate

Activities during the year

At the centre of our Global Quality Framework is continuous improvement. The FRC's requirement for Tier 1 firms to consolidate their audit quality programmes and actions into a Single Quality Plan (SQP) has been a positive development which has helped us provide better focus to our programmes and respond to issues or trends as they emerge. Audit quality must keep pace with the risks audited entities face and our SQP supports us in being dynamic to respond to emerging issues. We have been pleased with the recognition of the quality and utility of our SQP as we have worked to embed it in our processes, use it to monitor our progress, and support us in identifying areas for remediation.

Single Quality Plan (SQP)

Our SQP supports us in evaluating information from a range of data points including our Emerging Issues process, inspection and review findings, Second Line of Defence themes, root cause analysis reporting, the Annual Risk Review and executive meetings such as Quality Council and Audit Executive meetings.

Every month we assess what topics have escalated in priority or have been resolved and we track these movements on our dynamic heat map. The heat map helps us identify and keep focus on both our transformational programmes and our foundational programmes. The status of these programmes can change throughout the year as we evaluate the effectiveness of actions taken and the associated KPIs.

Transformational programmes

Our transformational programmes at the start of the year were:

- Banking Audit Quality Improvement Programme (focused on improving the quality of our banking audits).
- Scalability, Standardisation and Support Programme (focused on eliminating waste in the audit approach and improving the quality of risk assessment).
- KCw implementation (the full deployment of our new audit software and workflow).
- Close the loop (a programme focused on minimising the instances of an audit file not fully reflecting the intentions of a technical consultation or hot review comments).
- Root cause analysis (improving the quality and timeliness of our root cause and remediation processes).
- Engagement analytics (using data obtained through KCw to monitor the progress of our audits with the aim of bringing work forward).

By the end of the year our deployment of KCw was complete and all engagement teams were working on KCw – so the oversight of the technology and methodology related to KCw moved to business as usual with the implementation considered successful.

Following findings in two consecutive years of AQR inspections and internal monitoring, we prioritised activities relating to our audit of impairment and other valuations using short-term cashflow forecasts into an Impairment transformational programme. This programme is focused on interventions to better support the execution of teams' work in this complex area.

Foundational programmes

Our foundational programmes, which we expect to be an enduring focus as they support our ability to deliver sustainable audit quality, are:

- ISQM1 implementation and operation (successfully implementing the controls associated with ISQM1 and effectively operating them).
- Culture programme initiatives (focused on embedding our culture of high challenge, high support consistently across the business).
- Training programme (focusing on delivering effective training that provides our people with the skills they need for both today's audits and the future).
- Regulatory commitments (ensuring that we complete the actions we have committed to any regulator in a timely fashion).

Measuring our progress

Each month we assess our progress through a combination of progress and effectiveness KPIs which are a blend of qualitative and quantitative measures, linked to the objectives of each programme. As these measures can fluctuate during the year, we look for trends and evidence that the measures we are taking are being effective. This will be key in ensuring we have an effective response to audit quality related issues.

Remediation – improving our root cause process

Responding to feedback from our Audit Board and our regulator, we have invested in both our root cause and remediation teams over the past year to ensure that we learn from the findings of both internal and external reviews, have robust processes to embed best practices, and have appropriate actions plans developed to address learnings. Both teams have been set up to be operationally separate from audit teams and report through the Chief Auditor to the Head of Audit Quality.

The root cause team performs reviews on the findings from AQR, QAD and internal monitoring inspections as well as evaluating a number of data points to identify risks and issues associated with audit quality to determine what other projects are required in the year. The root cause team uses a variety of data points to inform interview questions and seeks to get to the bottom of why the issues occurred.

The remediation team takes the outputs from the root cause team to develop appropriate responses and monitors the effectiveness of these actions, proposing adjustments where they are not having the desired impact. Regular monitoring of the impact of remedial actions is a key part of our RCA programme so that we can adapt our approach as new issues arise. We apply a mix of remedial actions including those focused on driving a sustainable high challenge, high support culture with supporting behaviours alongside technology and training enhancements. This is now led by a dedicated, experienced individual.

In the past year we have increased the size of both teams, drawing from a pool of experienced auditors with skill sets that complement the role. Improvements completed to date are:

- Behavioural sciences training has been rolled out to the RCA team based partly on discussions with Cambridge University professors and KPMG's internal Organisational Psychologist.

Audit quality

continued

- Data collection methods have been significantly expanded to provide more objective insight into potential root causes including deep dives of the audit files.
- The process has improved in both depth and speed and RCA timelines have been accelerated.
- AQIs are being tracked for engagements subject to RCA.
- Engagement level feedback is being provided to audit teams following completion of RCA.

In addition, the RCA taxonomy was reviewed and updated at the end of the 2022/23 RCA cycle. Different levels of aggregation and disaggregation have been created to enable clear identification of root causes and enhance the design of targeted remedial actions. Categories have been redrawn so that Quality Monitoring, Skills and External Factors are separately identified.

The severity of root causes is now assessed with the classifications being primary, secondary or contributory. Primary and secondary are subject to aggregation and reporting.

We are confident that the changes we are making will enable us to have a more robust root cause process which really gets to the source of any quality issues that arise.

Monitoring: data-driven audits

The adoption of KCw as our global audit tool has enhanced the independent monitoring of the status of our audits. We have developed milestones that audit teams are challenged to meet through the audit cycle with the objective of completing as much work as possible in advance of the post year end compressed time frame, ensuring that teams have the requisite time to stand back and assimilate their audit findings before signing their opinions. This, together with the use of data mining tools to detect the need for direct intervention to provide additional support to teams, helps ensure that the right work is being undertaken by the right people at the right time.

During the year we developed and published an engagement dashboard to show each engagement leader a dynamic picture of the status of their audit, so they have full visibility of the information we are monitoring centrally. In addition, the quality and business leads for each of the three Performance Groups have access to a dashboard for their part of the business so they can help support completion and design responsive actions for teams who are falling behind.

The information from monitoring activity is considered when determining which engagements need to be escalated for further support. We are continuously refining the data and using what we learn from this year to continuously improve and evolve our monitoring processes. This will allow us to more proactively monitor and support our entire engagement portfolio.



05

Quality control and risk management

Quality Control and Risk Management

Introduction

We have numerous policies and procedures in place within the UK firm to enable our compliance with professional standards. Partners and employees are responsible for complying with these policies and procedures, and there are internal controls and processes in place to help them do so.

The Board annually assesses both the effectiveness of the firm's internal controls and its compliance with independence policies, and confirms the firm's compliance with the Audit Firm Governance Code.



Accountability

The Board has overall responsibility for risk management and internal control:

- The assessment and management of risk is supported by the Risk Committee.
- Monitoring of internal controls is supported by the Audit Committee.

The Firm has adopted KPMG's Global Independence Policies:

- All partners and partner equivalents are subject to a compliance audit at least once every five-year period, and those partners in a Chain of Command role are audited at least once every three years.
- We provide all relevant personnel with annual firm independence, personal independence and conflicts of interest training.
- Training on compliance with laws, regulations, professional standards and our [Code of Conduct](#) is issued to all partners and employees on joining the Firm and annually thereafter.

The Firm's Internal Audit plan is reviewed and approved by the Audit Committee:

- Internal Audit provides the Audit Committee with independent and objective assurance on the adequacy and effectiveness of our governance, risk management and internal control processes.
- The Firm's Internal Audit function was subject to an external quality assessment in FY21 and received a 'Generally Conforms' report against the professional standards for internal audit.

Policies and procedures

KPMG International ("KPMGI") has established a quality framework across its network of member firms based on the International Standard on Quality Management (ISQM1) issued by the International Auditing and Assurance Standards Board (IAASB) and the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which apply to professional services firms that perform statutory audits and other assurance and related services engagements.

The policies and associated procedures within this framework enable member firms to comply with relevant professional standards, and with regulatory and legal requirements, and help our partners and employees act with integrity and objectivity, performing their work with diligence.

KPMG in the UK supplements KPMG International's quality framework with additional policies and procedures that address its specific business risks as well as rules and standards issued by the FRC, the ICAEW and other relevant regulators, such as the US Public Company Accounting Oversight Board (PCAOB).

Our quality control and risk management systems

ISQM1

ISQM1 was issued by the IAASB and became effective on 15 December 2022, together with the UK version of the standard issued by the Financial Reporting Council (FRC) (the International Standard on Quality Management (UK) 1 (ISQM (UK) 1)). References to the application of ISQM 1 are in accordance with ISQM (UK) 1. For each component in the standard, KPMGI has established globally consistent quality objectives, quality risks and responses. The objective of this centralised approach is to drive consistency, robustness and accountability of responses for processes implemented across our global organisation. Where necessary, we have supplemented the KPMGI requirements with additional quality objectives, quality risks and responses identified through a UK risk assessment process.

Our [Global Quality Framework](#) outlines how we deliver quality at KPMG. The principle of 'Perform quality engagements' sits at its core along with our commitment to continually monitor and remediate our processes as necessary.

The Chief Executive assumes ultimate responsibility and accountability for the UK's System of Quality Management (SoQM).

The Head of Audit and Chief Operating and Financial Officer (COFO) assume operational responsibility for the UK's SoQM.

The Ethics and Independence Partner is responsible for compliance with independence requirements under the UK's SoQM and also has operational responsibility in relation to the UK Firm's ethics and independence requirements.

The Chief Risk Officer has monitoring and remediation responsibility for the UK Firm's SoQM.

In line with the KPMG Global SoQM Methodology, the Firm conducts an iterative risk assessment process (iRAP). This continuous process, overseen by those with operational responsibility for the SoQM and the Audit Committee looks at a range of internal and external sources to assess whether there are any additional risks relevant to the System of Quality Management (SoQM) that may require the implementation of additional controls or formal inclusion of existing controls within the SoQM. Once identified, controls are subject to monitoring and evaluation activities as outlined here:

[Global Quality Framework](#) (1. Perform quality engagements – Internal monitoring).

Under ISQM1 we are required to evaluate the effectiveness of our system of quality management on an annual basis. Our first evaluation was performed as of 30 September 2023.

Find out more about the approach we take to the monitoring and evaluation of our SoQM here: [Global Quality Framework](#) (1. Perform quality engagements – Internal monitoring).

Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2023

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1), and KPMG International Limited Policy, KPMG UK LLP (the "Firm" and/or "KPMG UK") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

- The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

KPMG UK outlines how its System of Quality Management supports the consistent performance of quality engagements in the 2023 Transparency Report.

Integrated quality monitoring and compliance programmes enable KPMG UK to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG UK performs its annual evaluation of the System of Quality Management, KPMG UK evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our quality control and risk management systems

Continued

Responsibility for quality and risk management

Quality control and risk management are the responsibility of all KPMG personnel, whether they are based in the UK or in one of our offshore locations. This responsibility includes the need to understand and adhere to policies and associated procedures in carrying out their day-to-day activities.

The Chief Risk Officer is responsible for setting overall professional risk management and monitoring quality control policies and compliance for KPMG in the UK.

The Chief Risk Officer has a direct reporting line to the Chief Executive and sits on the Firm's Executive Committee, underlining the importance of the role.

The Chief Risk Officer is supported directly by a team of partners and professionals, including a Risk Management Partner in each of the Capabilities.

The Ethics Partner is supported by a core team to help ensure that we apply robust and consistent ethics and independence policies, processes and tools.

The Head of Audit, Head of Tax and Legal, Head of Deal Advisory and Head of Consulting are accountable to the Chief Executive for the quality of service delivered in their respective capability areas. While many of our quality control processes are cross-Capability and apply equally to Tax and Advisory work, the primary focus of the Transparency Report requirements relates to Audit. Our [Global Quality Framework](#) provides more detail on the way it helps ensure the delivery of quality statutory audits.

In the case of the Audit practice, the Head of Audit Quality chairs the Audit Quality Council which met on a monthly basis during the year. These meetings, together with the monthly Emerging Issues Meeting chaired by the Chief Auditor, addressed external regulatory matters (including progress on AQR and QAD reviews and actions to address their findings), our internal quality reviews, emerging audit quality issues and current matters from the central quality teams.

The Audit Leadership Team Risk & Quality sub-committee meets monthly to consider risk within the audited entity portfolio and to ensure there are sufficient and appropriate controls and mitigations in place to support engagement leaders in performing a quality audit and in managing risk. Other focus areas of the sub-committee include monitoring of regulatory matters, assessment of the risk watchlist and consideration of other emerging risk areas.

Our UK Audit practice is also a key contributor to our global thinking, with representatives on all major global audit quality and development councils and teams. We use these forums to understand how other member firms have tackled similar issues, share our experiences and facilitate common solutions.

At KPMG, audit quality is not just about reaching the right opinion, but how we reach that opinion. It is about the processes, thought and integrity behind the audit report.

We view the outcome of a quality audit as the delivery of an appropriate and independent opinion that complies with auditing standards. This means, above all, being independent, objective and compliant with relevant legal and professional requirements.

Risk management principles

The following statements articulate the principles through which we manage the risk we take across the Firm, ensuring we act responsibly, in the public interest and in the interest of the entities we audit, our clients, our people, our regulators, and the markets and communities we work in.

We will:

- Establish and maintain high standards in leadership, accountability, ethics and governance.
- Act as stewards for the KPMG brand and take proactive steps to ensure that we support one another, both within the UK and across our member firms, in doing so.
- Work with trusted partners and alliances, as well as engaging in mergers and acquisitions to obtain capability, where it meets our trust and growth objectives.
- Carefully consider the clients, audited entities and engagements we choose to accept, within the context of our 'ACCEPT' framework (a refreshed set of client and engagement acceptance guidance embedding our values, risk appetite and ESG commitments).
- Comply with applicable laws, regulations and codes of conduct, including KPMG's global standards and policies and KPMG's tax principles.
- Manage actual and perceived conflicts of interest.
- Protect confidential information and ensure business service continuity.
- Live our values through high standards of behaviour, and promote a culture of trust, empowerment, accountability and expertise that supports them.
- Anticipate and respond to changes in the competitor landscape, macro-economy and clients' and audited entities' needs.
- Deliver high-quality services – through experienced and appropriately resourced teams, integrated solutions and the use of robust technology.
- Set financial targets that are consistent with achieving both the trust and growth elements of our strategy.
- Be courageous in undertaking work in the public interest and in support of our wider purpose.
- Be brave in working together, contributing to important issues in accordance with our values.
- Develop our diverse, talented and motivated people through inclusive leadership.

Our quality control and risk management systems

Continued

Risk management

It is the responsibility of our Board to identify, evaluate, manage and monitor the most significant risks that face our firm and could threaten the achievement of our strategic objectives, or our business model, future performance or solvency. The principal risks and uncertainties that the UK firm faces are set out in, and managed under, the Firm's Enterprise-Wide Risk Management (ERM) Framework. This framework is used by the Board throughout the year to ensure the timely identification of new and emerging risks and the development of appropriate mitigations and action planning, in line with the Firm's strategy.

The ERM framework is subject to a comprehensive review and refresh on an annual basis. This involves robust challenge of the Firm's risk taxonomy, reflecting developments in the Firm's risk landscape (current and longer term), changes made to KPMG International's Risk Framework during the year, and the results of a Dynamic Risk Assessment. In September 2023, we provided an update on this to the Board Risk Committee. Key developments during the prior year included:

- Reviewing and updating our risk appetites at firm-wide and Capability level to align to the actual appetite more closely in individual Capabilities.
- Reviewing the impact of changes to the Coverage/Markets leadership model on the ERM framework and embedding these in the framework.
- Further engagement with Level 1 risk owners to enhance communication/oversight of Level 2 risks and actions across the matrix of firm-wide, Markets and Capability ownership.
- Introduction of an emerging themes section into the monthly Watch List for emerging risks that require separate focus.
- Identifying any inconsistencies in the reporting of Level 2 risks by Capabilities and Markets.
- Further work with the relevant ESG, Operations and Corporate Affairs teams to ensure that an appropriate level of information is captured in relation to climate risks to satisfy increasing external requirements.
- Implementation of an automated Governance, Risk and Compliance (GRC) tool to support specific aspects of our risk management.
- Identifying and agreeing Level 3 risks ready for inclusion in the ERM framework.

The Firm's Assurance Map documents the relationship between the Firm's risks, its controls and compliance and assurance activities across the first, second and third line of defence, and is reviewed and updated on an annual basis.

Principal risks

The Firm's principal risks are set out within the four key risk 'families' of: Reputational; Strategic; Operational; and Financial. For the year ending 30 September 2023, KPMG in the UK identified 11 principal risks across these four areas:

Reputational

- Trust
- Regulation
- Legal

Strategic

- Growth
- Clients and audited entities

Operational

- Execution – Quality
- Execution – Delivery
- People, Talent and Culture
- Technology and information management
- Business operation, resilience and controls

Financial

- Financial management

The risks are not shown in order of priority.

Our assessment of how these risks have moved over time, the current risk landscape and the mitigating actions we have put in place to address each risk can be found below.




Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Reputational risks		
1. Trust (FY23 Trend: No change)	<ul style="list-style-type: none"> — Continued regulator, public and colleague scrutiny of the Firm in the context of both audit quality and the outcome of historic regulatory investigations. — Eroding of societal trust in professional services from negative media coverage of issues, litigation, or regulatory enforcement in our competitors. — A culture ambition centred on being values-led, operating to the highest ethical and quality standards. — Increasing importance of, and societal expectations surrounding, ESG and IDE. — A need to embed and sustain improvement in our AQR results. 	<ul style="list-style-type: none"> — A tone at the top which emphasises quality, ethics and integrity, with Ethics Champions embedded in the business. — Roll out of revised Partner balanced scorecard as part of FY24 goal setting, strengthening the link between behaviours and rewards. This will also be incorporated into FY24 goals for all colleagues. — A culture ambition guided by Our Values, Our KPMG, Our Impact, a Culture Steering Committee and Conflicts of Interest Working Group. Measurement of progress using culture metrics (incl. regular colleague surveys) and oversight from a Culture Steering Committee. — Values Week (held in November 2022) and Values Immersion sessions designed to ensure all partners and colleagues take greater ownership of living our values. — Refreshed Conflicts of Interest policy supported by mandatory training to relevant teams and Conflicts of Interest Working Group. — Global ethical health survey to identify successes and areas for continued focus. — Implementation of a 'Trust index' to aid with monitoring of external reputation. — A refreshed Code of Conduct (reviewed by the Institute of Business Ethics) and set of Values, on which all colleagues receive annual mandatory training. — Head of Professional & Ethical Standards and a Partner Conduct Verification Dashboard process to support performance management of partners, ensuring an appropriate link between conduct and partner remuneration. — Embedded whistleblowing processes and promotion of a Speak Up hotline overseen by a third-party ombudsman. — An Inclusion, Diversity and Equity Policy, employee networks which host a range of diversity focused learning events throughout the year and published diversity target zones, with regular progress reporting. Firm-wide training on inclusion, diversity and equity provided to all KPMG partners and employees. — A Global and UK Impact plan which set out our environmental, social and governance (ESG) commitments — holding us accountable for progress toward a more sustainable future. — Continued focus on increasing social mobility, with the Firm now publishing its socio-economic background pay gaps and setting ambitious targets to increase the socio-economic diversity of its workforce. — Continued focus on the environment, with all UK offices certified to ISO 14001:2015. — A mandated Global Quality Framework, encompassing global methodologies, mandatory training (including KPMG Audit University), accreditation requirements (including for specialists) and audit quality review programmes (see further detail in Principal Risk 6).


Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Reputational risks (continued)		
<p>2. Regulation (FY23 Trend: No change)</p> <p>    FY21 FY22 FY23 </p> <p>KPMG in the UK fails to meet the expectations of our regulators, due to poor relationships with regulators, regulatory non-compliance and lack of regulatory horizon scanning to prepare for incoming regulatory changes, resulting in regulatory sanctions and enforcement action.</p>	<ul style="list-style-type: none"> — New and changing regulatory requirements and expectations or changing interpretations (in respect to historical practices). — More proactive, intrusive and better-connected regulatory supervisors leading to increased monitoring and reporting to ensure the Firm is compliant. — Continued enhanced supervisory approach as FRC transitions to ARGA. — Incoming and significant regulatory changes affecting multiple parts of the Firm, including audit reform and the transition to ARGA. — FRC published updated principles and timeline for operational separation of the Audit practice. — Emerging regulation regarding innovations such as artificial intelligence (AI). — Greater public attention/ interest and changing regulatory standards as to how we assess which clients we choose to do business with. 	<ul style="list-style-type: none"> — A dedicated Regulatory Affairs function, with constructive and proactive arrangements to meet our regulatory commitments introduced. — Regular engagement with regulators and relevant government bodies to understand and plan for the developing regulatory landscape. — Monitoring of regulatory compliance by relevant regulatory affairs specialists and the firm's Public Interest Committee. — Regulatory horizon scanning introduced with regular reporting to relevant governance groups. — Money Laundering Risk Officer function to meet our obligations in relation to anti-money laundering and financial crime, and regular financial crime training provided on topics such as money laundering, bribery and corruption. — Maintenance of firm-wide and personal independence policies and systems (Sentinel™, KPMG Independence Compliance System, etc.) to ensure compliance, and additional approvals required for PIEs (Public Interest Entities) and OEPIs (Other Entity of Public Interest). — Regular updating of firm policies and procedures to ensure compliance by all our people, on all our clients, with all applicable regulations. — Annual mandatory firm and personal independence training and annual personal independence confirmation by all partners, colleagues and (where relevant) contractors. — Rolling programme of personal compliance audits and compliance monitoring of certain key areas by the firm-wide independence team. — ESG Corporate Reporting team, focused on ensuring timely adoption and compliance with developing ESG regulatory and reporting requirements.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Reputational risks (continued)		
<p>3. Legal (FY23 Trend: No change)</p> <p>  FY21 FY22 FY23 </p> <p>KPMG in the UK fails to comply with legal obligations, including contractual obligations with clients, audited entities, third parties and colleagues etc., due to a failure to identify and understand these obligations, or put in place appropriate controls and monitoring frameworks to ensure that these obligations are met, resulting in litigation, legal costs and reputational damage.</p> <p>The UK firm fails to appropriately monitor and mitigate the impact of reputational damage arising from actions taken by other KPMG member firms.</p>	<ul style="list-style-type: none"> — Increasing complexity of contracting environment, in particular in relation to long-term nature of large advisory engagements and increasingly complex legal and regulatory frameworks (e.g., in relation to liability caps and information security and data requirements). — Increased complexity of global sanctions framework post Russia-Ukraine conflict. — Sanctions environment has continued to evolve due to the war in Ukraine. — Risk of damage to the UK firm's reputation through negative media coverage of issues, litigation, or regulatory enforcement within the KPMG Global network of firms. 	<ul style="list-style-type: none"> — In-house Office of General Counsel team to assist the business with contracting and compliance with regulation, including specialists in regulation, data privacy and employment law. — Close liaison with KPMG Global through International Office of General Counsel and liaison with other network firms' offices of General Counsel. — Active participation in Global Governance and Committees to oversee network controls and potential reputational and other risks. — Legal input to both Deal Boards, Client and Engagement Acceptance and Continuance Committee and Conflicts Working Group, to ensure that the appropriate approvals are in place and legal/contracting risks are considered before pursuing new opportunities and agreeing scope and terms of engagement deliverables. — Comprehensive client and engagement acceptance procedures, including in relation to contracting with all stakeholders and recipients of our services/deliverables. — Framework of policies, underpinned by regular training, in relation to compliance with external regulation and legal requirements (including in relation to financial crime and fraud management). — Engagement Quality Control Reviewers (EQCRs) and other 'first line' quality control processes, including in relation to legal and contracting matters. — Annual 'second line' compliance processes (including QPR and Global KQCE) in relation to contracting and legal compliance. — Specific policies, procedures and controls related to complying with sanctions.


Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Strategic risks		
<p>4. Growth (FY23 Trend: Increasing)</p> <p>  FY21 FY22 FY23 </p> <p>KPMG in the UK fails to define and execute a strategy that is supported by an appropriately resourced operational plan, that is underpinned by further development of relevant services and propositions, and which can be measured objectively. In addition, the UK firm fails to design its strategy to be able to adapt or respond to changes in the external economic and regulatory environment, or to maximise opportunities from the KPMG global network, resulting in a failure to achieve the desired levels of growth.</p>	<p>Continued levels of market uncertainty in relation to the external environment, including:</p> <ul style="list-style-type: none"> — the impacts of ongoing global conflicts; — the wider political landscape and growing economic uncertainty; — UK economic performance. While the worries about a deep recession have largely gone away, the prospects of high interest rates, continued uncertainty, and low productivity are set to provide headwinds to growth in the near term; — Impact of operational separation of audit on our growth strategy; — Increasing importance of, and stakeholders' expectations surrounding, ESG. 	<ul style="list-style-type: none"> — Board approved three-year planning exercise with yearly refreshes and regular review. — Our Board and Executive Committee continuously monitor the performance of our firm and appropriate management action is taken when necessary to adjust to market conditions. — Defined strategies (at Firm and Capability/Market level) approved by leadership with Board input and oversight and aligned with Global strategy and Our Impact plan (see below). — Executive Committee sponsorship of strategic growth initiatives with an investment allocation and governance process to prioritise and monitor investment. — Enterprise-Wide Risk Management Framework with matrix reporting across Capability, Market and Firm-wide risks to support Board and Committee governance and Executive decision-making. Capability, Market and Regional risk officers in place to support second line management/oversight of risk policies, practices and decision-making. — Separate governance for Audit, including Audit Board, with impact of operational separation on delivery of the Firm's strategy reflected in both Audit and firm-wide business planning. — A Global and UK impact plan which set out our own environmental, social and governance (ESG) commitments – holding us accountable for progress towards a more sustainable future. — Globally aligned ESG solutions to address current market demand and needs.


Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Strategic risks (continued)		
<p>5. Clients and audited entities (FY23 Trend: No change)</p> <p>  FY21 FY22 FY23 </p> <p>KPMG in the UK fails to work with the right clients and audited entities, maintain a balanced portfolio across sectors and industries, optimise its use of strategic alliances and build both a unique and innovative brand proposition and a holistic go-to-market strategy, resulting in declining market share or over-concentration in specific sectors and a failure to achieve its strategy and ESG commitments.</p>	<ul style="list-style-type: none"> — New and changing business models and service needs at scale and speed from clients/audited entities arising from changing market and their responses to the current external and economic environment, increasing digitalisation and growth in importance of the ESG agenda. — Changes in client/audited entity portfolio mix and/or focus that could result in over-concentration in sectors/industries/clients. — Accepting clients/audited entities because of the current external and economic environment and potential impacts on perceived public interest/reputational risk. — Impact of the firm's ESG strategy on the acceptance and delivery of services to clients and audited entities. 	<ul style="list-style-type: none"> — Comprehensive acceptance procedures undertaken before engaging with clients and audited entities for the provision of services, including KYC checks and global conflict checking to support the management of independence when working with audited entities or potential audit targets. — Client and Engagement Acceptance and Continuance Committee consideration for higher risk clients and engagements to ensure that risks are considered, and appropriate internal approvals obtained, before pursuing new opportunities. — Conflicts Working Group (as sub-committee of the Risk Executive) and mandatory annual firm-wide Conflicts of Interest training to support adherence to conflicts of interest policy. — Continued challenge of audited entities where improvements to systems, controls and governance are required and careful management of transition where we decide to resign from audited entities, with reference to our public interest responsibilities. — ACCEPT framework to further support colleagues in making decisions about who we work with and what work we do in line with Our Impact plan, supported by firm-wide and engagement leader training and communications. — Monitoring period of audit tenure for audited PIEs in order to comply with mandatory tendering and rotation requirements. — Extensive independence policies, guidance and processes supported by annual mandatory firm-wide training on personal and firm independence and regular compliance monitoring (see further details in Principal Risk 2). — Regular portfolio strategy and account planning, with Executive Committee oversight of plans for major accounts. — Investment programme to oversee the development of new service lines and propositions, in line with Our Impact plan and reflecting market and client need developments. — Regular review of Client Insights programme feedback, including to inform development of future service propositions. — Investment in technology and specialists e.g., climate, IT audit and data scientists to ensure our audit approach is responsive to changes in the external environment and new markets.


Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks		
<p>6. Execution – Quality (FY23 Trend: No change)</p> <p>  FY21 FY22 FY23 </p> <p>KPMG in the UK fails to meet the expectations of clients, audited entities, regulators and other interested parties in relation to the quality of work delivered.</p>	<ul style="list-style-type: none"> — Sustained public and regulatory scrutiny of the firm's ability, independence and qualification to deliver engagements to a high standard. — Impact of changing ways of working on the ability to deliver quality services. — Pressure on audit profession potentially leading to fewer people joining the profession, and experienced professionals leaving the profession which may negatively impact audit quality. — Increased risk of failure of clients/ audited entities due to challenging economic environment. — Increasing complexity of products and services, as well as contracting/ commercials, or new and innovative service lines (where expertise is limited), posing challenges to the quality of work delivered. 	<ul style="list-style-type: none"> — System of Quality Management (SoQM) to drive the assessment of risks and controls and to ensure audit quality. — Programme to implement ISQM1 as part of the firm's System of Quality Management, in advance of mandatory adoption date in December 2022, including close liaison with KPMG International's ISQM1 Programme team and creation of newly established System of Quality Management team to support the annual ISQM1 risk assessment and oversee our compliance post implementation. — Continued investment in our Audit Quality Plan which prioritises actions with the biggest impact on audit quality, and the Banking Audit Quality Improvement Plan, supported by the development and implementation of the KPMG Clara Audit workflows. — Mandated Global Quality Framework, encompassing global methodologies, mandatory training (including KPMG Audit University), accreditation requirements (including for specialists) and audit quality review programmes. — Mandated engagement quality controls including the use of standardised methodologies and tools, accreditation requirements, targeted involvement of Engagement Quality Control reviewers, Accounting and Auditing specialists, Risk Panels and Deal Boards. Enhanced processes for complex, longer-term engagements. — Audit Regulatory Compliance function, with a remit to deliver a dedicated audit compliance programme, testing outcomes to provide assurance that the processes, procedures and controls in place to meet regulatory requirements are operating effectively. — Regular review of Client Insights programme and requests for feedback in relation to quality of delivery. — Engagement watchlists maintained at Capability and Risk Executive Committee level, with escalation of issues as appropriate. — Firm-wide quality compliance programmes including QPR and Annual Root Cause Analysis programme. Established quality function in Consulting, with appointed quality leads for each performance group. — Rigorous recruitment, training and staff development procedures.


Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
<p>7. Execution – Delivery (FY23 Trend: No change)</p> <p> FY21 FY22 FY23</p> <p>KPMG in the UK experiences failures in its delivery of services to clients and audited entities due to taking on inappropriate clients or engagements, ineffective engagement setup, poorly managed projects, contracting and financials, lack of adequate resourcing or identification and management of third parties in its supply chain, resulting in preventable losses and missed opportunities.</p>	<ul style="list-style-type: none"> — Increasingly competitive market for recruitment of talent. — Increased reliance on reliable and appropriate technology and connectivity due to hybrid working. — Increasing complexity of the work we are performing, the client/audited entity situations we are supporting. — Increased complexity of commercial models and contracting processes, in particular in relation to multi-year framework services and work delivered for the public sector. — Increased use of technology to deliver services or licensing of technology to clients. — Greater collaboration with third parties/alliance partners in engagement delivery, increasing the challenges around quality, independence, security, and contracting. 	<ul style="list-style-type: none"> — Global Quality & Risk Management Manual supplemented by UK requirements set out in Capability-specific risk management manuals, policies and guidance. — Comprehensive client and engagement acceptance procedures, including ACCEPT framework for decision-making, Client and Engagement Acceptance and Continuance Committee and Conflicts Working Group as described under Principal Risk 5: Clients and Audited Entities. — Engagement watchlists maintained at Capability and Risk Executive Committee level, with escalation of issues as appropriate. — Increased monitoring (including in-flight reviews) and reporting of higher risk engagements. — The roll-out of ProFinda, which provides a single inventory of all colleagues' skills and experience so we can be more rigorous when resourcing projects, matching skills and resources effectively. — Template engagement letters and Office of General Counsel/risk review requirements for contracting. — Inter-firm contracting protocols when working with other KPMG International member firms. — Input from Commercial teams on pricing and terms, as well as Deal Boards for non-audit engagements, and controls in place when working with sub-contractors and alliance partners. — Significant investment in our colleague proposition, Our KPMG, and recruitment, performance management and wellbeing support, to ensure we can continue to attract and retain the talent we need to meet demand now and in the future (see further detail in Principal Risk 8). — Contractors and associates receive training on Our Code and Our Values on joining and annually. — Compliance programmes including Global GCR, QPR and Compliance Assurance Programme, with appropriate root cause analysis undertaken and action plans implemented and monitored.



Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
<p>8. People, Talent and Culture (FY23 Trend: No change)</p> <p></p> <p>FY21 FY22 FY23</p> <p>KPMG in the UK fails to appropriately attract and recruit, engage, develop, retain and reward talent at all levels of seniority, resulting in a lack of expertise, capability and capacity (onshore and offshore) to meet the medium- and long-term demands of the business, loss of top talent and gaps in key leadership roles and succession plans. In addition, the UK firm fails to define and develop a culture in alignment with its core values and strategy. w</p>	<ul style="list-style-type: none"> — Intense competition for talent and skills shortage, impacting on ability to recruit at all colleague levels. Evolving expectations of employees including the need for a comprehensive talent management programme and succession planning, risks the attractiveness of the firm reducing over time. Increased immigration complexity. — Management of, and ability to meet, expectations in relation to the medium-to-long term, changing ways of working, including the move towards hybrid working. — Current challenging economic environment and impact of increased cost of living on employee wellbeing and morale. — Continued focus on developments in Inclusion, Diversity and Equity (IDE) and ability to meet IDE improvement objectives (including social mobility). — Increasing importance of reaching our Culture Ambition and maintaining an environment where poor employee or partner conduct is identified and addressed. 	<ul style="list-style-type: none"> — Significant investment in colleague reward, and an attractive employee value proposition, Our KPMG, against results of annual salary benchmarking. — Range of projects ongoing to ensure we are able to recruit and retain the skills we need in the current environment, including in relation to improving our people systems, workforce planning strategy and addressing complexities in immigration and onboarding. — Defined performance management cycle and processes which includes goal setting, feedback and performance appraisal. Regular training delivered to Performance Managers and 360 feedback programme for leaders across the Firm. — Inclusion, Diversity and Equity Policy and firm-wide mandatory training for all KPMG partners and employees. Several dedicated programmes including GROW, Black Heritage Allyship Programme and Cross Company Allyship Programme. Ambitious leadership 2030 targets across six historically under-represented groups with supporting firm-wide and local action plans in place. — Our Social Mobility Network – UpBringing – empowers colleagues from lower socio-economic backgrounds to achieve tangible personal and professional development goals, raise their profile within the firm and in the marketplace and make an impact across our communities. Opening Doors to Opportunities aims to empower the next generation to thrive by inviting schools into our offices across the UK, as part of a new commitment we’re making to give one million young people the opportunity to develop their skills by 2030. Comprehensive wellbeing offering including mental wellbeing, bereavement support, a Domestic Violence and Abuse Policy statement, an employee assistance programme, remote GP, private medical insurance (for relevant colleagues), counselling service and number of wellbeing apps. — Employee networks to support and engage with the various communities across the firm and an Employee Business Forum, which represents views within the firm to leadership. — Regular feedback on People strategy and practices sought through annual Global People Survey and regular Pulse Surveys, with action plans in place where required. — Culture Ambition guided by Our Values, and a refreshed Code of Conduct (reviewed by Institute of Business Ethics). Firm-wide Culture Steering Committee responsible for approving and steering the firm-wide culture strategy, plan and priorities – which include a firm-wide Values Week and People Awards, building trust through developing a speak-up culture and a psychologically safe environment and building out our leadership and management capability to support our magnet for talent agenda. — Monitoring and review of key performance indicators by the Board, People sub-committee, and Executive Committee via the Culture Dashboard that includes staff survey results and people-related data points. — Succession plans in place for members of Executive leadership. Board succession monitored and managed through Nominations Committee.




Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
<p>9. Technology and information management (FY23 Trend: Increasing)</p> <p>FY21  FY22  FY23 </p> <p>KPMG in the UK fails to provide the technology solutions required by the business to support its operations, reputation and growth, or to adequately protect existing technology solutions, resulting in a breach of the confidentiality, integrity and availability of these solutions. This may lead to an inability to provide key services to internal and external stakeholders, and reputational or financial loss.</p>	<ul style="list-style-type: none"> — Increased risk of cyber-attacks as a result of global political conflicts. — Increasing complexity of technology solutions provided to clients. — Increased importance of developing and investing in IT infrastructure for the future to support changing business needs. — Continued reliance on technology and increased complexity of managing information risk in hybrid working environment. — Increasing technology and security requirements in contractual arrangements with clients and audited entities. — Increased focus on the ethical use of data, AI and other technology. — Increased public, client/audit entity and regulatory scrutiny in respect of data/confidentiality because of high-profile external events. 	<ul style="list-style-type: none"> — Governance/approval requirements in place for technology investment and changes: Technology Assurance Group, DMTAP (Demand Management and Technology Assurance Process) and CTO Forum. — Data Protection Officer and Chief Information Security Officer, each with specialist teams. — Range of projects ongoing to improve technology inventory and protections (Backup & Restore, Cloud Migration, Smart Networks, etc.). — Ongoing programme of training and awareness of the end-to-end Technology Assurance process and refreshed Technology Assurance Policy. — Multi-year Information Security Transformation Programme, introducing and embedding a new set of information security capabilities and services that can provide a more effective response to evolving cyber security threats and changes in regulations. — Three lines of defence model for management of information risk, including a central Information assurance team and an Information Governance Oversight Committee. — Ongoing mandatory training, covering information security, data protection and information management. — Additional training/learning support on confidentiality was covered as a separate mandatory training module within our November 2023 Building Trust release. — Widespread use of Information Protection Plans in engagements and introduction of Data Champions, and continued progress in our Data Remediation Programme. — ISO 27001, Cyber Essentials+, SOC2 (eAudit) certification and regular external and internal audits to identify and address control deficiencies. — Insider policy and risk assessment reviewed annually. — Programme of ongoing phishing resilience testing, security awareness focused on a range of themes including passwords, patching, phishing and social engineering. — Rolling compliance programme (as part of second line assurance activities) in relation to Information Protection Controls and Policy Compliance. — Enterprise focus on Operational Resilience, including the identification of a Minimum Viable Firm (MVF) to provide greater focus for recovery planning and resourcing.




Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
Operational risks (continued)		
<p>10. Business operations, resilience and controls (FY23 Trend: Increasing)</p> <p>FY21  FY22  FY23 </p> <p>KPMG in the UK fails to define, implement and monitor the effectiveness of its policy, procedure and control framework, including in relation to its suppliers, and to ensure continuity in business operations. In addition, the UK firm fails to manage change effectively, resulting in control failure, and disruption to business operations and the services provided to clients and audited entities.</p>	<ul style="list-style-type: none"> — Importance of maintaining robust business processes and controls and adapting where appropriate so that they remain fit for purpose in the current environment. — Conclusion of ISQM1 implementation programme and transition to 'business as usual' System of Quality Management. — Impact of rising global costs and increasing global political conflicts on the ability of third-party suppliers to deliver goods and services to KPMG. — Importance of ensuring business processes and controls align to the firm's ESG strategy, as well as the expectations of external stakeholders. — Ability to successfully manage multiple and significant transformation programmes, with appropriate governance and investment controls. 	<ul style="list-style-type: none"> — Three lines of defence model, including internal audit, to review the design and operating effectiveness of key controls. — Enterprise-Wide Risk Management Framework with matrix reporting across Capability, Market and firm-wide risks to support Board and Committee governance and Executive decision-making. Capability, Market and Regional risk officers in place to support second line management/ oversight of risk policies, practices and decision-making. — Regular updates to the Board on operational performance based on extensive MI; three-year business planning with yearly refreshes and regular review by Operations Executive and COOs. — Operations Executive oversight of both internal and external operational quality reviews. — Operation Executive oversight role in reviewing KPIs, performance and risk at its regular meetings which is a core mechanism for overall performance and operational risk management. — Defined business continuity and crisis management plans, and controls in place to support IT, Third Party, People, Facilities & Data disaster recovery. — Specialist Operational Resilience team which follows business continuity best practice guidelines and complies with ISO 22301 (as confirmed by independent internal audit). — EPMO (Enterprise Project Management Office) to manage investment and transformational change programmes. — Supplier management centre of excellence and Supplier Code of Conduct is in place which is being incorporated into new contracts. — Third party risk assessment for new subcontractors supporting the delivery of client engagements. Risks are reassessed on a regular basis. — Policies on Procurement, Subcontractors, Alliances and Contingent Workers. — New Enterprise Transformation SteerCo and governance and oversight over change programmes with risk representation. — Continued focus on embedding ISQM1, in close coordination with KPMG International and establishing the UK's System of Quality of Management (SoQM) under business as usual. — Compliance programmes including Global GCR and Global KQCE, with appropriate root cause analysis undertaken and action plans implemented and monitored. — Further work with the relevant ESG, Operations and Corporate Affairs teams to ensure that an appropriate level of information is captured in relation to climate risks to satisfy increasing external requirements.

Our quality control and risk management systems

Continued

Risk	Current and emerging risk landscape	Mitigations
<p>Financial risks</p> <p>11. Financial management (FY23 Trend: Increasing)</p> <p>FY21  FY22  FY23 </p> <p>The UK firm fails to execute against financial targets or manage medium- to long-term financial position and performance, for example due to delivering unprofitable services, poor investment decisions, and failure to ensure a resilient balance sheet, resulting in poor business performance, inability to achieve growth and negative impacts to the financial health of the firm.</p>	<ul style="list-style-type: none"> — Need to continually invest in our services, people and processes to ensure that the business model is fit for the future. — Current challenging external economic environment with impact on demand for KPMG services, increasing cost base and ability to collect payment for the services delivered to clients and audited entities. — Inherent uncertainty with respect to any outstanding regulatory investigations and civil litigation matters although this is reducing as we resolve our legacy regulatory cases. 	<ul style="list-style-type: none"> — Budgets which are subject to various levels of approval, through a thorough budgeting process, with appropriate sensitivity analysis and planning based on emerging economic landscape. — Board role in budget and performance oversight and Executive Committee budgetary challenge. — Monthly financial analysis at firm and functional level, including regular refresh of downside scenario planning based on early warning indicators. — Appointment of new Capability FDs and Chief Accounting Officer to bring rigour and discipline to accounting treatments. — Pricing panels, pipeline monitoring, WIP management processes and regular tracking of overdue invoices. Tools available across the firm. — Approval and monitoring controls over investments, investment decisions and capital retention strategy. — Closely controlled procurement process and approvals, via technology platform. — Finance policies, including the Spend Control Policy, Timesheet Policy and Expenses Policy. — Anti-Fraud Policy, and annual training on fraud for all colleagues. Fraud risk assessment conducted annually by the MLRO. — Professional Indemnity Insurance in place.

Audit regulatory compliance

Our partner-led Audit Regulatory Compliance (ARC) function, established during FY21, is the main point of contact with the firm's primary regulator, the FRC, maintaining an overview of all interactions with Audit Market Supervision and Audit Firm-wide Supervision and ensuring that all commitments, requirements and actions are fulfilled.

ARC incorporates a Compliance Monitoring function whose purpose is to deliver a dedicated compliance programme, providing independent assurance that the processes, procedures and controls in place to meet audit regulatory requirements are operating effectively. A monitoring plan is developed and presented for approval to the Audit Executive at the start of the year and updated where necessary during the year to ensure it remains focused on appropriate risk areas.

Internal audit

Internal Audit, which is led by a dedicated Head of Internal Audit, provides independent and objective assurance on the adequacy and effectiveness of our governance, risk management and internal control processes. The Internal Audit plan was approved at the start of the year and was updated during the year to ensure that it remained appropriate and reflected changes to business risks including the heightened risks presented by the current external environment. The plan is devised by understanding the risk profile of the firm (whether strategic, operational or in relation to change risks), considering other risk management, compliance and assurance activities, and - based on this - agreeing what internal audit work is required.

In reviewing and approving the internal audit plan, the Audit Committee ensured a balance between coverage of the highest priority risks and maintaining appropriate coverage of core business processes.

Maintaining an objective and independent mindset

We have adopted the KPMG Global Independence Policies which are derived from the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code) and incorporate other applicable regulatory standards. For KPMG in the UK, we supplement these policies with other processes to ensure compliance with the FRC's 2019 Ethical Standard (FRC's 2019 ES).

These policies and processes cover areas such as firm independence, personal independence, firm financial relationships, post-employment relationships, partner rotation and approval of audit and non-audit services. In the UK, the Ethics Partner is supported by a core team to help ensure that we apply robust and consistent independence policies, processes and tools. Ethics and independence policies are set out in our intranet-hosted Quality & Risk Management Manual as well as various guidance materials on the internal UK portal and reinforced through training.

Failure to comply with the firm's independence policies, whether identified in the rolling compliance review, self-declared, or otherwise, is, in the case of engagement leaders and managers, reflected in their individual ethics and compliance metrics. The Independence Working Group (formerly the Ethics Working Group) oversees policies and procedures in relation to ethical matters and breaches of the requirements of the FRC's 2019 ES.

Personal independence

KPMG International policy extends the IESBA Code restrictions on ownership of audited entity securities to every member firm partner in respect of any audited entity of any member firm. KPMG in the UK has a policy whereby all staff who are involved in delivering professional services engagements are also prohibited from holding securities in companies audited by KPMG.

Our professionals are responsible for making appropriate inquiries to ensure that they do not have any personal financial, business or family interests that are restricted for independence purposes. We also use a web-based independence compliance tracking system to assist our professionals in their compliance with personal independence investment policies.

We monitor partner and employee compliance with these requirements through a programme of audits on a sample of professionals. In the year ended 30 September 2023, 1,258 (2022: 984) of our people were subject to a compliance audit. This included approximately 27% of our partners as well as an increase in the number of non-partner individuals selected for review.

In accordance with KPMG International policy, all partners and partner equivalents are compliance audited in a five-year period, and those partners in a Chain of Command role are audited every three years.

In addition, all direct-entry partners are subject to a compliance audit as a condition of their admission to the partnership and are subject to a further audit after 12 months in the firm.

The policy we apply to members of the audit team who are recruited by entities we audit goes beyond the requirements of the FRC's 2019 ES. It requires any member of an audit team to inform the Ethics and Independence team of any situation involving their potential employment with an entity where they are part of the audit engagement team. We also prohibit all partners in the firm from accepting a director or key management position role at an entity that we audit within two years of retiring from the partnership.

Business relationships/suppliers

We have policies and procedures in place to ensure that business relationships are maintained in accordance with the FRC's 2019 ES and the IESBA Code. Consultation with our ethics and independence professionals is required for any proposed business relationship with an entity we audit, or its management, to ensure compliance with the relevant independence regulations. Compliance with these policies and procedures is reviewed periodically.

Independence training and confirmations

We provide all relevant colleagues (including all partners and staff who are involved in delivering professional services engagements) with independence training appropriate to their grade and business area and provide all new colleagues with relevant training when they join the firm.

All colleagues are required to sign an independence confirmation upon joining the firm. Thereafter, all personnel confirm annually they have remained in compliance with applicable ethics and independence policies throughout the period. Partners and partner equivalents make an additional confirmation at the mid-year in respect of their personal investment compliance.

Audit engagement leader rotation

All audit engagement leaders are subject to periodic rotation of their responsibilities for entities we audit under applicable laws and regulations and independence rules, which limit the number of years that engagement leaders may provide audit services to an audited entity. KPMG rotation policies comply with the requirements of the FRC's 2019 ES (and, where applicable for certain engagements, the rules of the PCAOB). For example, under the FRC's 2019 ES the audit engagement leader for a public interest entity cannot serve in that role for more than five years and once they have rotated off the audit cannot participate in the audit again for a further five years.

We monitor the rotation of audit engagement leaders and any other key roles where there is a rotation requirement, including the Engagement Quality Control Reviewer, and have transition plans to enable us to allocate partners with the necessary competence and capability to deliver a consistent quality of service to audited entities.

Maintaining an objective and independent mindset

Continued

Firm rotation

PIEs, as defined in the FRC's 2019 ES, are required to rotate their firm of auditors. Mandatory Firm Rotation (MFR) rules in the UK require that all PIEs must tender their audit contract at least every 10 years and rotate their auditor at least every 20 years. We have processes in place to track and manage MFR.

Non-audit services

We have policies regarding the scope of services that can be provided to entities for whom we are auditors which are consistent with the FRC's 2019 ES and the IESBA Code, and, where applicable, the rules of the SEC and PCAOB. KPMG policies require the audit engagement leader to evaluate the threats arising from the provision of non-audit services and the safeguards available to address those threats, including whether an objective, reasonable and informed third party would consider it appropriate for the auditor to provide the non-audit service.

Every engagement intended to be entered into by a KPMG member firm is required to be included in our Sentinel™ tool, prior to starting work, enabling group lead audit engagement partners to review and approve, or deny, any proposed service for those entities worldwide. As reported in the FRC's public report, during the year we identified and reported instances where other KPMG member firms had commenced and performed non-audit services without receiving necessary approvals from UK audit engagement partners. We commissioned a third-party firm to perform a root cause analysis of this issue. In addition, a root cause analysis was also undertaken by KPMG International. Our controls have now been enhanced to prevent this issue from happening in the future.

To maintain auditor independence, no individual with the ability to influence the conduct and outcome of an audit can be rewarded for selling non-audit services to entities we audit.

Fee dependency

KPMG firms have agreed to consult with their Regional Risk Management Partner where total fees from an audit client are expected to exceed 10% of the annual fee income of the KPMG firm for two consecutive years. If the total fees from a public interest entity audit client and its related entities were to represent more than 15% of the total fees received by a particular KPMG firm in a single year, this would be disclosed to those charged with governance at the audit client. Where the total fees continued exceeding 15% for two consecutive years, we would engage a partner from another KPMG firm as the engagement quality control (EQC) reviewer and the fee dependency would be publicly disclosed.

Conflicts of interest

To perform a professional services engagement, both KPMG and all members of the engagement team need to be objective in both fact and appearance. This means that before accepting any engagement it is necessary to identify if there are any conflicts of interest (or any other threats to objectivity) associated with taking on that work and to determine if these can be safeguarded to an acceptable level such that the conflict can be managed, and the engagement accepted. Our Conflicts of Interest Policy and procedures are designed to ensure that that we meet these requirements. In 2022, we commissioned an external legal firm to undertake a detailed review of our conflicts policies and procedures. During 2023 they completed a follow-on phase of work which was to undertake actual testing on the outcomes of our systems and controls to manage conflicts of interest. They made a small number of recommendations from this phase, all of which have been implemented.

Our Conflicts of Interest Policy sets out how to identify, assess and safeguard threats to objectivity, as well as setting out situations where conflicts would always be unmanageable. The policy also details the escalation requirements for specific conflict situations and what the special considerations are with respect to conflicts involving audited entities. Where a conflict of interest involves an audited entity, our policy requires consideration of how accepting that service might give rise to a condition or relationship (or conflict) that would (or would be perceived to) impact on KPMG's independence as auditors. The overarching principle is that we would not accept an engagement where it was clear at acceptance that it would involve the client or KPMG (on behalf of or supporting the client) taking an adversarial position against a statutory audited entity of KPMG on a matter that was material to its financial statements or involved challenging the accounting for any matters that were material to the audited financial statements.

Sentinel™ is used to identify and manage potential conflicts of interest within and across member firms. Any potential conflict of interest issues identified are resolved in consultation with other parties as applicable and the outcome is documented. Where conflicts of interest are identified, it is necessary to consider how they can be safeguarded - for example, through establishing formal dividers between engagement teams serving different entities and/or seeking consent. If a potential conflict issue cannot be safeguarded, the engagement is declined or terminated.

More complex conflicts require consultation and escalation, and the most complex conflicts are considered by our firm's Conflicts Working Group, which is chaired by our Ethics Partner and is one of the enhancements to our processes that we introduced last year.

All partners and client-facing personnel received mandatory training during the year on the process for identifying, assessing, documenting and safeguarding conflicts of interest, along with the need to be alert throughout the engagement for new conflicts or threats to objectivity.

Maintaining an objective and independent mindset

Continued

Compliance with laws and regulations

We provide training on compliance with laws (including those relating to anti-bribery and corruption, money laundering and sanctions), regulations and professional standards (including conflicts of interest) and our [Code of Conduct](#) to all partners and employees on joining the firm and annually thereafter. Other topics, including Fraud Risk Awareness, Corporate Criminal Offences and Modern Slavery are run bi-annually for all partners and employees.

All partners and employees are asked to confirm annually, in our Ethics and Independence Confirmation, that: "I understand that at KPMG we are all committed to behaving ethically and to demonstrate that we are trustworthy – which I do by proactively living Our Values, upholding the highest ethical and professional conduct standards and adhering to Our Code."

Statement by the Board on the effectiveness of internal controls

Internal controls statement

The Board is responsible for the firm's system of internal controls and for reviewing its effectiveness. Such a system manages, rather than eliminates, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, loss, or non-compliance with relevant regulatory or legislative requirements. The day-to-day responsibility for managing our operations rests with the Executive Committee.

In accordance with the Audit Firm Governance Code, the Board has reviewed the effectiveness of its systems of internal control. In reviewing these systems and their effectiveness, it has adopted the approach prescribed within the UK Corporate Governance Code.

This monitoring covers risk management systems and all key controls, including those relating to finance, operations and compliance. It is based principally on the consideration and review of reports from relevant Executive Members and reports from the Audit, Risk and People Committees as well as from the Executive Committee and Audit Board to consider whether significant risks are identified, evaluated, managed and controlled.

During 2023, the Board has:

- Received regular reports from members of the Executive Committee, including:
 - Chief Operating and Financial Officer on the firm's financial performance and on any emerging financial and operational risks and issues;
 - Head of Audit on the Audit Quality Transformation Programme and other quality improvement programmes relating to audit quality; and
 - Chief Risk Officer who provides updates on emerging regulatory, risk and compliance matters and quarterly reporting under the firm's Enterprise-Wide Risk Management Framework;
- Received regular updates with regards to ethics and independence matters directly from the Ethics and Independence Partner, including updates on the firm's Ethical Health Plan and matters identified through the Speak Up hotline;
- Received regular reports from the Chair of the Risk Committee including:
 - Regulatory, risk and compliance matters; and
 - External regulatory inspections and reviews.
- Received regular reports from the Chair of the Audit Committee including:
 - Results of the evaluation of the SoQM as at 30 September 2023 (see [Section 5: Quality control and risk management](#)) and the design and status of the remediation plans relating to identified deficiencies;
 - The findings and associated action plans arising from testing of our compliance with our Global Quality and Risk Management Manual policies;
 - Results of internal audit work commissioned as part of the approved annual internal audit plan, and the progression on resolving weaknesses identified; and
 - Progress reports from the group's external auditors, Grant Thornton UK LLP, on its annual audit and discussions with them on any control issues they have identified.
- Considered reports to the Board made by the Risk, Audit, Nominations and People Committees and the Audit Board on how each has discharged its duties in the year.

Conclusions

The Board of KPMG LLP confirms that internal reviews of the effectiveness of internal controls and of independence practices within our firm have been undertaken. Our compliance and internal audit programmes identify deficiencies and opportunities for improvement, and, in such instances, remediation activities are agreed with subsequent follow-up to assess the extent to which the matters identified have been addressed satisfactorily.

However, matters arising from these activities are not considered, either individually or in aggregate, to undermine the overall system of internal control in place.

Compliance with requirements of Audit Firm Governance Code

The Board has reviewed the provisions of the 2016 Audit Firm Governance Code and confirms that the firm complied with these provisions throughout the year ended 30 September 2023.



06

Meeting our reporting requirements

Meeting our reporting requirements

KPMG in the UK's **2023 Transparency Report** provides information about our firm's governance, culture, relentless focus on quality, and processes for risk management. Whilst KPMG is a multi-disciplinary firm, the report is primarily focused on our Audit practice and the policies and programmes we have in place to support audit quality.

The information disclosed relates to KPMG in the UK's activities as at 30 September 2023, and demonstrates compliance with the following reporting requirements:

- Audit Firm Governance Code (Revised 2016).
- Article 13 (Transparency Report) of Regulation (EU) No 537/2014 of the European Parliament and of the Council – as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019.
- The Local Auditors (Transparency) Regulations 2020.
- Consultative Committee of Accountancy Bodies Voluntary Code of Operative Practice on Disclosure of Audit Profitability (March 2009).

The pages that follow provide an overview of where information in response to each requirement can be found.



Audit Firm Governance Code (Revised 2016)

The [Audit Firm Governance Code \(Revised 2016\)](#) (the Code) is intended to enhance trust and confidence in the value of audit amongst the public and particularly investors. The Code applies to firms auditing 20 or more listed companies.

This version of the Code was issued in July 2016 and is applicable for financial years beginning on or after 1 September 2016. For the purposes of KPMG in the UK's 2023 Transparency Report, the 2016 Code has been applied.

Listed in the table below are the Provisions of the Code that require specific disclosure in a firm's Transparency Report, or on the firm's website, and KPMG's response to each of these.

Compliance with requirements of Audit Firm Governance Code

The Board of KPMG LLP is responsible for the Firm's system of internal controls and for reviewing its effectiveness. The Board has reviewed the provisions of the 2016 Audit Firm Governance Code (which span beyond the Transparency Report related provisions below) and confirms that the Firm complied with these provisions throughout the year ended 30 September 2023.

Audit Firm Governance Code (2022)

In 2022, the FRC published an updated version of the Code, which supersedes the 2016 Code and is applicable for financial years beginning on or after 1 January 2023. This 2022 Code will therefore be applied to KPMG in the UK's 2024 Transparency Report (next year's report).

Principles and Provisions

Where information in response to each Provision can be found

A Leadership

A.1 Owner accountability principle

The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.

A.1.2 The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose, is achieved. If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit, is undertaken and the Code's purpose achieved in the UK.

For information about the governance structure of KPMG in the UK, visit: [Section 2: Our leadership](#).*

For information about the KPMG global organisation, refer to: [Appendix 1: Legal structure](#).

A.1.3 The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.

For information about UK Board and Board Committee membership for the year ended 30 September 2023 refer to: [Appendix 4: Board and Committees of the Board membership](#).*

For information about UK Board and Board Committee meeting attendance for the year ended 30 September 2023, refer to: [Appendix 2: Meeting attendance records for the year ended 30 September 2023](#).

For information about the current governance structure of KPMG in the UK, including the information on how members are elected or appointed, visit: [Section 2: Our leadership](#).*

A.2 Management principle

A firm should have effective management which has responsibility and clear authority for running the firm.

A.2.1 Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses and these should be disclosed on the firm's website.

For information about the current governance structure of KPMG in the UK, including the terms of reference for the Board and its Committees, visit: [Section 2: Our leadership](#).

* On 1 October 2024, the UK and Switzerland KPMG firms merged and a new group governance structure was stood up. Content on the original destination page of this link has changed. To ensure the completeness of our Transparency Report archive, this link has been updated to direct readers to the correct information.

Audit Firm Governance Code (Revised 2016)

Continued

Principles and Provisions	Where information in response to each Provision can be found
B Values	
B.1 Professionalism principle	
A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.	
B.1.2 Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.	Refer to: Appendix 3: Key performance indicators for our governance system .
B.1.3 The firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and independent non-executives should oversee compliance with it.	KPMG in the UK's Code of Conduct can be found here here . For information about the current governance structure of KPMG in the UK, including the terms of reference for the Board and its Committees, visit: Section 2: Our leadership .
C Independent Non-Executives	
C.1 Involvement of independent non-executives principle	
A firm should appoint independent non-executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.	
C.1.1 Independent non-executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm. They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed. If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.	KPMG has six Independent Non-Executives. Four are Independent Non-Executives as contemplated in the Audit Firm Governance Code 2016, and three are Audit Non-Executives as contemplated in the Audit Firm Governance Code 2022; one of the Independent Non-Executives is both an INE and ANE. The Public Interest Committee comprises the four Independent Non-Executives. The Audit Board comprises the three Audit Non-Executives, and two partners. For current information about these groups, and their members, visit: Section 2: Our leadership (Independent oversight). Also refer to: Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives .
C.1.2 The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.	For the year ending 30 September 2023, there were no new appointments, retirements and resignations of Independent Non-Executives. More information on the Independent Non-Executives in role for the year can be found here: Appendix 4: Board and Committees of the Board membership . For information about the approach taken to independent oversight at KPMG in the UK: — visit: Section 2: Our leadership (Independent oversight); and — refer to: Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives .

Audit Firm Governance Code (Revised 2016)

Continued

Principles and Provisions	Where information in response to each Provision can be found
<p>C.1.3 The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:</p> <ul style="list-style-type: none"> — Promoting audit quality. — Helping the firm secure its reputation more broadly, including in its non-audit businesses. — Reducing the risk of firm failure. 	<p>For information about the approach taken to independent oversight at KPMG in the UK:</p> <ul style="list-style-type: none"> — visit: Section 2: Our leadership (Independent oversight); and — refer to: Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives.
<p>C.2 Characteristics of independent non-executives principle</p>	
<p>The independent non-executives' duty of care is to the firm. They should command the respect of the firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise. They should have a balance of relevant skills and experience including of audit and a regulated sector. At least one independent non-executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.</p>	
<p>C.2.1 The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	<p>Visit: Section 2: Our leadership (Independent oversight).</p>
<p>C.3 Rights and responsibilities of independent non-executives principle</p>	
<p>Independent non-executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly.</p>	
<p>C.3.6 The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the independent non-executives and members of the firm's management team and/or governance structures.</p>	<p>Refer to Section 2: Our leadership (Independent oversight) for:</p> <ul style="list-style-type: none"> — Appendix 20: Public Interest Committee Terms of Reference. — Appendix 21: Audit Board Terms of Reference.
<p>D Operations</p>	
<p>D.1 Compliance principle</p>	
<p>A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The independent non-executives should be involved in the oversight of operations.</p>	
<p>D.1.3 The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.</p>	<p>Refer to: Section 5: Quality control and risk management (Maintaining an objective and independent mindset).</p>
<p>D.2 Risk management principle</p>	
<p>A firm should maintain a sound system of internal control and risk management over the operations of the firm as a whole to safeguard the firm and reassure stakeholders.</p>	
<p>D.2.2 The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</p>	<p>Refer to Section 5: Quality control and risk management for:</p> <ul style="list-style-type: none"> — Statement by the Board on the effectiveness of internal controls (page 60) — Statement on the effectiveness of the System of Quality Management (page 43)

Audit Firm Governance Code (Revised 2016)

Continued

Principles and Provisions	Where information in response to each Provision can be found
D.3 People management principle	
A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.	
D.3.1 The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, other forms of recognition, representation and involvement.	Refer to: Section 3: People and Culture .
D.4 Whistleblowing principle	
A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration.	
The independent non-executives should be satisfied that there is an effective whistleblowing process in place.	
D.4.1 The firm should report to independent non-executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.	For information on the independent oversight of these matters, refer to Section 2: Our leadership (Independent oversight) for: <ul style="list-style-type: none"> — Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives. — Appendix 20: Report of the Public Interest Committee's activities during the year (as at 30 September 2023). — Appendix 21: Report of the Audit Board's activities during the year (as at 30 September 2023). For more information on the firm's whistleblowing processes, visit: Whistle-blowing hotline (Speak-Up Hotline) .
E Reporting	
E.2 Governance reporting principle	
A firm should publicly report how it has applied in practice each of the principles of the Audit Firm Governance Code and make a statement on its compliance with the Code's provisions or give a considered explanation for any non-compliance.	
E.2.1 The firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B1.2, C.2.1, D.1.3, D.2.2, E.2.2 and E.3.1.	Refer to the rows above and below within this table.
E.2.2 In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.	Refer to: Appendix 5: UK Corporate Governance Code (2018) .
E.3 Transparency principle	
A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.	
E.3.1 The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.	Refer to: Section 5: Quality control and risk management (Our quality control and risk management systems – Principal risks).

Audit Firm Governance Code (Revised 2016)

Continued

Principles and Provisions

Where information in response to each Provision can be found

E.3.2 The transparency report should be fair, balanced and understandable in its entirety.

The Board has considered the disclosures within the 2023 Transparency Report and considers the report to be fair, balanced and understandable and in compliance with the 2016 Audit Firm Governance Code. The Board notes that the 2022 version of the Code will apply to the 2024 Transparency Report.

E.4 Reporting quality principle

A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors.

E.4.1 The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.

For information about the Audit Committee, including its members, terms of reference, and activities during the year, visit: [Section 2: Our leadership](#) and [Appendix 14: Audit Committee](#).

F Dialogue

F.1 Firm dialogue principle

A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communication and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.

F.1.1 The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. These disclosures should cover the nature and extent of the involvement of independent non-executives in such dialogue.

For information on KPMG's approach to internal and external dialogue refer to: [Section 4: Audit Quality](#) (Communicate effectively).

For information on the Independent Non Executives and Audit Non Executives annual engagement programme refer to: [Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives](#).

Article 13 (Transparency Report) of Regulation (EU) No 537/2014 of the European Parliament and of the Council – as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

Article 13 (Transparency Report) of Regulation (EU) No 537/2014 of the European Parliament and of the Council – as amended by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019](#) – requires a statutory auditor that carries out the statutory audit of a public interest entity, to publish a signed, annual transparency report.

The Regulation requires that the Report is published at the latest four months after the end of each financial year, on the website of the statutory auditor, and shall remain available on that website for at least five years from the day of its publication on the website (KPMG in the UK's historical reports can be found in our [Report hub](#)).

The Regulation requires the Report to comprise specific disclosures. KPMG in the UK's response to these requirements is shown below.

Paragraph	Requirement	Where information in response to each Paragraph can be found
2 (a)	A description of the legal structure and ownership of the statutory auditor, if it is a firm;	Refer to: Appendix 1: Legal structure .
2 (b)	Where the statutory auditor is a member of a network:	
	i. a description of the network and the legal and structural arrangements in the network;	Refer to: Appendix 1: Legal structure .
	ii. the name of each member of the network that is eligible for appointment as a statutory auditor, or is eligible for appointment as an auditor in an EEA state or Gibraltar;	<u>Gibraltar</u> KPMG operates in Gibraltar through KPMG LLP's wholly owned subsidiary, KPMG Limited, a company registered in Gibraltar. KPMG Limited is approved as a statutory auditor by the Gibraltar Financial Services Commission under the Gibraltar Financial Services Act 2019. Refer to: 2023 Gibraltar Transparency Report .
	iii. for each member of the network identified under paragraph (ii), the countries in which they are eligible for appointment as auditors or in which they have a registered office, central administration or principal place of business;	<u>EU/EEA countries</u> The name of each audit firm that is a member of the organisation and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available here .

Article 13 (Transparency Report) of Regulation (EU) No 537/2014 of the European Parliament and of the Council – as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

Continued

Paragraph	Requirement	Where information in response to each Paragraph can be found
	iv. the total turnover of the members of the network identified under (ii) resulting from statutory audit work or equivalent work in EEA states of Gibraltar;	<p><u>Gibraltar</u></p> <p>Refer to: 2023 KPMG Gibraltar Transparency Report (Financial information)</p> <p><u>EU/EEA Member States¹</u></p> <p>Aggregated revenues generated by KPMG firms², from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.4 billion during the year ending 30 September 2023.</p> <p>The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2023.</p> <p>The name of each audit firm that is a member of the organisation and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available here.</p>
2 (c)	A description of the governance structure of the statutory auditor, if it is a firm;	For information about the current governance structure of KPMG in the UK, including the terms of reference for the Board and its Committees, visit: Section 2: Our leadership .
2 (d)	A description of the internal quality control system of the statutory auditor and a statement by the management body on the effectiveness of its functioning;	Refer to: Section 5: Quality control and risk management : <ul style="list-style-type: none"> — Statement by the Board on the effectiveness of internal controls (page 60) — Statement on the effectiveness of the System of Quality Management (page 43)
2 (e)	An indication of when the last quality assurance review referred to in Article 26 was carried out;	Refer to: Section 4: Audit quality (Perform quality engagements).
2 (f)	A list of public-interest entities for which the statutory auditor carried out statutory audits during the preceding financial year;	Refer to: Appendix 6: UK Public Interest Entities .
2 (g)	A statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted;	Refer to: Section 5: Quality control and risk management (Maintaining an objective and independent mindset).

¹ The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

² Does not include revenues from the UK, or Gibraltar.

Article 13 (Transparency Report) of Regulation (EU) No 537/2014 of the European Parliament and of the Council – as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

Continued

Paragraph	Requirement	Where information in response to each Paragraph can be found
2 (h)	A statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006;	Refer to: <ul style="list-style-type: none"> — Section 4: Audit quality (Apply expertise and knowledge). — For information on how we ensure Key Audit Partners remain competent to deliver local audits, refer to: Appendix 8: UK Major Local Audits listing.
2 (i)	Information concerning the basis for the remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm;	Refer to: Section 3: People and Culture (Uphold the highest ethical and quality standards).
2 (j)	A description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);	Refer to: Section 5: Quality control and risk management (Maintaining an objective and independent mindset).
2 (k)	Where not disclosed in accounts, information about the total turnover of the statutory auditor or the audit firm, divided into the following categories: <ol style="list-style-type: none"> i. revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity; ii. revenues from the statutory audit of accounts of other entities; iii. revenues from permitted non-audit services to entities that are audited by the statutory auditor; and iv. revenues from non-audit services to other entities. 	Refer to: Appendix 7: Financial information .
3	The transparency report shall be signed by the statutory auditor	See Section 1: Transparency Report .

The Local Auditors (Transparency) Regulations 2020

The Local Auditors (Transparency) Regulations 2020 requires a “transparency reporting local auditor” (a local auditor that has issued an audit report in relation to one or more major local audits at any time during the financial year of that local auditor) to publish a signed, annual transparency report. The Regulation requires that the Report is published at the latest four months after the end of each financial year, on the website of the transparency reporting local auditor, and shall remain available on

that website for at least five years from the day of its publication on the website (KPMG in the UK’s historical Reports can be found in our [Report hub](#)).

The Regulation requires the Report to comprise specific disclosures. KPMG in the UK’s response to these requirements is shown below.

Paragraph	Requirement	Where information in response to each Paragraph can be found
(a)	A description of the legal structure, governance and ownership of the transparency reporting local auditor;	For information about the governance structure of KPMG in the UK, visit: Section 2: Our leadership . For information about the legal structure of KPMG in the UK, refer to: Appendix 1: Legal structure .
(b)	Where the transparency reporting local auditor belongs to a network, a description of the network and the legal, governance and structural arrangements of the network;	Refer to: Appendix 1: Legal structure .
(c)	A description of the internal quality control system of the transparency reporting local auditor and a statement by the administrative or management body on the effectiveness of its functioning in relation to local audit work;	Refer to Section 5: Quality control and risk management for: — Statement by the Board on the effectiveness of internal controls (page 60) — Statement on the effectiveness of the System of Quality Management (page 43)
(d)	A description of the transparency reporting local auditor’s independence procedures and practices including a confirmation that an internal review of independence practices has been conducted;	Refer to: Section 5: Quality control and risk management (Maintaining an objective and independent mindset).
(e)	Confirmation that all engagement leads are competent to undertake local audit work and staff working on such assignments are suitably trained;	Refer to: Appendix 8: UK Major Local Audits listing .
(f)	A statement of when the last monitoring of the performance by the transparency reporting local auditor of local audit functions, within the meaning of paragraph 23 of Schedule 10 to the 2006 Act, as applied in relation to local audits by Section 18 and paragraphs 1, 2 and 28(7) of Schedule 5 to the 2014 Act, took place;	Refer to: Section 4: Audit quality (Perform quality engagements).
(g)	A list of major local audits in respect of which an audit report has been made by the transparency reporting local auditor in the financial year of the auditor; and any such list may be made available elsewhere on the website specified in regulation 4 provided that a clear link is established between the transparency report and such a list;	Refer to: Appendix 8: UK Major Local Audits listing .
(h)	A statement on the policies and practices of the transparency reporting local auditor designed to ensure that persons eligible for appointment as a local auditor continue to maintain their theoretical knowledge, professional skills and values at a sufficiently high level;	Refer to: Appendix 8: UK Major Local Audits listing .
(i)	Turnover for the financial year of the transparency reporting local auditor to which the report relates, including the showing of the importance of the transparency reporting local auditor’s local audit work; and	Refer to: Appendix 7: Financial information .
(j)	Information about the basis for the remuneration of partners.	Refer to: Section 3: People and Culture (Uphold the highest ethical and quality standards).

Consultative Committee of Accountancy Bodies Voluntary Code of Operative Practice on Disclosure of Audit Profitability (March 2009)

Following the recommendation from the Market Participants Group in 2007 that “audit firms should disclose the financial results of their work on statutory audits and directly related services on a comparable basis”, the Consultative Committee of Accountancy Bodies developed guidance (the Code) for audit firms on the voluntary disclosure of this information.

The Code establishes a basis for comparable reporting of audit profitability by defining the audit segment (the ‘reportable segment’) and suggesting principles designed to achieve more comparable and consistent treatment of costs relating to that segment.

KPMG in the UK’s voluntary disclosure of this information can be found in [Appendix 7: Financial information](#).

Appendices

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UK Corporate Governance Code (2018) ▶ page 81	5	Risk Committee: Terms of reference & report on activities during the year ▶ page 101	12	Audit Executive: Terms of reference & report on activities during the year ▶ page 142	19
UK Public Interest Entities ▶ page 82	6	People Committee: Terms of reference & report on activities during the year ▶ page 107	13	Public Interest Committee: Terms of reference & report on activities during the year ▶ page 147	20
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Appendix 1: Legal structure

Legal structure

KPMG LLP is constituted as a limited liability partnership under the Limited Liability Partnerships Act 2000. The capital in KPMG LLP is contributed by its members (the members are referred to as partners).

KPMG LLP is part of the KPMG global organisation of professional services firms providing Audit, Tax, and Advisory services to a wide variety of public and private sector organisations. The KPMG organisation structure is designed to support consistency of service quality and adherence to agreed Values wherever its member firms operate.

In many parts of the world, regulated businesses (such as audit and legal firms) are required by law to be locally owned and independent. KPMG member firms do not, and cannot, operate as a multinational corporate entity. KPMG member firms are generally locally owned and managed. Each KPMG member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

Our firm and all other KPMG firms are party to membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organisation are members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients, directly or indirectly, to clients. Professional services to clients are exclusively provided by member firms.

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.

KPMG International and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm.

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis.

Further detail on the revised legal and governance arrangements for the KPMG global organisation can be found in section 'Governance and leadership' of the [KPMG International Transparency Report](#).

Governance

KPMG International's governance bodies are comprised of the Global Council, the Global Board (including its committees), the Global Management Team and the Global Steering Groups. Further details on KPMG International's governance structure can be found in the [KPMG International Transparency Report](#).

Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements³

Aggregated revenues generated by KPMG firms⁴, from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.4 billion during the year ending 30 September 2023.

The EU/EEA aggregated statutory audit revenue figures are presented to the best extent currently calculable and translated at the average exchange rate prevailing in the 12 months ended 30 September 2023.

The name of each audit firm that is a member of the organisation and the EU/EEA countries in which each firm is qualified as a statutory auditor or has its registered office, central administration or principal place of business are available here.

³ The financial information set forth represents combined information of the separate KPMG firms from EU and EEA Member States that perform professional services for clients. The information is combined here solely for presentation purposes. KPMG International performs no services for clients nor, concomitantly, generates any client revenue.

⁴ Does not include revenues from UK.

Appendix 2: Meeting attendance records for the year ended 30 September 2023

Key information

- The number of meetings included are formal meetings.
- Numbers in *blue italics* relate to standing invitees of the Committees only and as such attendance is optional.
- Meetings eligible to attend are shown in brackets.
- For the Audit Board, the Chair and the Chief Risk Officer are invited on a periodic basis.

	Board	Public Interest Committee	Audit Board	Audit Committee	People Committee	Risk Committee	Nomination Committee	Executive Committee
Bina Mehta	11 (11)	<i>4 (4)</i>	<i>3 (3)</i>	-	<i>8 (10)</i>	<i>5 (7)</i>	4 (4)	-
Jonathan Holt	12 (12)	-	-	-	-	-	-	14 (14)
Annette Barker	12 (12)	-	-	-	10 (10)	7 (7)	7 (7)	-
John Bennett	-	<i>4 (4)</i>	<i>1 (1)</i>	<i>5 (7)</i>	-	<i>6 (7)</i>	-	12 (14)
Anne Bulford	<i>8 (8)</i>	4 (4)	-	<i>5 (7)</i>	-	-	-	-
Catherine Burnet	-	-	<i>8 (8)</i>	-	-	-	-	14 (14)
Liz Claydon	-	-	-	-	-	-	-	14 (14)
Tim Jones ⁵	-	-	-	-	<i>2 (2)</i>	-	-	3 (3)
Lisa Fernihough ⁶	-	-	-	-	<i>6 (6)</i>	-	-	10 (10)
Jonathan Evans	<i>8 (9)</i>	4 (4)	-	-	-	<i>6 (7)</i>	<i>3 (4)</i>	-
Jonathan Downer	12 (12)	-	8 (8)	6 (7)	-	-	-	-
Melissa Geiger	12 (12)	-	-	-	7 (10)	-	6 (7)	-
John Hallsworth ⁷	12 (12)	-	-	-	10 (10)	6 (6)	6 (7)	-
Oonagh Harpur	<i>8 (8)</i>	4 (4)	<i>4 (4)</i>	-	<i>9 (10)</i>	-	-	-
Victoria Heard	-	-	-	-	-	-	-	12 (14)
Chris Hearld	12 (12)	-	-	<i>6 (7)</i>	-	-	-	13 (14)
Melanie Hind	-	-	7 (8)	-	-	-	-	-
Rachel Hopcroft	-	-	-	-	-	-	-	13 (14)
Claire Ighodaro	<i>8 (8)</i>	<i>3 (4)</i>	8 (8)	-	-	-	-	-
Anthony Lobo	11 (12)	-	8 (8)	7 (7)	-	6 (7)	-	-
Linda Main ⁸	12 (12)	-	-	7 (7)	7 (7)	7 (7)	-	-
Kathleen O'Donovan	<i>6 (8)</i>	4 (4)	7 (8)	-	-	-	-	-
David Rowlands	-	-	-	-	-	-	-	11 (14)
Suzanne Shenton	-	-	-	-	-	-	-	12 (14)
Dan Thomas	-	-	-	-	-	-	-	12 (14)

⁵ Tim Jones was a member of the Executive Committee in his capacity as Interim Chief People Officer until his retirement from the Firm on 31 December 2022.

⁶ Lisa Fernihough was appointed a member of the Executive Committee in her capacity as Chief People Officer on 1 January 2023.

⁷ John Hallsworth became a member of the Risk Committee on 9 November 2022.

⁸ Linda Main became a member of the People Committee and Nominations Committee on 9 November 2022.

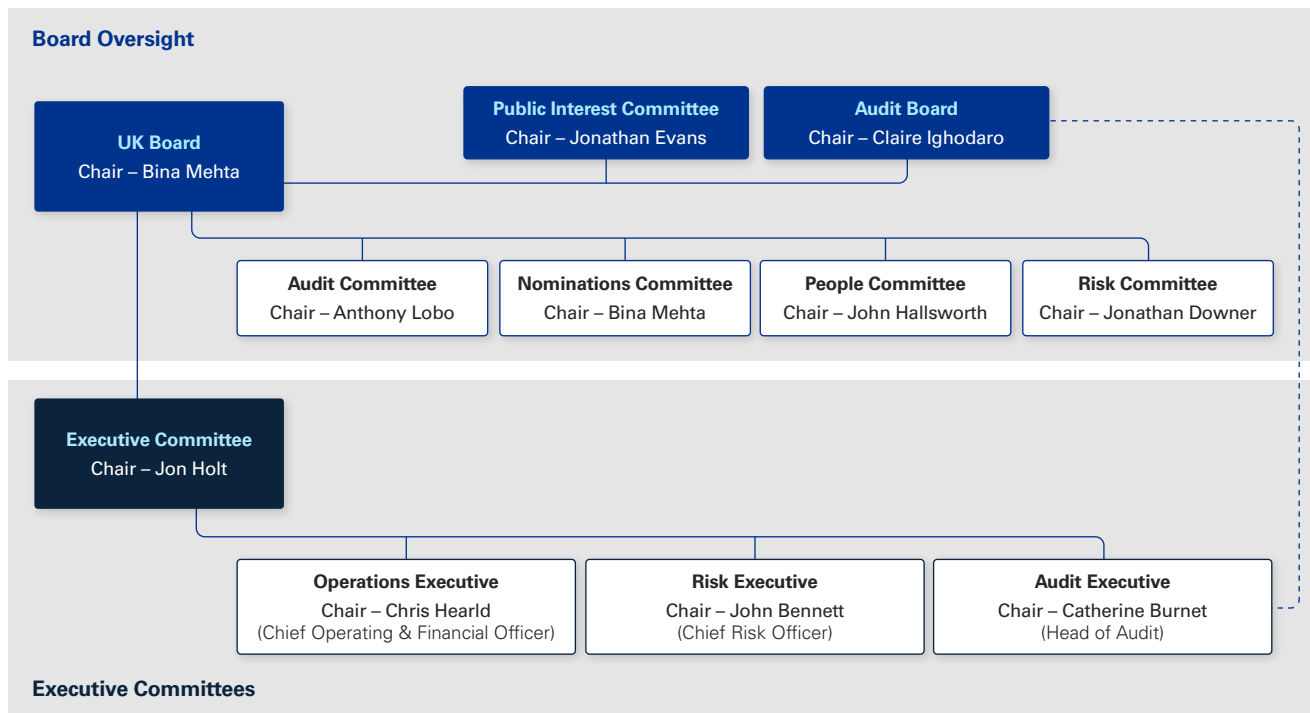
Appendix 3: Key performance indicators for our governance system

Our governance KPIs are selected for purposes of assessing the performance of our governance arrangements from the perspectives of not only ensuring there is regular, skilled and diverse oversight of the firm's delivery of its strategic and public interest objectives, but also maintaining the independence and objectivity of that oversight.

Requirement	Response
The Board should meet at least six times each year with a minimum attendance target of 80% over a 12-month rolling period.	The Board had twelve formal meetings and one ad-hoc meeting with members average attendance of 100%.
The gender diversity of the Board should be composed of a minimum one third women.	At 30 September 2023 the Board included 44% female members.
There should be a diverse range of skills represented in the composition of the Board (by reference to each triennial evaluation of Board effectiveness).	There is a diverse range of skills represented on the Board. The appointment of nominated Board members provides a mechanism for maintaining appropriate diversity of skills.
As part of the firm's culture assessment, the firm should hold an annual People Survey or Pulse Survey, with the Board acting upon the findings.	A Global People Survey was undertaken in autumn 2022. The UK findings (which provide data on engagement and other key metrics about partners' and employees' relationships with the firm) were tabled at the Board with appropriate action discussed.
There should be at least three UK INEs, and the Public Interest Committee should meet at least four times each year. On an annual basis, the Board must satisfy itself that the INEs remain independent from the firm.	At 30 September 2023 there were four INEs. The Public Interest Committee had four formal meetings during the year. The Board has considered and (based on compliance returns, disclosures and relevant independence checks) is satisfied that the INEs remain independent from the firm.
The Audit Board should meet at least six times each year to oversee the focus on audit quality.	The Audit Board had seven formal meetings and one ad-hoc meeting.
The Board should review the annual Transparency Report to satisfy itself that it is fair, balanced and understandable, and complies with the Audit Firm Governance Code, or explains otherwise.	The Board has considered the disclosures within the Transparency Report and considers the report to be fair, balanced and understandable and in compliance with the Audit Firm Governance Code.
The terms of reference for all Board Committees are reviewed annually as a minimum.	The terms of reference for all Board Committees were reviewed during the year.
External Board evaluation conducted tri-annually.	An external review was initiated in the summer of 2022.
There is an annual self-assessment of Board and Committees' effectiveness (unless external review is undertaken).	An external review of Board effectiveness was initiated during 2022.
The Board comprises a minimum of one practising audit partner.	During the year the Board included Jonathan Downer as a practising auditor.
Board comprises more than 50% members who are qualified auditors (per s.1219 of the Companies Act 2006 or equivalent). 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 one of the Elected Board Members or Nominated Board Members shall be practising auditors.	During the year, and as at 30 September 2023, the Board comprised 78% of members who are qualified auditors, and at least one of the Elected or Nominated Board Members was a practising auditor.
The Board should satisfy itself on at least an annual basis that a formal programme of investor dialogue is occurring.	The Board has assessed that an appropriate level of investor dialogue is in place as summarised in Section 4: Audit quality (Communicate effectively).

Appendix 4: Board and Committees of the Board membership

Governance structure at 30 September 2023



UK Board

Our UK Board as at 30 September 2023 comprised the Chair, the Chief Executive, the Senior Elected Member, four other Elected Members, one Nominated Member and one other Executive Member.

Bina Mehta Chair

Bina has been a partner since 2015. Bina became Chair of the Board in February 2021 (as at the year-end, this equates to two years of service as Chair).

Jon Holt Chief Executive

Jon has been a partner since 2005. Jon became a member of the Board in April 2021 (as at the year-end, this equates to two years of service as a member of the Board).

Linda Main* Elected member

Linda has been a partner since 2001 and joined the Board in October 2019 (as at the year-end, this equates to four years of service as a member of the Board). She chairs the Risk Committee and is a member of the Audit Committee.

Melissa Geiger* Senior Elected Member

Melissa has been a partner since 2008 and joined the Board in October 2019 (as at the year-end, this equates to approximately four years of service as a member of the Board). Melissa is a member of the People Committee.

Annette Barker* Elected Member

Annette has been a partner since 2016 and joined the Board in October 2020 (as at the year-end, this equates to approximately three years of service as a member of the Board). Annette is a member of the Risk Committee and People Committee.

John Hallsworth* Elected Member

John has been a partner since 2010 and joined the Board in September 2021 (as at the year-end, this equates to approximately two years of service as a member of the Board). He is Chair of the People Committee.

Anthony Lobo* Elected Member

Anthony has been a partner since 2007 and joined the Board in November 2020 (as at the year-end, this equates to approximately three years of service as a member of the Board). Anthony is Chair of the Audit Committee and a member of the Audit Board and Risk Committee.

Jonathan Downer* Nominated Member

Jonathan has been a partner since 2006 and joined the Board in March 2022 (as at the year-end, this equates to nineteen months of service as a member of the Board). Jonathan is a member of the Audit Committee and Audit Board and practising auditor.

Chris Hearld
Chief Operating and Financial Officer
Chris Hearld was appointed as an Executive Member of the Board in his capacity as Chief Operating and Financial Officer with effect from 1 October 2022 (as at year-end, this equates to one year of service as a member of the Board).

* For changes close to, or after, year end, see page 20.

Appendix 4: Board and Committees of the Board membership

Continued

The Executive Committee

Jon Holt

Chief Executive

Jon has been a partner since 2005. Jon became Chair of the Executive Committee in April 2021 (as at the year-end, this equates to over two years of service as Chair).

Chris Hearld

Chief Operating and Financial Officer

Chris has been a partner since 2004. Chris has been a member of the Executive Committee since June 2019 (as at the year-end, this equates to over four years of service as a member of the Executive Committee).

Cath Burnet

Head of Audit

Cath has been a partner since 2011. Cath has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years of service as a member of the Executive Committee).

John Bennett

Chief Risk Officer

John has been a partner since 2013. John has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years of service as a member of the Executive Committee).

Rachel Hopcroft

Head of Corporate Affairs

Rachel has been a partner since 2018. Rachel has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years of service as a member of the Executive Committee).

David Rowlands*

Head of Consulting

David has been a partner since 2009. David has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years of service as a member of the Executive Committee).

Liz Claydon*

Head of Deal Advisory

Liz has been a partner since 2007. Liz has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years of service as a member of the Executive Committee).

Victoria Heard

Head of Tax and Legal

Victoria has been a partner since 2014. Victoria has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years of service as a member of the Executive Committee).

Dan Thomas

Head of Markets

Dan has been a partner since 2008. Dan has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years of service as a member of the Executive Committee).

Suzanne Shenton*

Head of KBS and Transformation

Suzanne has been a partner since 2017. Suzanne has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over two years year of service as a member of the Executive Committee).

Lisa Fernihough*

Chief People Officer

Lisa has been a partner since 2011. Lisa has been a member of the Executive Committee since 1 January 2023 (as at year-end, this equates to nine months as a member).

* For changes close to, or after, year end, see page 20.

Appendix 4: Board and Committees of the Board membership

Continued

Independent Non-Executives as at 30 September 2023

There were no new appointments, retirements or resignations of Independent Non-Executives during the year.

Lord Evans of Weardale

Chair of the Public Interest Committee

Jonathan Evans joined the Public Interest Committee on 23 March 2017 and became its Chair on 1 October 2019. Jonathan was Director General of MI5 from 2007 to his retirement in 2013, having spent his career in the UK Security Service.

From 2013 to 2019 he was a Non-Executive Director of HSBC Holdings and between 2018 – 2023 he was the Chair of the Committee on Standards in Public Life. Jonathan is currently a Non-Executive Director of Ark Data Centres Limited, an advisor to several small tech companies and Chairman of The HALO Trust.

Jonathan also became a member of the International Advisory Council of the Institute of Business Ethics in January 2024.

Anne Bulford CBE

Member of the Public Interest Committee

Anne joined the Public Interest Committee on 1 May 2019. She is a Chartered Accountant, a Non-Executive Director of Reach plc, Chair of GOSH Children's Charity and a Royal Ballet Governor. Previous roles include Non-Executive member of the Executive Committee of the Army Board, Deputy Director General of the BBC, Channel 4's Chief Operating Officer, Director of Finance and Business Affairs at the Royal Opera House, Chair of Ofcom's Audit Committee and Finance Director at Carlton Productions.

Oonagh Harpur

Member of the Public Interest Committee

Oonagh Harpur joined the Public Interest Committee on 30 April 2018. Oonagh has over 30 years' experience in the boardroom including 14 years in CEO roles in the private, public and third sectors. Her experience spans partnerships and professional service firms, financial and health services.

Oonagh is also a member of the Civil Service Talent Advisory Group and the Culture Observatory Advisory Board, a trustee of the Scientific and Medical Network and senior board advisor to a number of professional service firms.

Kathleen O'Donovan

Member of the Public Interest Committee and Audit Board

Kathleen O'Donovan joined the Public Interest Committee on 1 July 2019. Kathleen is currently the Chair of the Invensys Pension Scheme and Founder Partner of Bird & Co Board & Executive Mentoring Ltd.

Formerly she has held Non-Executive Director roles at ARM Holdings Plc, D S Smith plc, Prudential plc, O2 Plc, Great Portland Estates plc, EMI Group plc and the Bank of England. Kathleen was also co-Chair of International Rescue Committee UK, a charity supporting conflict zone refugees. Kathleen trained as a Chartered Accountant and her previous roles include CFO of BTR plc/Invensys plc and Partner at EY.

Audit Non-Executives as at 30 September 2023

Claire Ighodaro CBE

Chair of the Audit Board (Audit Non-Executive)

Claire Ighodaro CBE is Non-Executive Director and Remuneration Committee Chair of Pennon Group PLC, was Board Chair of AXA XL UK and a Leadership Council Member of TheCityUK. Previous board roles also include Audit Committee Chair of Lloyd's of London, Flood Re, UK Trade & Investment and the Open University, Governance Committee Chair of Bank of America's Merrill Lynch International and Board Member of IESBA (the International Ethics Standards Board for Accountants). She was a senior executive at BT PLC, working in the UK and Germany and was the first female global President of CIMA (the Chartered Institute of Management Accountants).

Claire is a volunteer mentor on both executive and young people's development programmes. She was awarded an honorary doctorate by the Open University and received a CBE for services to business.

Melanie Hind

Member of the Audit Board

Melanie Hind is a former PwC audit and advisory partner, a former Chief Risk Officer and held the role of Executive Director at the FRC between 2012 and 2018. Since then, she has advised on accounting and audit regulation, and in 2020 acted as Head of Assurance Quality at BDO International.

Melanie has also held non-executive roles associated with her role at the FRC; she was a board member of the International Forum of Independent Audit Regulators, chairing its Global Audit Quality working group, and is a former member of the Advisory Council to the International Financial Reporting Standards Foundation.

Melanie has experience as an independent board member in the private and non-profit sectors in the UK and USA. She was a Board member and Chair of the Risk, Audit and Compliance Committee for the UK Municipal Bonds Agency and is currently a Board Member of My Sister's Place.

Kathleen O'Donovan

Member of the Public Interest Committee and Audit Board

Kathleen O'Donovan joined the Public Interest Committee on 1 July 2019. Kathleen is currently the Chair of the Invensys Pension Scheme and Founder Partner of Bird & Co Board & Executive Mentoring Ltd.

Formerly she has held Non-Executive Director roles at ARM Holdings Plc, D S Smith plc, Prudential plc, O2 Plc, Great Portland Estates plc, EMI Group plc and the Bank of England. Kathleen was also co-Chair of International Rescue Committee UK, a charity supporting conflict zone refugees. Kathleen trained as a Chartered Accountant and her previous roles include CFO of BTR plc/Invensys plc and Partner at EY.

Appendix 4: Board and Committees of the Board membership

Continued

Changes close to, or after, the year end

We made no significant changes to our overall governance structure in 2023. However, we did make some changes to the composition of our Board and Board Committees, along with changes to the terms of reference. These changes were as follows:

Changes effective close of business 30 September 2023 are as follows:

- Linda Main retired from the Board, the Nominations Committee, the Audit Committee and the Risk Committee (where she was Chair) effective 30 September 2023.
- Melissa Geiger stepped down as a member of the People Committee effective 30 September 2023.
- Annette Barker stepped down as a member of the Risk Committee and Nominations Committee effective 30 September 2023.
- Anthony Lobo stepped down as a member of the Risk Committee effective 30 September 2023.
- John Hallsworth stepped down as a member of the Risk Committee effective 30 September 2023.

Changes effective 1 October 2023:

- Appointment of Louise Kirby as an Elected Member of the Board.
- Appointment of Jonathan Downer as a Member and Chair of the Risk Committee.
- Appointment of Louise Kirby as a Member of the Risk Committee.
- Appointment of Louise Kirby as a Member of the People Committee.
- Appointment of Annette Barker as a Member of the Audit Committee.
- Appointment of Melissa Geiger as a member of the Risk Committee.
- Appointment of Sue Richardson as a member of the Operations Executive effective 1st October 2023.

Changes effective 1 January 2024:

- David Rowlands stepped down as a member of the Executive Committee on 31 December 2023.
- Liz Claydon stepped down as a member of the Executive Committee on 31 December 2023.
- Suzanne Shenton stepped down as a member of the Executive Committee on 31 December 2023.
- Lisa Fernihough was appointed Head of Advisory on 1 January 2024 and will continue to be a member of the Executive Committee.
- Appointment of Karl Edge as a member of the Executive Committee on 1 January 2024 in his capacity as Chief People Officer and Head of Regions.

For information about the current governance structure of KPMG in the UK, including the information on how members are elected or appointed, see Section 2: leadership and governance

Appendix 5: UK Corporate Governance Code (2018)

The UK Corporate Governance Code, published by the FRC, is applicable to all companies with a Premium Listing of equity shares in the UK. These companies are required under the Listing Rules to report in their annual report and accounts on how they have applied the Code.

Although the application of the Code is not mandatory for KPMG in the UK and the Code is designed to be applied in a company rather than in a partnership, the provisions set out below are ones that KPMG in the UK has sought to adopt or reflect insofar as relevant within our own LLP governance arrangements.

Para.	Provision	Application
5.	<p>For engagement with the workforce, one or a combination of the following methods should be used:</p> <ul style="list-style-type: none"> — a director appointed from the workforce; — a formal workforce advisory panel; — a designated non-executive director 	<p>The Board benefits from engagement with the workforce through KPMG's Employee Business Forum.</p> <p>The INEs and ANEs also engage with partners and employees from the workforce (refer to the Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives).</p>
9.	The roles of Chair and Chief Executive should not be exercised by the same individual.	The roles of Chair and Chief Executive of KPMG are not held by the same individual.
13.	Non-executive directors have a prime role in appointing and removing executive directors. Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. The chair should hold meetings with the non-executive directors without the executive directors present.	Non-executive members of the Board comprise the Nominations Committee which reviews and advises the Board on the appointment of executive members of the Board. The composition and activities of the Nominations Committee are detailed in the report.
17.	The board should establish a nomination committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession. A majority of members of the committee should be independent non-executive directors. The chair of the board should not chair the committee when it is dealing with the appointment of their successor.	The Nominations Committee oversees the process of electing non-executive elected members of the Board. The composition and activities of the Nominations Committee are detailed in the report. The Independent Non-Executive chair of our Public Interest Committee attends the Nominations Committee which is comprised of non-executive members of the Board.
21.	There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having a regular externally facilitated board evaluation. In FTSE 350 companies this should happen at least every three years.	External consultants are appointed every three years to evaluate the Board's effectiveness. The Board completes an annual self-assessment in years where there is no external assessment.
22.	The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Each director should engage with the process and take appropriate action when development needs have been identified.	The 2022 Board Committee Effectiveness Review recommendations have been implemented which included a review of the Board Committee compositions and Executive attendance.
32.	The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two.	The People Committee (comprising a minimum of three Elected Members of the Board) fulfils these functions, with attendance by one Independent Non-Executive.
33.	The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management.	The People Committee (comprising Elected Members of the Board) oversees the policy for remuneration of all partners, which includes the executive members of the Board. It also evaluates and determines the remuneration of the Chair and Chief Executive, as well as approving the remuneration of members of the Executive Committee. The INE who attends the Committee chairs these discussions while the Senior Elected Member (SEM) of the Board gathers feedback and data with respect to the performance of the Chair and Chief Executive and makes recommendations for consideration by the Committee.

Appendix 6: UK Public Interest Entities

In compliance with Article 13 (f) of EU Regulation 537/2014 as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019, we have included the list of UK Public Interest Entities (as defined by the FRC Ethical Standard) for which we carried out statutory audits in the financial year ended 30 September 2023.

Entity name

3i Group Plc	Big Yellow Group Plc	GamesWorkshop Group Plc	Marston's Issuer plc
ABC International Bank plc	BPHA Finance plc	Gatwick Airport Finance plc ¹⁰	Marston's PLC
Aberdeen City Council	BRISTOL & WEST PLC	Gracechurch Card Programme Funding PLC	Masthaven Bank Limited
Aberdeen New India Investment Trust Plc	British American Tobacco Plc	Grainger Plc	Midland Heart Capital plc
abrdn Equity Income Trust Plc	British Telecommunications plc	Haleon Plc ¹⁰	Mitchells & Butlers plc
abrdn European Logistics Income Plc	BT Group plc	Hampshire Trust Bank Plc	Moneysupermarket.com Group PLC
abrdn Japan Investment Trust Plc	Cambridgeshire Housing Capital Plc	Heylo Housing Group Limited	Motability Operations Group Plc
abrdn Life and Pension Limited	Capita Plc	HICL Infrastructure Plc	Motors Insurance Company Limited
abrdn Plc	Card Factory Plc ⁹	Hollywood Bowl Group Plc	Myriad Capital PLC
abrdn UK Smaller Companies Growth Trust Plc	Cardiff University	Howden Joinery Group Plc	National Casualty Company of America Limited
Affinity Sutton Capital Markets PLC	Catalyst Housing Limited	Income Contingent Student Loans 1 (2002-2006) Plc	National Counties Building Society
Aioi Nissay Dowa Insurance UK Limited	Chemring Group Plc	Income Contingent Student Loans 2 (2007-2009) Plc	NCC Group PLC
Alphawave IP Group Plc	Chetwood Financial Limited	INTERNATIONAL DISTRIBUTIONS SERVICES PLC	Network International Holdings Plc
Amtrust Europe Limited	China Taiping Insurance (UK) Co Ltd	Invesco Asia Trust plc	NEWDAY FUNDING 2017-1 PLC
AO World Plc	Citibank UK Limited	IP Group Plc	Newday Funding Master Issuer Plc
Ascential Plc	Clarion Funding Plc	James Fisher and Sons Plc	NewDay Partnership Funding 2020-1 Plc
Ashmore Group Plc	Compass Group Plc	JD Sports Fashion Plc ⁹	Odyssean Investment Trust plc
Aspire Defence Finance Plc	Computacenter plc	John Lewis Plc	Orbit Capital plc
Aster Treasury Plc	Connect M77/GSO Plc	John Wood Group PLC	Oxford BioMedica Plc
AutoTrader Group PLC	CONNECT PLUS (M25) ISSUER PLC	Ladbroke's Group Finance plc	Paragon Bank PLC
Avon Protection Plc	Consort Healthcare (Birmingham) Funding Plc	Lancashire Insurance Company (UK) Limited	Paragon Banking Group Plc
B & C E Insurance Limited	Croda International Plc	Leek United Building Society	PARAGON MORTGAGES (NO. 27) PLC
B.A.T. International Finance p.l.c.	CT Global Managed Portfolio Trust plc	Legal & General Assurance (Pensions Management) Ltd	Paragon Mortgages (No.12) Plc
Baillie Gifford Shin Nippon Plc	Currays Plc	Legal & General Finance Plc	Paragon Mortgages (No.25) Plc
Baillie Gifford US Growth Trust Plc	Devro Plc	Legal & General Group Plc	Paragon Mortgages (No.26) Plc
Balfour Beatty plc	DFS Furniture Plc	Legal And General Assurance Society Limited	PARAGON MORTGAGES (NO.28) PLC
Baltic Classifieds Group Plc	Dialight Plc ⁹	Liontrust Asset Management Plc	Paragon Treasury Plc
Bank Of Ireland (UK) PLC	DIRECT LINE INSURANCE GROUP PLC ¹⁰	London & Quadrant Housing Trust	PayPoint plc
Barclays Bank PLC	DUNCAN FUNDING 2022-1 PLC	Luceco PLC	Peabody Capital No 2 Plc
Barclays Bank UK Plc	EMH Treasury Plc	Markel International Insurance Company Limited	Peabody Capital Plc
Barclays PLC	Fidelis Underwriting Limited		Pendragon Plc
Bazalgette Finance plc	Forester Life Limited		

⁹ Engagements where we resigned, but signed an audit opinion in the year to 30 September 2023, have been included.

¹⁰ New audit engagements, which have not been signed between October 2022 - September 2023, have been excluded.

Appendix 6: UK Public Interest Entities

Continued

Pension Insurance Corporation plc	Sovereign Housing Capital plc
Pets at Home Group PLC	SP Distribution PLC
PMGR Securities 2025 Plc ⁹	SP Manweb plc
Pod Point Group Holdings plc ¹⁰	SP Transmission PLC
Polar Capital Technology Trust Plc	SSP Group Plc
PREMIER MITON GLOBAL RENEWABLE TRUST PLC	Starling Bank Limited
Prudential plc	Strategic Equity Capital Plc
PureTech Health plc	TCHG Capital Plc
Quadrant Housing Finance Limited	Telecom Plus Plc
Reckitt Benckiser Group plc	The Access Bank UK Limited ¹⁰
Reckitt Benckiser Treasury Services Plc	The Baillie Gifford Japan Trust PLC ⁹
Redrow PLC	The Bank of New York Mellon (International) Limited
Ricardo PLC	The Berkeley Group Holdings plc
Rio Tinto plc	The Excelsior Insurance Company Limited
Road Management Services (A13) plc	The Marine Insurance Company Limited
Rothschild & Co Continuation Finance PLC	TheWorks.co.uk Plc
Rotork plc ¹⁰	TR Property Investment Trust Plc
Royal & Sun Alliance Insurance Limited	Travis Perkins plc
Royal & Sun Alliance Reinsurance Ltd	Tritax Eurobox Plc
RSA Insurance Group Limited	TSB Bank Plc
Saga Plc	TSB Banking Group Plc
Samsung Fire & Marine Insurance Company of Europe Limited ⁹	Unilever PLC
Sanctuary Capital Plc	United Utilities Group plc
Sanctuary Housing Association	United Utilities PLC
Schroder UK Mid Cap Fund Plc	United Utilities Water Finance Plc
Scottish Power UK Plc	United Utilities Water Limited
Senior PLC	Utilico Emerging Markets Trust Plc
Serco Group plc	Vitality Health Limited
Severfield Plc	Wesleyan Bank Limited
Shawbrook Bank Limited	Wheatley Group Capital plc
SMBC Bank International PLC	Wickes Group Plc
Smith & Nephew plc	Workspace Group plc
Smiths Group plc	Zegona Communications PLC

⁹ Engagements where we resigned, but signed an audit opinion in the year to 30 September 2023, have been included.

¹⁰ New audit engagements, which have not been signed between October 2022 - September 2023, have been excluded.

Appendix 7: Financial information

Under Article 13.2 of the EU Audit Regulation (subsequently incorporated into UK Law) we are required to disclose certain financial information in respect of statutory audit work. In addition, the Consultative Committee of Accountancy Bodies issued the Voluntary Code of Operative Practice on Disclosure of Audit Profitability in March 2009 requiring disclosures in respect of audit and directly related services, where audit and directly related services meet the definition of 'reportable segment' as set out in the Voluntary Code. The disclosures below meet both requirements.

The information below showing the relative importance of statutory audit work is extracted from KPMG UK's financial reporting systems.

	2023 £m	2022 £m
Statutory audits and directly related services for entities we audit:		
UK public interest entities and their subsidiaries (see Appendix 6)	260	221
Major local audits (see Appendix 8)	3	3
Other entities	577	485
Statutory audit and directly related services for audit clients		
Non-audit services for audit clients	96	98
Non-audit services for non-audit clients	2,024	1,916
Total UK Firm Revenue	2,960	2,723

Statutory audit and directly related services for audit clients:

Revenue	840	709
Operating profit	106	98

Revenue and operating profit have been recognised for the reportable period based on the firm's unaudited consolidated financial statements:

- Revenue represents amounts recovered or recoverable from clients and the entities we audited during the year, exclusive of Value Added Tax.
- Recoverable amounts reflect the fair value of the services provided to those entities based on the stage of completion of each engagement including expenses and disbursements, as at the statement of financial position date.

Operating profit for the reportable segment is calculated based on an allocation of direct costs and an allocation of overheads (such as property and IT costs) on a pro rata basis. The basis of allocation is primarily on headcount or revenue as well as an allocation of costs directly attributable to the reported segment based on information in our internal management accounts.

No cost is included for the remuneration of members of KPMG LLP. This is consistent with the treatment of partners' remuneration in the firm's consolidated financial statements.

With the transition of the Audit practice to an operationally separated business and the implementation of the FRC's principles of Operational Separation, we expect there may be changes that could have an impact on reported revenues and profits generated from audit activities in future periods.

Appendix 8: UK Major Local Audits listing

Confirmation

In accordance with the Local Auditors (Transparency) Regulations 2020, we confirm that all engagement leads are competent to undertake local audit work and staff working on such assignments are public sector specialists.

Deep technical expertise and knowledge

Our Quarterly Improvement Network Quarterly Connect (QIN-QC) audit training programme within the Public Sector audit practice supports the development of technical expertise and knowledge within our audit practice. These mandatory in-person training days include audit and accounting technical training, public sector specific training and risk courses – such as training on the use of wider auditor powers and value for money assessments with NHS and local government audits – in-year technical updates and technical briefings, lunch and learns (including a new programme on NHS and local government specific topics), core audit skills and fundamental knowledge.

Our national Public Sector team undertakes tailored and targeted technical accounting training sessions to ensure that they are sufficiently trained to undertake these types of audit engagements.

In addition, all our audit teams on these engagements have an individual RI appointed from our national pool of 'Key Audit Partner' (KAP) accredited RIs. All our engagement leaders for local audit work have been accredited as Key Audit Partners by the ICAEW.

On an annual basis, all KAPs are awarded a Certificate of Accreditation, with specific Public Sector Accreditation, on the basis of their experience and training specifically related to their knowledge, experience and hours of public sector defined audit work. For Public Sector team KAPs, this is directly linked to the local audits in their portfolio, which is in turn is directly linked to our Learning Management System, where each KAP can assign themselves the relevant training without the need to consult. Once a KAP has completed the relevant training, the Public Sector Accreditation element is automatically marked "green" in the audited entity on which they're working.

Major Local Audits listing

The organisations below are those which:

- constitute a 'major local audit' for the purposes of Regulation 12 of The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014 (SI 2014/1627); and
- for which KPMG LLP signed an audit report on its annual financial statements during year ended 30 September 2023.

London Ambulance Service NHS Trust	NHS Frimley ICB	NHS Nottingham & Nottinghamshire ICB	Nottingham University Hospitals NHSTrust
London North West Healthcare NHS Trust	NHS Lancashire & South Cumbria ICB	NHS Nottingham & Nottinghamshire CCG	Shrewsbury and Telford Hospital NHSTrust
NHS Derby & Derbyshire ICB	NHS Mid & South Essex ICB	NHS South East London CCG	The Royal Wolverhampton Hospitals NHSTrust
NHS Derby & Derbyshire CCG	NHS North Central London CCG	NHS South East London ICB	University Hospitals Coventry and Warwickshire NHSTrust
NHS Devon CCG	NHS North Central London ICB	NHS South Yorkshire ICB	University Hospitals Leicester NHSTrust
NHS Devon ICB	NHS North East London CCG	NHS Surrey Heartlands ICB	
NHS Dorset ICB	NHS North East London ICB	NHS West Yorkshire ICB	

All auditors, including KAPS, are expected to join annual KPMG Audit University (KAU) training. This year's training was based around a case study with participants working in teams, mirroring a real audit team structure. The content included risk assessment, controls, sampling, journals testing and fraud, and introduced new technology in the audit in the form of AI transaction scoring.

The mandatory learning curriculum for all KAPs includes quarterly updates focusing on performing an effective quality audit with different topic areas included as relevant, which again for KAPS includes specific public sector related topics.

An Audit Quality and Risk Workshop is delivered twice a year for engagement leaders (including all KAPs) and focuses on key messages driven by internal and external regulatory (AQR etc) and monitoring findings, with all KAPs having to also complete training relevant to their grade and role, which includes public sector specific training.

In order to meet the International Standard on Quality Management (ISQM1) requirements KPMG has established globally consistent quality objectives, quality risks and responses, with the objective, applied equally to the Public Sector audit practice, of this centralised approach being to drive consistency, robustness and accountability of responses for processes implemented across our global organisation. Where necessary, we have supplemented the requirements with additional quality objectives, quality risks and responses identified through a risk assessment process, such as those specific to the Public Sector audit practice.

Refer to **Section 4: Audit quality** for further information on:

- KPMG Audit University, and the role this plays in helping colleagues develop deep technical expertise and knowledge
- Our AQR results, which include a minimum of one local audit each year
- Our QAD results, which include a selection of local audits as part of the NHSI's review remit of our health audits.
- Our QPR process, which include local audits within its scope.

Appendix 9: Our approach to transparent political engagement in the UK

Policymakers and politicians are important stakeholders for KPMG. The knowledge and insights we obtain through our work with thousands of clients provide valuable insight to Government and policymakers more widely. While we are willing and active participants in public policy debates through a number of engagement activities and relationships in the UK and beyond, we seek to maintain a position of political neutrality.

As a regulated business, changes to legislation and regulation can have a significant effect on our business. Understanding our regulatory environment, as well as being able to input on discussions on changes to that regulatory environment, are important for us.

Our approach

Building public trust is a priority for our firm. We are open and honest in our communication. We share information, insight and advice frequently and constructively, and we manage tough situations with courage and candour. We are constantly striving to be the market-leading firm and seek to continuously improve our policies and procedures.

The approach set out in this document shapes our engagement with stakeholders, including our clients, policymakers, legislators, regulators and the communities in which we live and work. We are committed to ensuring that political engagement is based on principles of integrity, legitimacy, accountability and oversight, consistency and transparency.

We take an integrated approach to our political engagement through policies and guidance created by our Corporate Affairs, Regulatory Affairs, Office of General Counsel, and Quality and Risk Management groups. Each of these groups has a role in maintaining high standards in all of our political engagement to ensure public trust.

We are flexible in our approach meaning we are able to respond quickly and effectively to changes in the regulatory environment. We recognise that political engagement takes a number of forms, including, but not limited to, political contributions, lobbying and recruitment to and from the public sector. We have a number of frameworks in place to ensure that all of our people are aware of their responsibilities when engaging with policymakers. These frameworks include:

- our [UK Code of Conduct](#) and [Global Code of Conduct](#);
- our [KPMG values](#);
- mandatory annual Ethics & Independence for all our staff;
- guidance on what we mean by ‘political activity’;
- guidance on voluntary political activity;
- training materials and reporting processes to ensure our colleagues comply with lobbying legislation;
- strict policies around political contributions, gifts and entertaining; and,
- a policy prohibiting political financial donations.

These policies are consistent throughout the UK firm, and take into account applicable local laws and regulations, such as the Lobbying (Scotland) Act 2016. We also feed into relevant Government consultations on the review of such laws and regulations as necessary.

KPMG member firms across the globe will also have their own processes in place to monitor and comply with the Global Code of Conduct and local laws and regulations.

Governance structure and oversight

Consistent with our commitment to build trust, we apply high standards of governance throughout the UK firm and adopt a structure reflective of the nature and extent of our activities. As a result, the firm’s governance structures, leadership team and members are subject to formal, rigorous and on-going performance evaluation.

Our senior leaders seek to uphold the highest possible standards when monitoring the firm’s political activity and do this through the firm’s senior committees.

UK Board

The UK Board is responsible for the overall leadership of the firm and is supported by a committee structure (namely the UK Public Interest Committee, UK Audit Board, UK Risk Committee, UK People Committee and UK Audit Committee) which oversees the day-to-day implementation of our Values and Code of Conduct.

UK Public Interest Committee

The UK Public Interest Committee (‘PIC’) is responsible for overseeing the public interest aspects of the decision making for KPMG LLP (UK) and its related entities – taking into account the legitimate interests of clients and government, among others. Through the involvement of Independent Non-Executives, the PIC has an oversight role in respect of the firm’s policies and processes for promoting audit quality, helping the firm secure its reputation more broadly (including in its non-audit businesses) and reducing the risk of firm failure.

The Executive Leadership Team

The Executive Leadership Team (‘ELT’), which reports directly to the UK Board, is made up of an Executive Board and a Clients and Markets Executive. Supported by the Operations, Risk and Audit Executives, the ELT receives regular updates, briefings and advice on political and policy development activity, consulting with other senior committees to discuss these matters when necessary.

While all KPMG personnel are required to conduct their behaviour in accordance with our Values and Code of Conduct, the ELT is responsible for operationalising the firm’s values and ensuring these are widely understood and consistently adhered to.

Most issues concerning political transparency are dealt with through the Risk Executive and the Operations Executive.

Risk Executive

The Risk Executive oversees the planning and performance of governance, risk management, legal issues and regulatory compliance.

Operations Executive

The Operations Executive is responsible for the business and operational functions of the firm such as the management and transformation of our support services. Some of our support services may have exposure to political transparency requirements, for example the finance and people functions.

Appendix 9: Our approach to transparent political engagement in the UK

Continued

Other internal bodies

A comprehensive overview of the committees that form our leadership and governance structure, their terms of reference, memberships and how they operate on a day-to-day basis can be found in [Section 2: Leadership and Governance](#).

Our political activity

We engage with a diverse cross-section of stakeholders through various different events mostly across the UK, but with some representation in Europe and the rest of the world. We support a number of targeted events such as panel discussions, seminars and roundtables and our support is decided on an individual basis, namely where we feel we can make a valuable addition to the debate. We attend a number of the UK party conferences on an annual basis.

We only enter into business relationships with third parties who meet the same ethical standards and adhere to the same rules and regulations by which we abide, which are set out in our Code of Conduct. In the ordinary course of business we will provide services on an arm's length basis to public sector and governmental bodies in accordance with public procurement regulations.

KPMG employees are permitted under our Ethics and Independence rules to take up public duty appointments, such as school governors, advisory board members, board members of non-department government bodies or local authority councillors. All appointments must be cleared of conflicts of interest on a case-by-case basis by our Ethics and Independence team.

We hold memberships with a number of think tanks and believe our breadth of expertise and client experience gives us an opportunity to provide valuable insights through these memberships, who then work to inform robust policy making. We are also members of various trade bodies, who work to represent their members and shape collective responses to public policy issues. We are highly engaged with the trade bodies we are associated with, but we may not always agree with their perspectives. Therefore, trade bodies with which we are associated do not always fully reflect our policy views.

A selection of our memberships include:

- The CBI
- TheCityUK
- London First
- TechUK
- International Chamber of Commerce
- Reform
- Institute for Public Policy Research (IPPR)
- Chatham House
- Social Market Foundation
- Institute for Fiscal Studies
- International Business and Diplomatic Exchange

Every trade body and membership organisation has a business owner within the firm who is the liaison between the firm and the relevant body. Our annual engagement activity, key stakeholder engagement and expenditure are monitored by our Corporate Affairs team and the Trade Body & Memberships Committee.

Memberships and expenditure are reviewed annually by the Trade Body & Memberships Committee who are accountable to the UK Board.

Lobbying and Compliance

Although we are not a lobbying organisation, we often engage with policymakers where we have legitimate business interests, particularly on national debates such as [Brexit](#), the [Industrial Strategy](#) and [Responsible Tax](#).

We publish a wide range of public policy thought leadership, which occasionally addresses policy design and implementation. This thought leadership demonstrates the scale of our expertise and it most often used in conversations with our clients and not for the purpose of lobbying. On occasions we may also engage with policymakers on issues on behalf of our clients.

All of our employees have access to learning materials where they are made aware of the circumstances in which lobbying legislation may affect them – following the introduction of new laws, relevant training materials are reviewed. Our guidance brings us into full compliance with legislation and is reflective of our high ethical standards. The firm is registered under the provisions of the Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act 2014 and the Lobbying (Scotland) Act 2016. We regularly review our submissions internally and with the relevant registrar.

All disclosable interactions are published on the Register of Consultant Lobbyists or Scottish Lobbying Register where relevant. KPMG takes compliance with external laws, regulations and internal policies extremely seriously and action is taken where KPMG personnel are found to have been non-compliant.

Social Mobility and Inclusion

As a leading social mobility employer, collaboration is key. We work alongside government bodies, the third sector and the wider business community to share best practice and discuss policy recommendations to ensure that future generations of young people have the skills, opportunity and support they deserve.

We also sponsor the Hampton-Alexander review, and we are regularly consulted by government on wider diversity issues such as recruitment and progression of BAME colleagues, pay gap reporting and disability issues, for which we are recognised as a Disability Confident Leader.

Appendix 9: Our approach to transparent political engagement in the UK

Continued

Political contributions and donations

KPMG does not make political financial donations and does not allow such donations to be made in the name of KPMG. In exceptional circumstances, and where approved by the relevant leadership and governance bodies, the firm may make donations that support a genuine democratic process if made in a balanced or proportionate way.

All of our staff are made aware of our political contributions policy through our Quality and Risk training.

Previously we have made donations to political parties in-kind through secondment of personnel. We sought to balance these donations across the main political parties and across the electoral cycle. Since 2017, we ceased providing any such in-kind donations. We also do not provide any other political donations.

Political donations are recorded by The Electoral Commission and our previous donations can be viewed [here](#).

Spending on political activities, for example sponsorship of targeted fringe events at party conferences, is designed to support our legitimate business and/or societal interests in relevant areas.

Personnel policies

Our people are at the heart of everything we do. They are our greatest asset, helping us to stand out from the crowd and become the clear choice for our clients. Some of these people will have worked in the public sector.

We understand that former public sector employees need to seek approval from the relevant advisory boards on business appointments before they can accept an offer of employment from KPMG and accept any restrictions they impose, which may include 'cooling off' periods before taking up employment at KPMG.

Our Ethics Committee has the authority to place restrictions on current and retiring partners from accepting offers of employment from organisations, including government departments, where their role at KPMG may give rise to a future conflict.

We have strict rules in place which prohibit KPMG personnel from taking up employment with our audit clients as set out in our Ethics and Independence guidance.

Secondments to the civil service through our Interchange programme were recorded and held centrally by our public sector practice. The purpose of these secondments was to provide our people with valuable experiences in a government setting, and for civil servants to gain experiences in a business environment.

In FY18, KPMG hosted four Interchange secondees from the civil service from HMRC, the Department for Education, Public Health England and the Ministry of Defence; KPMG sent two secondees to the Ministry of Justice. The Interchange programme is now closed, but on a case-by-case basis, we may consider secondments to government departments in the future. In that scenario, the right checks will be made to determine the appropriateness of each role.

Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives

Introduction

During the year, the Independent Non-Executives (INEs) and Audit Non-Executives (ANEs) have participated in the Public Interest Committee (PIC) and the Audit Board, as well as other activities outside of these committees, to meet certain requirements of the Audit Firm Governance Code and the Principles of Operational Separation. While the roles of the PIC and Audit Board are different, they often have overlapping areas of interest and complementary agendas. This statement therefore sets out core areas of focus for both the INEs and the ANEs, particularly where they have challenged management on matters relating to the public interest, the delivery of high-quality audits, or the resilience of the firm.

All INEs and the Chair of the Audit Board are invited to observe the Board meetings and there is at least one INE or ANE in attendance at KPMG's Board level Committees.

To view information on the attendance of INEs and ANEs to Committee meetings, refer to: [FY23 UK Transparency Report](#).

Promoting audit quality

Audit quality continues to be the primary focus of the Audit Board agenda and, as high-quality audit is in the public interest, it also remains an integral part of the PIC agenda. This includes regular updates from the Head of Audit and/or the Head of Audit Quality on internal and external inspection results, as well as progress being made in relation to the [Single Quality Plan](#). Both committees receive regular management information, setting out ongoing FRC thematic reviews, information requests and any significant feedback the firm has received.

The INEs and ANEs oversaw the firm's response to the FRC's Public Report during the year; the audit quality review scores were lower than the prior year, which the INEs and ANEs sought to understand, including the root cause and actions taken. The INEs and ANEs were however pleased with the improved Quality Assurance Department (QAD) monitoring results, the firm's commitment to improving audit quality, and the progress made in relation to [Transformational programmes](#). One of the ANEs attended part of KPMG's annual auditor training.

Both the PIC and the Audit Board have received regular updates from the first and second line of defence on the firm's progress in relation to the International Standard of Quality Management (ISQM1) throughout the year. Their oversight and challenge focused on the overall implementation and embedding of ISQM1, and future governance.

People, ethics and culture

People are at the heart of KPMG's business. Understanding key people matters, the culture within the business and how the firm faces into ethical dilemmas are important areas of focus for the INEs and ANEs. Much of their insight is gained from engaging with partners and employees within the business (see Engagement Activities section below).

The INEs and the Chair of the Audit Board have been updated on the firm's new Ethical Health Programme and encouraged the firm to include appropriate forward-looking metrics in reporting to the Board. One INE also observes the People Committee and the Culture Steering Committee, providing insight and guidance as the firm has evolved and implemented its culture plan and People strategy. One ANE also engages regularly with the Audit Culture and People leadership to understand the progress within the audit business.

The Head of Ethics and Independence attends every PIC meeting (and two Audit Board meetings a year) while the external independent Ombudsman attends periodically to provide assurance that the firm's handling of whistleblowing cases has been appropriate.

The PIC and the Audit Board received regular reports on people and culture matters (the Audit Board focused on those pertaining to the Audit Business). The PIC and the Audit Board have been updated on ethical matters arising during the year, seeking to understand and challenge the Firm's management on how these matters have been addressed.

The Chair of the PIC has attended meetings of the Nominations Committee, which oversees the appointment of Elected Board Members. He also formed part of the judging panel for the internal November 2022 People Awards.

Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives

continued



Operational and financial resilience

The new Audit Firm Governance Code requirements became effective for the firm from 1 October 2023, bringing an additional focus on the firm's overall resilience. The INEs and ANEs joined a deep dive session with KPMG's Chief Operating and Financial Officer and Chief Risk Officer to discuss how the firm manages its operational and financial resilience.

KPMG's Chair joins every PIC meeting, and the Chief Executive has joined one meeting to exchange views on public interest matters impacting the firm.

The Chief Risk Officer attends every PIC meeting and provides updates on key risk management and regulatory matters facing the firm. The Audit Chief Risk Officer similarly attends each Audit Board. The General Counsel has also provided updates to the PIC and Audit Board on legacy matters. The Head of Audit has provided updates to the Audit Board and the PIC on operational separation, as well as the results of the FRC's thematic review on this topic.

The PIC and Audit Board have received updates throughout the year on the firm's (and the Audit practice's) financial performance and future budgets from the Chief Operating and Financial Officer and the Audit Chief Operating Officer, respectively. The Audit Board has also scrutinised resourcing within the Audit Business, to challenge whether there is appropriate resource to deliver consistently high-quality audits.

Deep dives have also been presented by heads of business lines to provide insight into the strategy, opportunities and risks for the different parts of the firm and the audit business.

The Chair of the PIC and Chair of the Audit Board also held meetings with the Head of Internal Audit to understand the plan for the next year, and comment on areas of future focus.

An INE and an ANE observe the Risk Committee and an INE observes the Audit Committee to hear first-hand, as well as to offer views on, matters related to operational and financial resilience.

Global

KPMG LLP is part of the KPMG global organisation of professional services firms. During the year, the INEs and ANEs have received updates from KPMG's Global Leadership, giving them insight into the overall global network.

The Global Head of Audit attends every Audit Board, providing insight into a range of matters including the global firm's implementation of ISQM1, technology and outsourcing developments, and regulatory matters which have a global nexus. The Global Head of Audit also joined a PIC meeting to discuss the global audit strategy and, in particular, the global perspective on use of artificial intelligence within our audits.

The Global Chief Executive Officer joined a PIC meeting to share insights into the global strategy, including key risks and opportunities. The Global Head of Quality, Risk and Regulatory also joined a PIC meeting to share global risk developments and how these are managed globally.

The INEs and ANEs received an update in their committees on the firm's overseas delivery centres.

The Chair of the PIC and the Chair of the Audit Board met with Non-Executives in KPMG Germany to share best practice.

Appendix 10: Statement by the Independent Non-Executives and Audit Non-Executives

continued

Engagement activities

The INEs and ANEs have an extensive annual engagement programme, meeting with many different key internal and external stakeholders.

Internal stakeholders

Leadership: Individually the INEs and ANEs meet with Board members, Executives and Audit Executives. The INEs and the Chair of the Audit Board also meet with the Chair and the Chief Executive on a quarterly basis. They also regularly attend partner calls to hear messages directly from the leadership of the firm.

Partners and employees: During the year, the INEs and ANEs have met with over 190 partners and employees at:

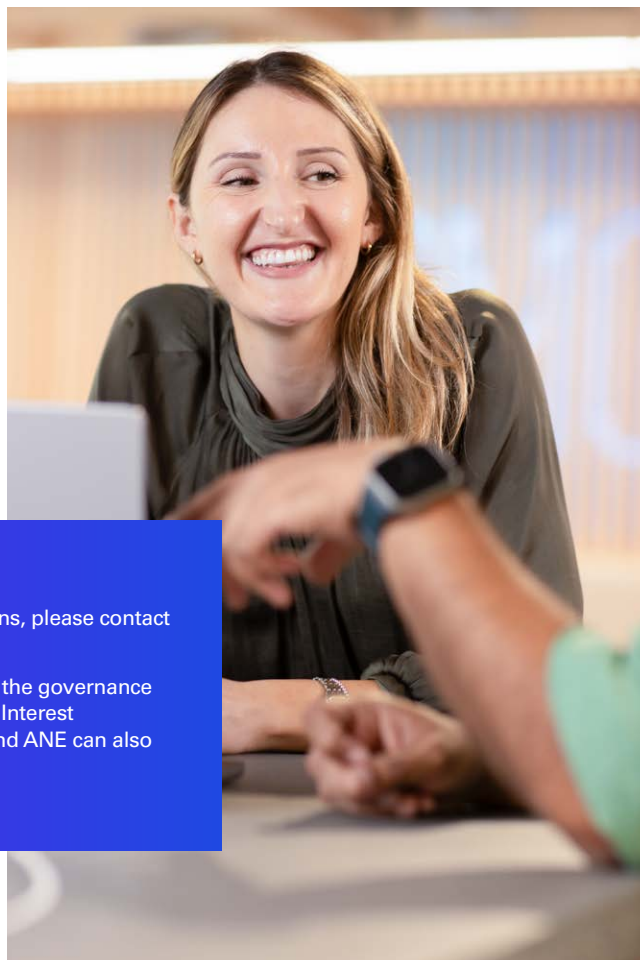
- Roundtables with partners in different parts of the business. The ANEs met with Audit partners in Financial Services Audit, the Audit Centre of Excellence and Assurance & Accounting Advisory. The INEs met with partners in Tax & Legal, Deal Advisory and Consulting.
- Regional office visits to the London and Birmingham offices. This included sessions with the Office Senior Partners, audit and non-audit colleagues, Ethics Champions, local shadow boards and other forums of elected employee representatives such as the Audit Evolution Board. Also included were meetings with the Corporate Responsibility forum, and various network groups including KPMG's Network for Women, Breathe, Workability, BeMindful and the Muslim Network.

The INEs and ANEs also observed a number of partner communication calls, including revisions to the partner scorecards.

External stakeholders

The FRC: The INEs and ANEs have had a number of meetings throughout the year with the FRC to discuss key matters relevant for the firm, including the Public Report. The INEs and ANEs engaged in roundtables with independent non-executives from the other large accountancy firms organised by the FRC covering topics such as public interest and ISQM1. The FRC also observed two Audit Board meetings during the year.

Audit Committee Chairs & Investors: The INEs and ANEs attended events hosted by KPMG's Board Leadership Centre and Audit Committee Institute, as well as holding meetings with investors. The INEs receive a quarterly update at the PIC on views and perspectives the firm is hearing from audit committee chairs and investors.



Contact

If you would like to get in touch with questions or concerns, please contact any of us at: ukfmpmgnonexe@kpmg.co.uk

See **Section 2: Our Leadership** for further information on the governance bodies which the INEs and ANEs are members of (Public Interest Committee and Audit Board). Biographies for each INE and ANE can also be found here.

Appendix 11: UK Board

Role

The main governance body of the firm is the Board, chaired by Bina Mehta. The Board is responsible for the growth and long-term prosperity of the firm, ensuring it stays true to its purpose and vision. It provides oversight of the organisation, approves the firm's strategy and oversees its implementation by the Executive Committee, by monitoring performance against the business plan. The Board is the ultimate governance body overseeing the consistent provision by the Audit practice of high-quality audits. The Board also ensures that there is a satisfactory process for managing cultural, ethical, risk and reputational matters affecting the firm including compliance with laws, other regulations relevant to our business and KPMG International's policies.

Members

See page 18 for a list of Board members.

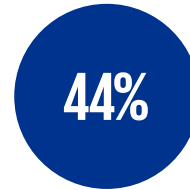
As at January 2023, our UK Board is made up of 9 members:

- The Chair
- The Senior Elected Member
- The Chief Executive
- Five additional Elected Board Members, who are elected by the Partners
- One Nominated Board Member, who is nominated by the Chair
- An additional Executive Board Member, who is nominated by the Chief Executive

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 firm. The Elected Members serve three-year terms, extendable up to a maximum of five years, to maintain relevant skills and breadth of experience. Nominated members of the Board are appointed following their nomination by the Chair and approval by Partner vote, for a fixed term.

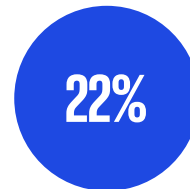
The Board is attended by the Chair of the Public Interest Committee, the Chair of the Audit Board and by other Independent Non-Executives (INEs).

44% / Female Board members



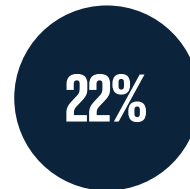
Jan 23
(Dec 21: 56%)

22% / Ethnic Minority Board members



Jan 23
(Dec 21: 22%)

22% / Lower socio-economic background Board members



Jan 23
(Dec 21: 22%)



Bina Mehta (Chair)
Chair
KPMG in the UK



Annette Barker
Partner
KPMG in the UK



Jonathan Downer
Partner, Audit and Board member
KPMG in the UK



Melissa Geiger
Partner
KPMG in the UK



Chris Heard
Chief Operating and Financial Officer
KPMG in the UK



Jon Holt
Chief Executive
KPMG in the UK



Louise Kirby
Partner, Enterprise Risk Services
KPMG in the UK



Anthony Lobo
Partner
KPMG in the UK

Appendix 11: UK Board

continued

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 long-term future.

The focus of the Board is:

- Ensuring that the Firm's has an appropriate strategy that is consistent with the public interest (having due regard to the views of the Firm's Public Interest Committee) and overseeing delivery of the strategy by the Executive Committee;
- Overseeing good financial, quality management and cultural governance (including setting the tone from the top on culture and ethics); and
- Holding the Chief Executive and Executive Committee to account for execution of the strategy.

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 Chief Executive and the Executive Committee accountable for the execution of the strategy through the approved business plan (including the achievement of their respective annual goals)

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 Committee. This is achieved by providing clear support and constructive challenge to help the Chief Executive and the Executive Committee to perform effectively. The Board oversees performance and delivery against the Business Plan, financial growth and stability, risk management, quality 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 long-term 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 attract a diverse and talented workforce and providing opportunities for colleagues to grow their capabilities and develop their careers
- iii) Recognising that our alumni are aligned to our Firm's reputation and success throughout their careers
- iv) Understanding that many prospective and serving colleagues 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)

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.

Appendix 11: UK Board

continued

Board Charter and Board – Terms of Reference (continued)

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 Committee 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 Committee

- (i) Gives supportive and constructive challenge to the Executive Committee in order that partners are assured that the Chief Executive and Executive Committee are delivering the agreed strategy
- (ii) Provides clarity on the respective responsibilities of the Board and Executive Committee
- (iii) Recognises that the Executive Committee is responsible for delivering the Firm's output, distinctive from the Board's 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) Demonstrates its commitment to the public interest through pursuit of the purpose of the Audit Firm Governance Code and regular dialogue with the Firm's Independent Non-Executives and Audit Non-Executives
- (iii) Seeks to uphold the Firm as being a beacon for successful, sustainable, ethical business
- (iv) Leads fair and trusted business relationships with all suppliers, contractors, audited entities and clients

5 How the Board works

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, public interest and risk and reward

The Board considers the public interest, economic and strategic value of each option, within an appetite for risk (including risk to reputation) 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. The Board takes account of any relevant legal or regulatory requirements.

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 (who may be one of the six Elected Board Members);
- (ii) The Chief Executive;
- (iii) Up to two Executive members nominated by the Chief Executive;
- (iv) Six Members, who are Members, elected by the Individual Members as Elected Board Members; and
- (v) Up to two Members, who are Members, nominated by the Chair and then approved by the Individual Members as "Nominated Board Members".

Appendix 11: UK Board

continued

Board Charter and Board – Terms of Reference (continued)

- 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 one of the Elected Board Members or Nominated Board Members shall be practising auditors.
- 6.3 All of the Elected Board Members, and in any event at least half of the Board, shall be Individual Members of the LLP who do not have significant management responsibilities within the Firm; those with “significant management responsibilities” includes members of the Executive Committee and their direct reports.
- 6.4 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 subject to Board approval. 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.
- 6.5 As determined by the Elected Board Members, in consultation with the Chair, one of the Elected Board Members will be appointed as the Senior Elected Board Member.
- 6.6 The Chair may nominate up to two Nominated Board Members to the Board 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 their discretion subject to approval by the Members. Nominated Board Members shall be appointed for a two or three year term, subject to approval by the Members, with the option for this to be renewed for additional two or three year term, to a maximum five years in aggregate, subject to Board approval.
- 6.9 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.
- 6.10 Independent Non-Executive Members of the Public Interest Committee and the Chair of the Audit Board may, at the discretion of the Chair, attend any and all Board meetings as attendees (including annual Board strategy meetings and Board away days).
- 6.11 The Board will meet a minimum of six times a year and the Chair or the Senior Elected Board Member in the Chair’s absence, may call further meetings at other times in the year as considered appropriate.
- 6.12 Other members of the Executive Committee, Individual Members or colleagues may be invited to attend Board meetings, as required by the Chair.
- 7 Chair of the Board**
- 7.1 The Chair shall be a Partner of the firm.
- 7.2 The Chair of the Board is 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 subject to Board approval. The maximum term that a Chair can serve on the Board is five years unless otherwise determined by the approval of the Board.
- 7.3 If the Chair is not present or so chooses then the Senior Elected Board Member (and in their absence, another Elected Board Member selected for this purpose by the Board) shall chair the meeting of the Board (including agreeing agendas and papers and managing the Board).
- 7.4 In the event that the Chair 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 Board 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 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 Chair or the Senior Elected Board Member if they are 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.
- 10.3 Executive members on the Board (including the Chief Executive) 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

² In the event the chair of such meeting is not a Qualified Individual, the Chair 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.

Appendix 11: UK Board

continued

Board Charter and Board – Terms of Reference (continued)

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 Committee); (iii) review of the Executive Committee, its Executive sub-groups and its members (including the Chief Executive) 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, Culture and Policies

13.1.1 Approval of the LLP's Purpose and Values.

13.1.2 Monitoring of the Firm's culture to include a regular review of the effectiveness of the Firm's systems (including the Code of Conduct) for the promotion and embedding of an appropriate culture aligned with the Firm's Purpose and Values, that: (a) supports the consistent performance of high quality engagements, the Firm's role in serving the public interest and the long-term sustainability of the Firm; and (b) encourages people to consult, challenge, contribute ideas and share problems, knowledge and experience.

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

13.1.4 Approval of Inclusion and Diversity targets (developed and proposed by the Executive Committee and reviewed by the People Committee).

13.2 Strategy and management

13.2.1 Approval of the LLP's strategy (developed jointly with the Executive Committee and proposed by the Executive Committee³) following consultation with the Public Interest Committee) and long-term objectives, and oversight of delivery of the strategy. When approving changes to the LLP strategy, the Board shall have due regard to the views of the Public Interest Committee.

13.2.2 Approval of the annual budget and UK Business Plan, (developed and proposed by the Executive Committee), including an assessment that the Firm has sufficient human, intellectual and technological resources for the next three years to support audit quality and the effectiveness of controls and processes required by ISQM1.

13.2.3 Oversight of performance of the annual budget and UK Business Plan.

13.2.4 Approval and oversight of the Firm's Environment, Social and Governance (ESG) strategy.

13.2.5 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 Committee, or in the case of the Audit business, developed by the Audit Executive and recommended by the Audit Board).

13.2.6 Any major decision in relation to the 'future of the profession' (developed and proposed by the Executive Committee and taking account of recommendations of the Audit Board).

13.3 Investments

13.3.1 Approval of an investment framework (developed and proposed by the Executive Committee and, where relevant to Audit, by the Audit Executive, having regard to any recommendations of the Audit Board).

13.3.2 Approval of inorganic investments such as acquisitions and joint venture investments and business disposals with a transaction or enterprise value in excess of £20 million (including value of any debt assumed and deferred consideration; and transaction costs), subject to 13.3.5.

13.3.3 Approval of organic and ordinary course investments (including multi-year commitments) with cash or FTE commitments in excess of £40 million (including business builds, technology investments and property leases), subject to 13.3.5.

13.3.4 Approval of any such matters likely to have a significant material impact on KPMG from a financial, operational, strategic or reputational perspective, subject to 13.3.5.

13.3.5 Approvals under this paragraph 13.3 shall be subject to the following:

- (i) approvals of transactions or investments by the Board for financial amounts or value shall, unless otherwise specified, be deemed to include additional amounts or value that arise through unanticipated overspend up to the greater of £10m or 10% and are approved by the Executive Committee;

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.

Appendix 11: UK Board

continued

Board Charter and Board – Terms of Reference (continued)

- (ii) the Board may call in for scrutiny, review and modification any transactions or investments previously approved by the Board or the Executive Committee, in relation to which concerns have been identified (or evidenced in the management information provided on the portfolio of investments); and
 - (iii) approvals of transactions or investments by the Board shall have due regard to any views of the Public Interest Committee and (where they relate to the Audit Business) the Audit Board.
- 13.4 Structure and capital
 - 13.4.1 Approval of changes relating to the LLP's capital structure.
 - 13.4.2 Approval of material changes in the LLP's capital and liquidity positions.
 - 13.4.3 Any changes to the LLP's status as a Limited Liability Partnership or major changes to the corporate structure.
- 13.5 Financial and non-financial reporting and controls

In connection with year-end matters approval of:

 - 13.5.1 the statement of internal control and independence and compliance with the Audit Firm Governance Code (on recommendation from the Audit Committee);
 - 13.5.2 the going concern statement (on recommendation from the Audit Committee);
 - 13.5.3 the profit distribution;
 - 13.5.4 the letter of representation to the external auditors;
 - 13.5.5 the Transparency Report (developed and proposed by the Executive Committee);
 - 13.5.6 the Financial Statements with a recommendation to the LLP Members for their approval by way of an Ordinary Majority;
 - 13.5.7 any significant changes in accounting policies or practices (on the recommendation of the Audit Committee);
 - 13.5.8 the removal of the external auditors (on the recommendation of the Audit Committee); and
 - 13.5.9 other environmental, social and governance (ESG) related public reporting, as may be required by law and regulation, save to the extent within the delegated authorities of the Executive.
- 13.6 Internal controls
 - 13.6.1 Approval of any Board level certifications (including in the annual Transparency Report) as to the effectiveness of sound risk management and internal control systems on a Firmwide basis, to manage cultural, ethical, risk and reputation matters and to ensure compliance with laws, regulations and global practices and policies relevant to the LLP's business..
- 13.7 Contracts and Agreements
 - 13.7.1 Approval of contracts which the Chair and Chief Executive agree are material strategically or by reason of size or public interest (taking into consideration, where relevant, the Audit risk appetite framework overseen by the Audit Board and the views of the Public Interest Committee).
- 13.8 Board and other appointments
 - 13.8.1 13.8.1 Approval of changes to the structure, size and composition of the Board (including on recommendation from the Nominations Committee⁴).
 - 13.8.2 Appointments to the Board to fill a casual vacancy (on the recommendation of the Nominations Committee).
 - 13.8.3 Appointments of Independent Non-Executives and Audit Non-Executives (on the recommendation of the Nominations Committee).
- 13.9 Remuneration
 - 13.9.1 The establishment or cessation of KPMG pension schemes and material changes to the rules, funding or management arrangements of any such pension schemes.
 - 13.9.2 Approval of Equity Partner promotions (developed and proposed by the Executive Committee and recommended by the People Committee).
 - 13.9.3 Approval of design of remuneration policies and principles and partner remuneration policies, principles and framework (developed and proposed by the Executive Committee, recommended by the People Committee and (as concerns Audit Partners only) the Audit Board).
- 13.10 Delegation of authority
 - 13.10.1 Approval of the establishment of Board Committees and the Audit Board and their terms of reference.
 - 13.10.2 Determining and approving the responsibilities of the Chair and the Chief Executive (which should be in writing).
 - 13.10.3 Approval of the terms of reference for all Board Committees, the Audit Board and the Executive Committee and determining which matters are delegated to such committees and boards and which matters are reserved for the Board.
 - 13.10.4 Holding the relevant Board Committee, Audit Board or the Executive Committee to account for anything delegated to them.
- 13.11 Risk Management
 - 13.11.1 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,

4 Formerly known as the Nomination Committee

Appendix 11: UK Board

continued

Board Charter and Board – Terms of Reference (continued)

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).

13.11.2 In respect to material matters related to regulation and regulatory supervision being considered by the Board, the Board will consult with, and have due regard to the views of the Public Interest Committee and the Audit Board.

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

13.11.4 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 £20 million), likely to attract significant public interest or other material contentious 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.

13.12 Other

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

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

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

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

14 Operational Separation

14.1 The Board shall providing oversight on steps taken by the Firm to implement Operational Separation including specific focus on improving audit market resilience by ensuring that no material, structural cross subsidy persists between the Audit practice and the rest of the Firm.

15 Governance

15.1 The Board shall ensure that any matters relating to the purpose of the Audit Firm Governance Code and the Firm's role in respecting that purpose are given due consideration.

15.2 The Board shall conduct an annual self-assessment of its activities under these Terms of Reference and triennially shall conduct an externally facilitated Board evaluation. The Chair, supported by the Board Secretary, shall be responsible for acting on the results of the self-assessment and embedding the recommendations from the externally facilitated evaluation.

16 Matters delegated by the Board to the Executive Committee

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

16.1 formation and execution of the UK Business Plan underpinning the Firm's strategic goals, operational excellence, financial performance and fulfilment of regulatory, compliance and legal requirements;

16.2 implementation of both the LLP's Strategy as approved by the Board; and (through the Audit Executive) the Audit Strategy as approved by the Board;

16.3 implementation of Operation Separation of the Audit Practice in accordance with the applicable regulatory principles;

16.4 monitoring and maintaining operating and financial performance against budget;

16.5 prioritisation and allocation of resources;

16.6 managing the risk profile of the Firm within the Board approved Risk Appetite and Risk Management Framework (including major claims and reputational issues);

16.7 managing the System of Quality Management and associated internal controls and processes of the Firm in accordance with ISQM1 and Global policies and procedures;

16.8 achieving the Board defined goals in relation to (i) strategic goals; (ii) operational excellence, (iii) financial performance and (iv) regulatory, compliance and legal; and

16.9 crisis management;

16.10 Audit Quality and Performance;

16.11 significant matters related to KPMG International and the Global network; and

16.12 managing the day to day activities of LLP Group.

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

17 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.

18 Documentation, Communication and Reporting

18.1 The Chief Executive, together with the Executive Committee Members, shall report to the Board at each Board meeting on relevant matters within the Executive Committee'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).

Appendix 11: UK Board

continued

Board Charter and Board – Terms of Reference (continued)

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

Terms of Reference approved by the Board on 13 December 2023

Appendix 11: UK Board

continued

Report on the Board's activities during the year

30 September 2023

Areas of oversight

The main areas of focus for the Board this year have been aligned to the firm's priorities for FY23. These are detailed below:

- Continued focus on Audit Quality with regular updates from the Head of Audit.
- Delivery of the firm's business plan, balancing short-term decisions with long-term strategy and ambition in conjunction with Operational Separation.
- Monitoring the firm's people programmes as set out in the Culture Ambition.
- Oversight of the firm's Inclusion, Diversity and Equity (IDE) strategy.
- Oversight of the firm's ethical culture and the degree to which recommendations from the Institute of Business Ethics have been embedded.
- Approval of the firm's revised investment framework and three-year plan.
- Oversight of the firm's financial and investment performance including deep dives into capabilities, operational resilience and inorganic and organic investments.
- Approval of the firm's ESG ambition level and strengthened approach to governance of ESG matters through the Board committees.
- Monitoring the firm's Enterprise-Wide Risk Management Framework (ERM) and the consideration of the effectiveness of internal controls.
- Oversight of the firm's system of quality management.
- Approval of material decisions in the firm's response to regulatory matters.

Our priorities for 2024

Ensuring the firm's strategy is delivered:

- Through growth in our multidisciplinary capabilities and reflecting on market demands and client voice.
- Through investment in technology to support both efficient operations and impactful client service.
- In conjunction with operational separation.

Overseeing strong financial governance by:

- Maintaining financial resilience through regular and robust financial reporting with an emphasis on operational resilience.
- Investing wisely through the firm's investment framework, ensuring clear ROIs.

Setting the tone and direction for meaningful cultural progress through:

- Oversight of Inclusion, Diversity & Equity initiatives to achieve agreed targets.
- Oversight of the firm's People Strategy in its multi-disciplinary model with a medium- to long-term focus.
- Oversight of ESG initiatives to achieve agreed targets.
- Overseeing the embeddedness of the recommendations from the Institute of Business Ethics.
- Continued monitoring of progress through the Culture Ambition.

Monitoring Executive performance through:

- Achievement of the Executive Committee goals.
- Continued improvement in Audit Quality.



In numbers

The Board comprises nine members: the Chair, Chief Executive, Chief Operating and Financial Officer, one Nominated Member and five other Elected Members (one of which is the Senior Elected Member). All Independent Non-Executives and the Chair of the Audit Board are invited to attend the Board as observers.

During the reporting period, the Board held twelve formal meetings.

Appendix 12: Risk Committee

Risk Committee

Role

The Risk Committee assists the Board in its oversight of current risk exposures and determination of risk appetite and strategy.

The Committee also oversees the effectiveness of the firm's Enterprise-Wide Risk Management (ERM) Framework, the prevailing risk culture in the organisation, the firm's capability to identify and manage new risk types, and the adequacy of risk and assurance resources for first, second and third lines of defence.

Members

See page 77 for a list of Board members.

The Risk Committee comprises three members. In addition to the Chair the membership comprises a member of the People Committee and an additional Elected or Nominated Board Member.

Additional members can be co-opted on to the Committee as the need arises, to help fulfil the duties and obligations of the Committee. These appointments are made by the Board on the recommendation of the Chair of the Committee.

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.



Jonathan Downer

Partner, Audit and Board member
KPMG in the UK



Melissa Geiger

Global Leader, Strategic Corporates,
Tax & Legal, KPMG International,
and Partner
KPMG in the UK



Louise Kirby

Partner, Enterprise Risk Services
KPMG in the UK

Appendix 12: Risk Committee

Continued

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.

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

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.

Appendix 12: Risk Committee

Continued

Risk Committee – Terms of Reference (continued)

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 or their nominee;
 - d) Head of Regulatory Affairs;
 - e) Head of Internal Audit;
 - f) Board Secretary or their nominee
- 4.3.4 The Chair, Chair of the Audit Committee, Senior Elected Member, Chief Executive, Chief Operating and Financial Officer will attend meetings on an as needed basis.
- 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;
- 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 mitigations for accepting higher risk audits as approved by the Audit Board) and the LLP's strategy;

Appendix 12: Risk Committee

Continued

Risk Committee – Terms of Reference (continued)

- 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 Assess the Firm’s principal risks including those that would threaten its business model, future performance, solvency or liquidity, including how they relate to the sustainability of the Audit Practice (and involve, as appropriate, the INEs and ANEs in such assessment);
- 6.7.2 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;
- 6.7.3 Review regularly and approve the parameters used in these measures and the methodology adopted; and
- 6.7.4 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, focusing 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);
- 6.18 Consider to the extent appropriate and in liaison with the Audit Committee (which has primary oversight of the Firm’s compliance with ISQM1) the Firm’s Systems of Quality Management and processes relevant to engagement quality; and in coordination with the Audit Committee assist the Board in fulfilling its responsibilities in relation to the same; and
- 6.19 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.

Appendix 12: Risk Committee

Continued

Risk Committee – Terms of Reference (continued)

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 At the request of the Board or by the Firm's Head of Ethics and Independence, consider Whistleblowing reports including performing a deep dive into any areas of the business of concern;
- 9.4 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
- 9.5 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.

Terms of Reference approved by the Board on 15 March 2023

Appendix 12: Risk Committee

Continued

Report on the Risk Committee's activities during the year

30 September 2023

Areas of oversight

- Overseeing the development of the firm's risk appetite and the controls in place to ensure the business is operating within it.
- Reviewing the principal risks around the firm including risks for the new EMpowered¹ programme and hybrid working.
- Monitoring the firm's Ethics and independence including the Ombudsman's reports on Speak Up.
- Monitoring the firm's relationship with its regulators, working with the regulatory engagement team.
- Reviewing the activities and frameworks used to monitor and ensure the operational resilience of the firm.
- Receiving an annual presentation on Suspicious Activity Reports from the MLRO.
- Receiving quarterly ERM reports and doing an annual review of ERM effectiveness.

Our priorities for 2024

- Continue to monitor and oversee the effectiveness of the Enterprise-Wide Risk Framework, including continuing to receive quarterly ERM reports and an annual review.
- Continue to oversee the development of the firm's risk appetite framework and controls to assess how the business is operating in relation to risk appetite.
- Deep dives into key areas of the business as decided by the Chair, often working with the regulatory engagement team.
- Continue to receive updates from the Ombudsman on Speak Up and reports on whistleblowing where considered appropriate by the Head of Ethics and Independence or the Board.

In numbers

The Risk Committee consists of four members. Additionally, one Independent Non-Executive and one Audit Non-Executive are invited to join as observers.

During the reporting period, the Risk Committee held seven formal meetings.

The Chair of the People Committee was appointed to the Committee following a recommendation from the Board Effectiveness Review.¹



¹ Note that this change took place in November 2022. Following a subsequent review of Board composition, the decision was made to remove the Chair of the People Committee as a member of the Risk Committee, which took effect on 1 October 2023.

Appendix 13: People Committee

People Committee

Role

The People Committee provides oversight of the processes for the appointment of senior leadership positions, oversees leadership succession planning; reviews remuneration policies for Partners and senior leadership; assists the Board in its oversight of the effective execution of the People Strategy by the Executive; and oversees the effectiveness of the firm's programmes relating to culture and ethics.

Members

See page 77 for a list of Board members.

The People Committee comprises three members. In addition to the Chair of the Committee the membership comprises two Elected or Nominated Board members. Additional members can be co-opted onto the Committee as the need arises to help fulfil the duties and obligations of the Committee.

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

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.



Annette Barker (Chair)

Chair of the People Committee
KPMG in the UK



Louise Kirby

Partner, Enterprise Risk Services
KPMG in the UK

Appendix 13: People Committee

Continued

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.

Appendix 13: People Committee

Continued

People Committee – Terms of Reference

- 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:
- Chief People Officer
 - Head of Partnership Office
 - Ethics Partner
 - General Counsel or their delegate
 - 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;

Appendix 13: People Committee

Continued

People Committee – Terms of Reference

- 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 Consider the evidence to support compliance with the Code of Conduct bi-annually;
- 7.4.5 Recommend amendments to the Code of Conduct to the Board, ensuring that lessons learnt from internal and external sources are integrated as required; and
- 7.4.6 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).

Appendix 13: People Committee

Continued

People Committee – Terms of Reference

- 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.

Terms of Reference approved by the Board on 31 May 2023

Appendix 13: People Committee

Continued

People Committee – Terms of Reference

Appendix One: Appointment of Executive Leadership (continued)

“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.

Appendix 13: People Committee

Continued

Report on the People Committee's activities during the year

30 September 2023

Areas of oversight

- Monitoring the Global People Survey action plan and the progress made against the key actions such as wellbeing.
- Overseeing the People Strategy and ensuring it is aligned with the firm's culture and growth plan.
- Monitoring diversity and inclusion targets for both partners and staff.
- Overseeing the firm's 'Black Swan' contingency plans and medium-term succession plan.
- Overseeing staff and partner performance.
- Monitoring partner promotions and the impact they would have on diversity.
- Overseeing the Executive Committee's goals and objectives, particularly those related to people.
- Overseeing the Chair and CEO ratings and remuneration.

Our priorities for 2024

- Continue to oversee People function transformation including the transition to a new Chief People Officer.
- Continue to oversee progress on our diversity and inclusion targets for 2030.
- Continue to consider issues around leadership and succession, wellbeing and workforce planning.
- Monitor Executive Committee objectives and the balance of skills.
- Monitor performance management including the partner scorecard and leadership development in the partnership.

In numbers

The People Committee consists of four members. Additionally, one Independent Non-Executive is invited to join as an observer.

During the reporting period, the People Committee held ten formal meetings.

The Chair of the Risk Committee was appointed following a recommendation from the Board Effectiveness Review.¹



¹ Note that this change took place in November 2022. Following a subsequent review of Board composition, the decision was made to remove the Chair of the Risk Committee as a member of the People Committee, which took effect on 1 October 2023.

Appendix 14: Audit Committee

Audit Committee

Role

The Audit Committee oversees financial reporting and control matters on behalf of the Board. This includes reviewing internal controls, overseeing the relationship with our statutory auditors (including recommending their appointment, removal and remuneration as well as monitoring their independence and effectiveness) and reviewing the effectiveness of the firm's Internal Audit function. From 1 October 2022, the Audit Committee also became responsible for overseeing the firm's compliance with ISQM1.

Members

The Audit Committee comprises three members. In addition to the Chair of the Committee, the membership comprises two Elected or Nominated Board members, including at least one member with recent and relevant audit financial experience. 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.

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.

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.



Anthony Lobo (Chair)
Partner, Deal Advisory and Board Member
KPMG in the UK



Jonathan Downer
Partner, Audit and Board member
KPMG in the UK



Annette Barker
Chair of the People Committee
KPMG in the UK

Appendix 14: Audit Committee

Continued

Audit Committee – Terms of Reference

1. Purpose

The purpose of the Audit Committee (“the Committee”) is to:

- 1.1 assist the Board of KPMG LLP (“the Board”) in its oversight of the integrity of the LLP’s financial reporting, including supporting the Board in meeting its responsibilities regarding financial statements, the financial reporting systems, internal controls and treasury matters;
- 1.2 assist the Board in fulfilling its responsibilities relating to all relevant matters pertaining to the system of quality management and engagement quality (including their contribution to the Firm’s role in serving the public interest), as more particularly set out in Appendix I of these Terms of Reference;
- 1.3 monitor, on behalf of the Board, the effectiveness and objectivity of internal and external auditors; and
- 1.4 assess, on behalf of the Board, the effectiveness of the firm’s key controls framework across the following areas:
 - Conflicts, ethics and independence
 - Financial and financial crime prevention
 - Operational risk
 - Compliance
 - System of Quality Management

2. Authority

- 2.1 The 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, from time to time, be 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 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 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 including at least one member with significant recent and relevant audit financial experience and knowledge of applicable audit quality standards.
- 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 Elected or Nominated Board 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 before the end of their term 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 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.
- 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.

Appendix 14: Audit Committee

Continued

Audit Committee – Terms of Reference (continued)

- 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, other Elected or Nominated members of the Board and Independent Non-Executives have the right to attend Committee meetings.
- 4.3.2 In addition the following will be expected to attend Committee meetings on a regular basis:
- Chief Operating and Financial Officer
 - Chief Risk Officer
 - General Counsel (or delegate)
 - Head of Internal Audit
 - External Audit representative
 - Board Secretary (or 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.
- 4.3.4 The Committee will meet with the external auditor and internal auditor at least once a year without management present.
- 4.4 Conflicts of Interest
- 4.4.1 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.
- 4.5 Resolutions
- 4.5.1 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.
- 4.5.2 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.
- 5. Responsibilities**
- 5.1 Financial Reporting
- The Committee shall monitor the integrity of the financial statements of the LLP, including its annual report relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor. In particular, the Committee shall review and challenge where necessary:
- 5.1.1. the application of significant accounting policies and any changes to them;
 - 5.1.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 5.1.3. whether the firm has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - 5.1.4. whether the firm has respected applicable regulatory requirements with respect to corporate reporting, including the financial reporting related to the Audit Practice; and
 - 5.1.5. all material information presented with the financial statements, including the Transparency Report and any additional information or report on the firm's activities and performance with regard to Environment, Social and Governance ("ESG") matters.
- 5.2 Capital Adequacy and Treasury Matters
- 5.2.1. Prior to consideration and approval by the Board, review significant changes to general banking and treasury operations (in excess of the Executive Committee's delegated limits) of the LLP, or any of its subsidiaries, such as:
- Proposals to raise finance;
 - Arrangements and agreements to meet funding requirements;
 - Entering into any type of document or arrangement to create security of any nature or collateral arrangement for borrowing or treasury management arrangements (including being held on trust for any lender or other finance provider);
 - Borrowing money or issuing any type of debt instrument;
 - Entering into any interest rate hedging or foreign exchange hedging transaction including, without limitation any rate/exchange cap transaction or swap transaction or other hedging or derivative transaction; and
 - Any parent company guarantee.

Appendix 14: Audit Committee

Continued

Audit Committee – Terms of Reference (continued)

5.3. External Audit and Assurance

The Committee shall:

- 5.3.1. Consider the appointment, re-appointment or removal of the external auditor and assurance provider (with respect to the Firm's ESG reporting) and oversee the selection process for a new auditor and/or ESG assurance provider where required.¹
- 5.3.2. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 5.3.3. Assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the firm's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of non-audit services;
- 5.3.4. Satisfy itself that there are no relationships between the auditor and the firm (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 5.3.5. Agree a policy on the employment of former employees of the auditor, taking into account the Ethical Standard, including the guidance on the rotation of the audit partner and staff; Monitor the level of fees paid to the auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 5.3.6. Annually challenge and assess the performance, independence and objectivity of the external auditor, discussing issues they raise in the audit and monitoring the effectiveness of the audit and assurance process and reviewing their quality control procedures and steps taken to respond to regulatory, professional and other changes;
- 5.3.7. Approve the terms of engagement in respect of the statutory audit, developing and implementing policy on engaging the external auditor for non-audit services and approving in advance the fees for both audit (ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted) and non-audit services;
- 5.3.8. Approve the nature, scope and plan of the audit and assurance review with the external auditor, including the factors that could affect audit or assurance quality, before the audit or assurance process commences;

5.3.9. Review the findings of the audit and assurance review with the external auditor. This shall include but not be limited to, the following:

- a discussion of any major issues which arose during the audit or assurance review;
- the auditor's explanation of how the risks to audit or assurance quality were addressed;
- key accounting and audit or assurance judgements;
- the auditor's view of their interactions with senior management; and
- levels of errors identified during the audit or assurance review;

5.3.10. Review management representation letters in relation to financial reporting requested by the external auditor prior to signature by the Executives;

5.3.11. Review any external assurance report on Environment, Social and Governance (ESG) information for publication as part of the Annual Report;

5.3.12. Monitor the effectiveness of the relationship between the external and internal auditors;

5.3.13. Review management's response to findings of the audit and resolving disagreements between management and the external auditor regarding financial reporting; and

5.3.14. Meet regularly with the external auditor (including at least once a year without management being present), to discuss the auditor's remit and any issues arising from the audit.

5.4. Internal Controls

The Committee shall:

- 5.4.1. Keep under review the firm's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems (seeking assurance from relevant Board Committees as appropriate).
- 5.4.2. Oversee the effectiveness of the Firm's Systems of Quality Management ("SoQM") and processes relevant to engagement quality and the SoQM framework, through fulfilling the responsibilities set out in the Appendix to these Terms of Reference.
- 5.4.3. Make policy recommendations to the Board with respect to all matters relevant to engagement quality, the SoQM and their contribution to the Firm's role in serving the public interest.
- 5.4.4. The Committee should carry out its activities with a view to ensuring that the Firm is fully aligned and compliant with applicable law and regulation and KPMG International's requirements as regards to engagement quality, the SoQM, and their contribution to the Firm's role in serving the public interest.

¹ References to the external auditor in these Terms of Reference shall be deemed to apply to an assurance provider mutatis mutandis, in circumstances where the auditor is not the ESG assurance provider.

Appendix 14: Audit Committee

Continued

Audit Committee – Terms of Reference (continued)

5.4.5. Review and recommend for Board approval the statements to be included in the annual report concerning internal control, risk management² and the going concern statement.

5.4.6. Consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary);

5.4.7. Review the firm's control framework across key control areas including:

- Conflicts, ethics and independence
- Financial and financial crime prevention
- Operational risk
- Compliance
- System of Quality Management

and its linkage to the Enterprise-wide Risk Management Framework and assurance planning.

5.5 Internal Audit

The Head of Internal Audit and the firm's Internal Audit function shall report to the Committee. The Committee shall:

5.5.1. Approve the remuneration, appointment or termination of the appointment of the Head of Internal Audit;

5.5.2. Review and approve the role and mandate of Internal Audit, monitor and review the effectiveness of its work, and annually approve the Internal Audit Charter ensuring that it is appropriate for the current needs of the organisation;

5.5.3. Review and approve the annual internal audit plan to ensure that it is aligned to the key risks of the business and receive regular reports on work carried out;

5.5.4. Ensure Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the Internal Audit function evaluates the effectiveness of these functions as part of its internal audit plan and ensure that the Internal Audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;

5.5.5. Ensure the Head of Internal Audit has direct access to the Chair and to the Chair of the Committee, providing independence from the executive and accountability to the Committee;

5.5.6. Carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:

- Meet with the Head of Internal Audit without the presence of management to discuss the effectiveness of the function;

- Review and assess the internal audit work plan;
- Receive a report on the results of Internal Audit's work;
- Determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business; and
- Review the actions taken by management to implement the recommendations of Internal Audit and to support the effective working of the function.

5.5.7. Monitor and assess the role of the Internal Audit function in the overall context of the firm's system of controls and the work of compliance, finance and the external auditor.

6 Reporting

6.1 Minutes of each Committee meeting will be disclosed at the next meeting of the Board.

6.2 The Chair of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

6.3 The Committee shall compile a report of the work of the Committee in discharging its responsibilities for inclusion in the Transparency Report, including an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor.

6.4 The Chair of the Committee shall report to the Risk Committee, People Committee and the Audit Board after each meeting on relevant matters within its duties and responsibilities.

6.5 The Committee shall work and liaise as necessary with other Committees of the Board and with the Audit Board.

7 Governance and Resources

7.1 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.

7.2 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.

7.3 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).

7.4 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.

² Subject to confirmation of the Risk Committee.

Appendix 14: Audit Committee

Continued

Audit Committee – Terms of Reference (continued)

8 Terms of Reference

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

Terms of Reference approved by the Board on 13 December 2023

Appendix: Responsibilities with respect to the oversight of engagement quality and the system of quality management

1. Governance and leadership

- 1.1. Consider whether the Firm's culture promotes a commitment to quality, including recognising and reinforcing the importance of professional ethics, values and attitudes throughout the Firm and emphasising the responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management ("SoQM").
- 1.2. Consider whether the Firm's strategic priorities (including financial and operational priorities) and strategic investments (undertaken and to be undertaken) demonstrate a commitment to quality and the Firm's role in serving the public interest by consistently performing quality engagements.
- 1.3. Consider whether the Firm's governance and leadership quality objectives include:
- 1.3.1. Establishing policies or procedures for periodic performance evaluations of the individual(s) assigned ultimate responsibility and accountability and, if appropriate, the individual(s) assigned operational responsibility, for the Firm's SoQM; and
- 1.3.2. Establishing policies or procedures for dealing with complaints and allegations about the commitment to quality of the firm or its personnel, including clearly defining channels within the Firm that enable reporting by personnel or external parties to appropriate individual(s) without fear of reprisal and enabling the investigation and resolution of the complaints and allegations.
- 1.4. Consider, as appropriate:
- 1.4.1. How the Firm fulfills its responsibilities to comply with the laws, regulations and professional standards that relate to the governance and leadership of the Firm;
- 1.4.2. How the Firm leadership is responsible and accountable for the SoQM and engagement quality;
- 1.4.3. How the Firm has adopted and implemented KPMG International policies relevant to the SoQM and engagement quality.

- 1.5. Consider how the Firm has established structures, reporting lines, and appropriate authorities and responsibilities, including assigning executive and operational responsibilities for the SoQM.
- 1.6. Consider whether the individual(s) assigned executive and operational responsibility for the SoQM have:
- 1.6.1. the appropriate experience and knowledge and sufficient time to fulfill their assigned responsibility;
- 1.6.2. an understanding of their assigned responsibilities and accountability for such responsibilities;
- 1.6.3. a direct line of communication to the individual(s) assigned ultimate responsibility and accountability for the SoQM; and
- 1.6.4. demonstrated a commitment to quality through their actions and behaviours.
- 1.7. In relation to performance management, consider, as appropriate (and in liaison with other Board Committees and the Audit Board):
- 1.7.1. the performance of the Firm and in particular the Audit Practice in terms of engagement quality goals, financial performance, capacity and resource utilisation, partner and colleague satisfaction and adequacy of training and development;
- 1.7.2. policies related to remuneration of members of the Audit Executive, Audit partners and directors to acknowledge wider contributions to quality;
- 1.7.3. the annual performance evaluation of the members of the Audit Executive, Audit partners and directors relating to engagement quality and the SoQM;
- 1.7.4. policies related to acknowledgement of wider contributions to quality compensation of professionals in the Audit Practice; and
- 1.7.5. the Firm's Audit Practice's succession planning process.

2. Risk assessment process

- 2.1. Consider, as appropriate (and in liaison with the Risk Committee and the Audit Board):
- 2.1.1. whether the Firm has an adequate process of identifying risks arising from the activities of the Audit Practice;
- 2.1.2. whether the Firm has appropriate plans in place to mitigate the identified risks and in particular reviewing the criteria for categorisation of risk levels to individual engagements; and
- 2.1.3. whether the Firm has controls and processes in place in respect of engagement quality, including audit risk management, and specifically (but not exclusively) in respect of engagements that are subject to external/regulatory annual inspection processes.

3. Relevant ethical requirements

- 3.1. Consider whether the Firm has established quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including applicable principles of professional ethics.

Appendix 14: Audit Committee

Continued

Audit Committee – Terms of Reference: Appendix (continued)

4. Acceptance and continuance of client relationships and specific engagements

- 4.1. Consider (in liaison with the Risk Committee and, as regards audit engagements, the Audit Board) the Firm's appetite for accepting and retaining higher risk engagements.
- 4.2. Consider (in liaison with the Risk Committee) how the Firm's process for client acceptance and continuance supports the Firm's engagement quality objectives.
- 4.3. Discuss (under legal privilege where relevant and subject to any applicable legal or confidentiality constraints, and jointly as appropriate with the Risk Committee and/or Audit Board) with the General Counsel, the Chief Risk Officer and where appropriate the Ethics Partner and/or Head of Professional Conduct, the status of the following matters where they have a significance to the Committee's responsibilities in these Terms of Reference:
 - 4.3.1. engagements or engagement clients that are under case examination, review or investigation by a relevant global or statutory regulator that relate to engagement quality;
 - 4.3.2. engagements or engagement clients that are in litigation or in an investigation that relates to engagement quality; and
 - 4.3.3. whistle-blower matters in relation to engagement quality, the system of quality management and associated matters within the scope of the Terms of Reference.

5. Engagement performance

- 5.1. Consider (in liaison as appropriate with other Board Committees and the Audit Board) how the Firm and, in particular, the Audit Practice apply the Global definition of "Audit Quality," including identification of the drivers that contribute to engagement quality, and how this is measured by the Firm and by external stakeholders.

6. Resources

- 6.1. Consider (in liaison with the People Committee and, as regards the Audit Practice, the Audit Board) whether the Firm has in place professional development and human resource processes that support engagement quality objectives in accordance with the professional standards and the Firm's SoQM.
- 6.2. Consider (in liaison with the People Committee and, as regards the Audit Practice, the Audit Board) whether the Firm has the ability to hire, develop and retain a diverse group of personnel, including partners, who have the competence and capabilities to consistently perform quality engagements or carry out responsibilities in relation to the operation of the Firm's SoQM.
- 6.3. Consider (in liaison with the Audit Board and People Committee) whether the Firm has the capacity to manage the portfolio of audited entities and maintain engagement quality, including the required capacity and resource from non-Audit Capabilities, as appropriate.

7. Information and communication

- 7.1. Consider (in liaison with the Risk Committee, the Public Interest Committee and the Audit Board) the Firm's relationship with prudential and securities regulators, including the regulators' existing and potential future trends and issues of concern.
- 7.2. Maintain availability (in coordination with the Chair, the Chief Executive and independent Non- Executives) to meet external stakeholders such as, the Firm's regulators and provide a link to those responsible for oversight of engagement quality and the SoQM.
- 7.3. Consider, as appropriate, material communications (including the Firm's annual Transparency Report) made or to be made relating to the SoQM and engagement quality, in particular the process the relevant members of the Executive Committee undertook to understand the completeness, accuracy and consideration of findings to be included in the communication.

8. Monitoring and remediation process

- 8.1. Consider (in liaison with the Audit Board) the annual planning for internal engagement quality performance reviews and inspections by external regulators within the Audit Practice.
- 8.2. Consider (in liaison with the Audit Board) how the Firm holds the Audit Executive accountable for the monitoring and oversight of root cause analysis processes and the implementation and execution of continuous improvement plans related to the SoQM and engagement quality.
- 8.3. Consider (in liaison with the Audit Board) reports that outline:
 - 8.3.1. the performance of the Firm's Audit Practice;
 - 8.3.2. the activities of the Head of Audit and the Head of Audit Quality; and
 - 8.3.3. the monitoring of key audit quality indicators including the targets set for the audit quality indicators and the performance against the targets (including, at minimum, those outlined in the Global Quality & Risk Management Manual policy 13.5.1).
- 8.4. Consider the overall results of the Firm's monitoring of the SoQM and engagement quality, and the implementation of effective remedial action based on findings from internal and external reviews of the SoQM and engagement quality.

Appendix 14: Audit Committee

Continued

Report on the People Committee's activities during the year

30 September 2023

Areas of oversight

During the year, the Audit Committee focused on the following key priorities:

- Financial reporting: Overseeing the financial statements, reports and changes required by the separation of businesses.
- External audit: Overseeing and approving the reappointment of the external auditor and reporting on the effectiveness of internal controls in FY23.
- Reviewing internal processes and controls, including updates from the Head of Internal Audit on ongoing audits. Reviewing and approving the annual internal audit plan to ensure that it is focused on the key risks facing the business; ensuring that the internal audit has the resources and access to information to fulfil its mandate.
- ESG: Oversight of the independent assurance process over, and approval of, ESG disclosures in the Annual Report, including those within the Planet Impact Report, Partner Diversity Report and Community Impact Report.
- SoQM (System of Quality Management): Oversight of the process relevant to engagement quality and the system of quality management to ensure that the firm is fully aligned and compliant with applicable laws and regulations and KPMG International's engagement quality requirements.

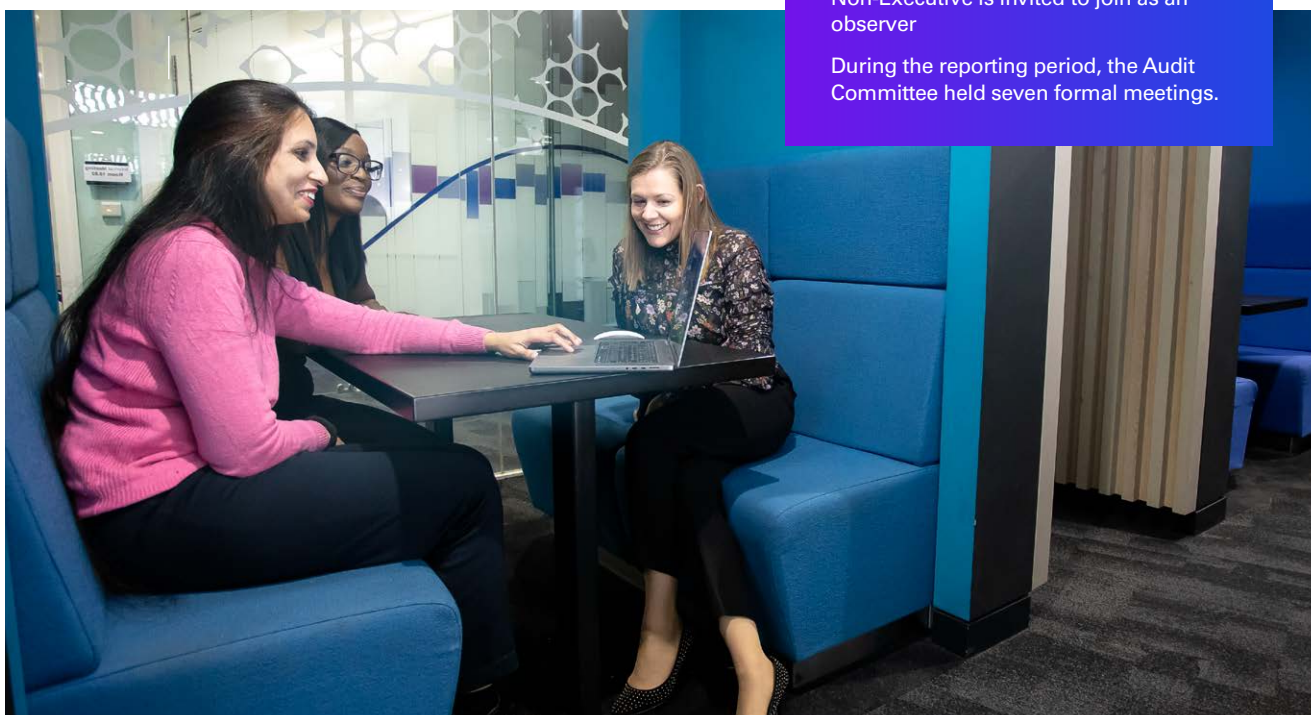
Our priorities for 2024

- Continue to monitor the extent to which the SoQM process and controls are embedded.
- Focus on transparency and accountability, ensuring strict adherence to regulatory requirements and overseeing compliance efforts.
- To continue to monitor and review the work of KPMG's internal audit function.
- Financial performance and financial reporting: Review financial performance, reporting accuracy and transparency to maintain investor and stakeholder confidence.
- External audit quality: Maintain a relationship with the external auditor to ensure audit quality and integrity.
- ESG: Promote ESG practices, disclosure and reporting to meet sustainability goals and stakeholder expectations.
- Continuous improvement: Strive for continuous improvement in audit practices, governance and transparency reporting in order to meet evolving standards and expectations.

In numbers

The Audit Committee consists of three members. Additionally, one Independent Non-Executive is invited to join as an observer

During the reporting period, the Audit Committee held seven formal meetings.



Appendix 15: Nominations Committee

Nominations Committee

Role

The Nominations Committee was established as a Committee of the Board in May 2022.

The Nominations Committee assists the Board in ensuring that the size and composition of the Board is appropriate to support executive oversight of the firm and oversees the processes for appointment of Chair, Chief Executive and Board members, as well as the independent non-executive members of the Audit Board and Public Interest Committee.

Members

The Nominations Committee is chaired by the Chair of KPMG in the UK, Bina Mehta. In addition to the Chair, the membership comprises the Senior Elected Member, the Chair of the People Committee and two other elected members of the Board.

Members of the Committee are appointed by the Board, on the recommendation of the Chair in consultation with the Senior Elected Member.

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 (or, where relevant with regard to matters related to the appointment of the Chair, on the recommendation of the Senior Elected Member).

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.



Bina Mehta (Chair)

Chair
KPMG in the UK



Melissa Geiger

Global Leader, Strategic Corporates,
Tax & Legal, KPMG International,
and Partner
KPMG in the UK

Appendix 15: Nominations Committee

Continued

Nominations Committee – Terms of Reference

1 Purpose

The purpose of the Nominations Committee is to assist the Board in

- Ensuring that the Board's size and composition are appropriate to support effective oversight of the strategic objectives and stewardship of the values of the firm; and
- Overseeing and supporting the processes for appointment of the Chair, the Chief Executive and Board Members, as well as of the independent non executive members of the Audit Board and the Public Interest Committee, so as to ensure high quality candidates are appointed to any such position.

2 Authority

- 2.1 The Nomination Committee is a Committee of the Board from which it derives its authority and to which it 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.

3 Constitution

3.1 Chairperson

- 3.1.1 The Committee shall be chaired by the Firm's Chair.
- 3.1.2 In the absence of the Chair, the Chair of the People Committee shall chair the meeting (save with respect to matters concerning the election and appointment of the Chair, which shall be chaired by the Senior Elected Member). In the absence of such alternate, the remaining members present shall elect one of themselves to chair the meeting.
- 3.1.3 In the event that the Chair 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 the membership comprises:
 - The Senior Elected Member
 - The Chair of the People Committee
- 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 (or, where relevant with regard to matters related to the appointment of the Chair, on the recommendation of the Senior Elected Member).

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 Head of Governance/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 once a year and otherwise as required.
- 4.1.2 Meetings of the Committee may be called by the Chair 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.

Appendix 15: Nominations Committee

Continued

Nominations Committee – Terms of Reference (continued)

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:
- General Counsel
 - Chair of the Public Interest Committee (or their delegate, who must be another Independent Non-Executive)
 - Board Secretary (or their delegate).
- 4.3.3 The Chief Executive shall attend at the invitation of the Chair, in particular for consideration of appointments of Executive Members to the Board.
- 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.

5 Conflicts of Interest

If a member of the Committee has a conflict of interest, they shall immediately disclose this to the Chair 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 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:

- 7.1.1 Review on a periodic basis the size and composition of the Board (including taking into account any recommendations and observations of triennial independent board effectiveness reviews, the Audit Firm Governance Code and any relevant regulatory reviews from time to time) and making recommendations to the Board with respect thereto;

- 7.1.2 Make recommendations to the Board with respect to the election processes, including candidacy criteria, for the appointments of the Chair, the Chief Executive and the Elected Members of the Board; and oversee the implementation of such Board approved processes;
- 7.1.3 On behalf of the Board, and in coordination with the General Counsel, shortlist one or more candidates to be submitted to the Partners in the respective election ballots for the election or re-election of the Chair, the Chief Executive and the Elected Members of the Board;
- 7.1.4 Review and recommend for Board approval and Partners' ratification, Nominated Members following nomination by the Chair;
- 7.1.5 On behalf of the Board, where a Board member steps down from their position as a Board member with only twelve months of their tenure left to run, approve the reserve Board members tenure with a recommendation to the Board on the appointment. In all other cases, the tenure for a reserve Board member will be three years and the Nominations Committee will recommend the reserve Board member to the Board for approval.
- 7.1.6 Lead the process for appointments and reappointments of INEs and ANEs and recommend them for Board approval. The Committee shall assess the time commitments for the role and, when recommending new appointments, shall take into account other demands on the INEs' and ANEs' time;
- 7.1.7 Review and approve, in consultation as deemed appropriate with the Chair of the PIC or, as the case may be, the Chair of the Audit Board, any other external appointments proposed to be undertaken by INEs or ANEs, taking into consideration time commitments of the role and existing role(s). This responsibility may be delegated by the Committee to the Chair of the Committee;
- 7.1.8 Review and recommend for Board approval, the appointment of Executive Members, following nomination by the Chief Executive in consultation with the Chair;
- 7.1.9 Oversee the maintenance of an effective framework for succession planning for the Board, INE's and ANE's with reference to the relevant Skills Matrix;
- 7.1.10 Establish a framework for determining remuneration and progression matters for members of the Board which support and promote effective challenge;
- 7.1.11 Approve the process for the evaluation of Board members as proposed by the Chair and Senior Elected Member;
- 7.1.12 Annually review the induction programme and board skills training for new Board members and independent members of the Audit Board and the Public Interest Committee; and
- 7.1.13 Oversee the induction of all new Board members and ongoing training for existing Board members and independent members of the Audit Board and the Public Interest Committee.

Appendix 15: Nominations Committee

Continued

Nominations Committee – Terms of Reference (continued)

8 Reporting

- 8.1 The Chair shall report to the Board after each meeting on matters within its duties and responsibilities.
- 8.2 The Committee shall work and liaise as necessary with other committees of the Board.

9 Governance and Resources

- 9.1 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).
- 9.2 In order to ensure the integrity of its decision making, where the Committee is considering any proposal related to the appointment as an Executive Member, who either (i) is a member of the Committee; or (ii) was within the previous 12 months a member of the Committee for the purposes of 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.
- 9.3 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.

Terms of Reference approved by the Board on 7 March 2024

Appendix 15: Nominations Committee

Continued

Report on the Nomination Committee's activities during the year

30 September 2023

Areas of oversight

During the year the Nominations Committee focused on the following key priorities:

- Succession planning for the Independent Non-Executives.
- The extension of the terms of two existing Board members (Anthony Lobo and Annette Barker).
- The extension of the tenure of the current Chair for an additional two years ending 31 March 2026.

For the extension of the Chair, the Nominations Committee co-opted Anthony Lobo as an Elected Member of the Board and the meetings were chaired by the Senior Elected Member (Melissa Geiger).

The Nominations Committee also considered ongoing training for existing members of the Board with Board training scheduled for November 2023.

Our priorities for 2024

- Oversee elections and appointments as necessary.
- Consider the tenures of the Audit Non-Executives which are to be reviewed in 2024.

In numbers

The Nominations Committee consists of five members.

During the reporting period, the Nominations Committee held seven formal meetings.

The Nominations Committee was reconstituted with effect from 1 October 2023. The latest live information on its members can be found [here](#).



Appendix 16: Executive Committee

Executive Committee

Role

The purpose of the Executive Committee is to manage the day-to-day activities of KPMG LLP's business through:

- Developing and implementing strategy, operational plans, policies, procedures and budgets
- Driving and monitoring operating and financial performance
- Assessing and controlling risk
- Prioritising and allocating resources

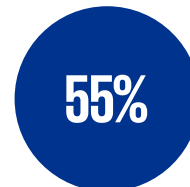
The committees of the Executive comprise: Operations Executive, Investment Committee, Risk Executive and Audit Executive. Together, the Executive Committee and its sub-groups manage the day-to-day activities of the firm.

Members

The Chair of the Executive Committee is the Chief Executive. The Executive Committee comprises those senior executives as the Chief Executive may determine as ratified by the Board (and who shall be appointed with the endorsement of the People Committee). Unless otherwise determined by the Board, the duration of appointments will be for a continuous term at the discretion of the Chief Executive.

Executive Committee Members' roles, duties, responsibilities, goals, delegations and key accountabilities are set by the Chief Executive with consideration of the firm's strategic goals, performance (including financial, operations and technology), people, culture ambition and risk. Reporting on the performance against these objectives is provided to the Executive Committee on approximately a monthly basis.

55% / Female Executive Committee members



Jan 23
(Sep 21: 43%)

20% / Lower socio-economic background Executive Committee members



Jan 23
(Sep 21: 14%)



Jon Holt (Chair)
Chief Executive
KPMG in the UK



John Bennett
Chief Risk Officer and Ethics Partner
KPMG in the UK



Catherine Burnet
Head of Audit
KPMG in the UK



Lisa Fernihough
Head of Advisory
KPMG in the UK



Victoria Heard
Head of Tax and Legal Services
KPMG in the UK



Chris Heard
Chief Operating and Financial Officer
KPMG in the UK



Rachel Hopcroft CBE
Head of Corporate Affairs
KPMG in the UK



Karl Edge
Chief People Officer
KPMG in the UK

Appendix 16: Executive Committee

Continued

Executive Committee – Terms of Reference

1. Purpose

- 1.1. The purpose of the Executive Committee is to manage the day-to-day activities of the LLP's business, in order for the Firm to have a successful and sustainable long-term future, through:
- Developing and implementing strategy, operational plans, policies, procedures and budgets;
 - Promoting and embedding an appropriate culture aligned with the Firm's Purpose and Values, that:
 - (a) supports the consistent performance of high quality engagements, the Firm's role in serving the public interest and the long-term sustainability of the Firm; and
 - (b) encourages people to consult, challenge, contribute ideas and share problems, knowledge and experience.
 - Driving and monitoring operating and financial performance;
 - Assessing and controlling risk;
 - Prioritising and allocating resources.
- 1.2. In fulfilling its purpose the Executive Committee shall give due consideration to:
- The LLP's obligations and commitments as a member firm of the KPMG global network;
 - Balancing the interests of various stakeholders (employees, partners, clients, regulators and the public at large);
 - The Firm's Purpose and Values;
 - Upholding the integrity, brand and reputation of KPMG; and
 - Planning the firm's future development.
- 1.3. In fulfilling its responsibilities the Executive Committee ensures that the firm discharges its public interest responsibilities through its pursuit of the purpose of the Audit Firm Governance Code and regular dialogue with the Independent Non-Executives, in particular, prioritising Audit Quality (in coordination with the Audit Executive and regular dialogue with the Audit Non-Executives) and the application of Ethical Standards and the ICAEW's Code of Ethics.

2. Authority and Delegation

- 2.1 The Executive Committee is a committee of the LLP and the individual members of the Executive Committee have duly delegated authority to carry out the responsibilities in section 5 below, any other matters relating to the purpose of the Audit Firm Governance Code and as set out from time to time in their respective role mandates approved by the Chief Executive (and, in the case of the Head of Audit's role mandate, subject to consultation with the Audit Board).
- 2.2 These terms of reference should be read in conjunction with any delegated authorities or decisions matrix approved by the Chief Executive.

- 2.3 Subject to the LLP Agreement and the firm's other constitutional documents and to any directions given by the Board, the Executive Committee may exercise all the powers of the LLP provided that the Executive Committee shall not exercise any power reserved to the Board (as set out in the LLP Agreement, Board Charter and Terms of Reference, or notified by the Board from time to time) or reserved to the Audit Board (as determined by the Board), or reserved to the Members (as set out in the LLP Agreement).
- 2.4 The Executive Committee may delegate any of the powers it is authorised to exercise to an Executive subgroup of the Executive Committee but shall continue to remain accountable for any management undertaken or any decisions made by any of those Executive subgroups.
- 2.5 The Executive Committee shall remain accountable to the Chief Executive and to the Board, and may at its own discretion or at the request of the Board, promptly give or make available to the Board such information, reports and other documents to enable the Board to carry out its duties.

3. Constitution

- 3.1 Chair
- 3.1.1 The Chair of the Executive Committee is the Chief Executive.
- 3.1.2 In the absence of the Chair of the Executive Committee or if the Chair so chooses another member of the Executive Committee shall act as Chair.
- 3.1.3 The Chair of the Committee has a casting vote.
- 3.1.4 In the event that the Chair of the Executive Committee declares a conflict of interest, or the Executive Committee decides that such individual has a conflict of interest, then the members of the Executive Committee shall appoint a chair from amongst themselves to chair the meeting or the relevant part of the meeting.
- 3.2 Membership
- 3.2.1 The Executive Committee comprises those senior executives as the Chief Executive may determine as ratified by the Board (and who shall be appointed with the endorsement of the People Committee). At the date of these Terms of Reference, such senior executives are the following:
- Chief Executive (Chair);
 - Chief Operating and Financial Officer ("COFO");
 - Chief Risk Officer ("CRO");
 - Chief People Officer ("CPO");
 - Head of Audit;
 - Head of Advisory
 - Head of Tax and Legal;
 - Head of Markets;
 - Head of Corporate Affairs

Appendix 16: Executive Committee

Continued

Executive Committee – Terms of Reference (continued)

- 3.2.2 Executive Committee Members' roles, duties, responsibilities, goals, delegations and key accountabilities shall be set by the Chief Executive with reference to strategic goals, performance (including financial, operations and technology), people and culture and risk. Performance against these objectives and accountabilities shall be the subject of regular reporting (on an approximately monthly basis) to the Executive Committee.
- 3.3 Duration of appointments
- 3.3.1 Unless otherwise determined by the Board, the duration of appointments will be for a continuous term at the discretion of the Chief Executive.
- 3.4 Secretary
- 3.4.1 The Head of Governance or their nominee shall act as Secretary to the Executive Committee and attend all meetings.
- 3.4.2 The Head of Governance (or nominee) shall record the proceedings and decisions of the Executive 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 Executive Committee shall meet monthly and otherwise as required.
- 4.1.2 Meetings of the Executive Committee may be called by the Chair of the Executive Committee at any time to consider any matters falling within these Terms of Reference.
- 4.2 Quorum
- 4.2.1 The quorum for any meeting of the Executive Committee shall be two-thirds of its members.
- 4.2.2 A duly convened meeting of the Executive 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 Executive Committee.
- 4.2.3 The members of the Executive Committee may participate in a meeting of the Executive 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 Executive Committee, and the General Counsel, have the right to attend all Executive Committee meetings.
- 4.3.2 In addition to the General Counsel, regular attendees at meetings of the Executive Committee include the following (at the discretion of the Chair of the Executive Committee):
- Chief of Staff; and
 - Head of Governance (or delegate).
- 4.3.3 Any Partner, officer, employee of the LLP or other potential attendees may attend all or part of an Executive Committee meeting at the invitation of the Chair of the Executive Committee and they may collectively or individually be requested to withdraw from meetings of the Committee at any time if required to do so by the Chair of the Executive Committee.
- 4.4 Resolutions
- 4.4.1 The Committee shall reach decisions by a simple majority of those voting on the issue in question. If the number of votes for and against a certain proposal are equal, the Chair has a casting vote.
- 4.4.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Executive Committee as would have been necessary to pass such resolution had all members of the Executive 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 Executive Committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Executive Committee.
- 4.5 Conflicts of interest of individual Executive Committee members
- 4.5.1 If a member of the Executive Committee has a conflict of interest, they shall immediately disclose this to the Chair of the Executive Committee and where appropriate recuse themselves from any deliberations or votes of the Executive Committee concerning the relevant subject-matter.
- 5. Responsibilities**
- The detailed responsibilities of the Executive Committee include, but are not limited to, the following:
- 5.1. Values, integrity and diversity
- The Executive Committee is responsible for:
- 5.1.1. Actively promoting the LLP's culture and values;
- 5.1.2. Operationalising the firm's values and ensuring these are widely understood and consistently adhered to;
- 5.1.3. Ensuring the firm, its partners and employees act with high integrity, which is aligned to and promotes the KPMG vision of becoming the most trusted professional services firm;

Appendix 16: Executive Committee

Continued

Executive Committee – Terms of Reference (continued)

- 5.1.4. Driving inclusion and diversity and ensuring the composition of the LLP's workforce (partners, employees and contractors) is representative of wider society; and
- 5.1.5. Developing and proposing Inclusion and Diversity targets and recommending to the Board (subject to prior consultation with the People Committee) for approval.
- 5.1.6. Monitoring the Firm's diversity pay gap data and taking steps to address any relevant concerns identified .
- 5.2 Strategy
- The Executive Committee is responsible for:
- 5.2.1. Working jointly with the Board on the development of the strategy for the LLP (for recommendation and approval by the Board) having regard to:
- the interests of its members, clients, employees, regulators and other stakeholders; and
 - the appropriate appetite for associated risks;
- 5.2.2. Informing the strategy, laying the foundations and designing the process for the strategy development;
- 5.2.3. The delivery, successful execution and implementation of the approved strategy including considering and managing actual and emerging risks that may impact achievement of the strategy;
- 5.2.4. The development and implementation of financial and operational plans, policies, procedures and budgets to execute the strategy; and
- 5.2.5. Ensuring the active liaison, co-ordination and co-operation between different parts of the business to support execution of the strategy and business plans and fulfilment of its other responsibilities.
- 5.2.6. Ensuring the alignment between the strategy for the Audit business, as developed by the Audit Executive, and the strategy for the LLP.
- 5.2.7. The communication of the Firm's strategy.
- 5.3. Performance and Operations
- The Executive Committee is responsible for:
- 5.3.1. Developing and preparing the firm's budgets, forecasts, annual budget plan and UK Business Plan and recommending to the Board for approval;
- 5.3.2. Achieving the approved budgets, and annual budget plan;
- 5.3.3. Actively managing and monitoring the operational and financial performance of the LLP against targets, objectives and key performance indicators (set by the Board or the Executive Committee where appropriate) including oversight of delivery of these targets, objectives and performance indicators by individual Executive Committee members in line with their individual accountabilities, and in the case of the Audit business and the Head of Audit, taking into account any targets, objectives and key performance indicators recommended by the Audit Board;
- 5.3.4. Optimising the calibration, allocation, prioritisation and adequacy of the firm's resources;
- 5.3.5. Ensuring the FRC's Principles of Operational Separation are respected as regards the operations of the Firm, including the Audit Practice;
- 5.3.6. Holding leaders within the business to account through an effective organisational, performance and accountability structure taking action where required; and
- 5.3.7. Identifying issues and acting on early warnings and deviations from the business plan and/or budget, reviewing the adequacy of interventions and monitoring the effectiveness of remedial actions.
- 5.4. Partner promotion, performance cycle and remuneration
- The Executive Committee is responsible for:
- 5.4.1. The design (for recommendation and approval by the People Committee and Board as appropriate) of the performance cycle for Partners, including balanced score cards, goals, mid-year reviews, year-end reviews, partner 360 evaluation and dual pens, taking account of relevant recommendations of the Audit Board as concerns Audit Partners;
- 5.4.2. Developing the partner promotion framework and process (for recommendation and approval by the People Committee and Board as appropriate), identifying suitable candidates for partner promotion and approving the quantum of promotions and individual candidates in alignment with the business plan, inclusion and diversity targets and KPMG values, taking account of relevant recommendations of the Audit Board with respect to the framework and process only as concerns Audit Partners;
- 5.4.3. The design (for recommendation and approval by the People Committee and Board as appropriate) of relevant remuneration policies and principles for Partners, taking account of relevant recommendations of the Audit Board and the Remuneration Committee of the Audit Board, as such policies and principles concern Audit Partners; and
- 5.4.4. Implementation of the performance cycle, remuneration policies and principles through the annual distribution of profits to Partners within the parameters established by the Board, including taking account of recommendations as the case may be by the People Committee and/or the Audit Board, and set out in the LLP Partnership Agreement.

Appendix 16: Executive Committee

Continued

Executive Committee – Terms of Reference (continued)

5.5 Investments

The Executive Committee is responsible for:

- 5.5.1. Developing an investment framework (for approval by the Board) (including processes, portfolio allocation, evaluation criteria and governance) and implementing it effectively;
- 5.5.2. Reviewing proposed investment business cases (including assessing strategic and financial merits as well as risk profile) and, in the case of organic and ordinary course investments (including multi-year commitments) with cash or FTE commitments with a value of up to £40 million, approving them if appropriate, or if greater than £40 million, making recommendations to the Board for its deliberation and approval. For inorganic investments such as acquisitions and JV investments, and business disposals, the approval limit is £20 million with any investments exceeding this to be recommended to the Board for approval.
- 5.5.3. Ensuring that the relevant members of the Executive Committee and Executive subgroups execute and deliver all approved investments in accordance with the relevant approved business plans in their business area;
- 5.5.4. Examining all trade investments, divestments and major capital expenditure proposals and recommending to the Board, for approval, those which are material either by nature or cost (taking into consideration, the view of the Public Interest Committee or, if relevant to the Audit Practice, the view of the Audit Board); and
- 5.5.5. Reviewing the performance of investments in terms of both effectiveness of integration, management of risks and return on investment, each as set out in the given investment's approved business case.

5.6 Risk Management and Internal Controls

The Executive Committee is responsible for:

- 5.6.1. Managing the Firm's risk (including ensuring that the Enterprise-Wide Risk Management Framework is operative and effective) and protecting the KPMG brand in general and for each individual Executive Committee member's area of responsibility;
- 5.6.2. Ensuring that the Risk Appetite is developed in collaboration with the CRO and COO and once approved by the Board is fully embedded in the business, including across strategy, planning, decision-making processes and partner remuneration;
- 5.6.3. Ensuring resources and processes are in place to support the Risk Appetite framework (including the Audit practice's appetite and mitigations for accepting higher risk audits as recommended by the Audit Board);
- 5.6.4. Identifying on a timely basis breaches of Risk Appetite, escalating them and developing mitigating actions;

5.6.5. Monitoring compliance with the Board approved Risk Appetite, including overseeing and managing portfolio risks and risk reward profiles of different parts of the business;

5.6.6. Ensuring that risk considerations are incorporated within the strategic planning and budgeting processes;

5.6.7. Ensuring each individual Executive Committee member manages the strategic risk, operational risk, financial risk and regulatory, compliance and legal risk in their area of responsibility, including the embedding of the risk principles and the developing of their respective risk appetite statements (and, in the case of the Head of Audit's area of responsibility, taking account of any applicable recommendations of the Audit Board);

5.6.8. Receiving regular reports on risk issues from the CRO in their risk oversight (2nd line of defence) capacity;

5.6.9. Receiving and acting upon findings and recommendations of the Head of Internal Audit in their risk assurance (3rd line of defence) capacity;

5.6.10. Ensuring compliance with relevant policies, legislation and regulations;

5.6.11. Ensuring the adequacy and compliance with internal controls within the Executive Committee members' respective business areas through active monitoring and management and in particular the implementation of controls and processes within the applicable ISQM1 requirements; and

5.6.12. Safeguarding the integrity and adequacy of management information and financial reporting systems.

5.7 Financial and non-financial reporting

In connection with year-end matters, development and, where applicable, recommendation for Board approval of the Firm's Financial Statements, Annual Members Report, Transparency Report and other relevant Environmental, Social and Governance public reporting

5.8 Board Alignment and Escalation

The Executive Committee has a responsibility to identify matters required or appropriate for escalation to the Board or the appropriate Board Committee and to review, debate and form recommendations on relevant items prior to such escalation. This responsibility is in addition to the right for the Board or any Board Committee to request or require escalation to them of any defined matters or categories of matter.

Appendix 16: Executive Committee

Continued

Executive Committee – Terms of Reference (continued)

6. Reporting and Duty to Keep Board Informed

- 6.1. Minutes of each Executive Committee meeting will be disclosed at the next meeting of the Board following their approval.
- 6.2. The Executive Committee reports to the Board and the Chief Executive shall report to each Board meeting on matters within their duties and responsibilities.
- 6.3. The Executive Committee shall provide relevant reports to the Audit Board and the Head of Audit shall report to each Audit Board meeting on matters relating to or impacting the Audit business within the Executive Committee's duties and responsibilities.

7. Executive Committee Sub-Groups and Delegations

- 7.1. The Executive Committee may establish Executive sub-groups to support the fulfilment of responsibilities outlined in section 5. At the date of these terms of reference the following are in operation:
 - Operations Executive;
 - Risk Executive; and
 - Audit Executive.

All duties and powers of such Executive sub-groups are subject to the limitations of authority stated in their terms of reference which are subject to approval by the Executive Committee and, in the case of the Audit Executive, also to take account of any recommendations of the Audit Board.

- 7.2. Executive Committee Sub-Groups shall routinely and regularly report to the Executive Committee, Board, Audit Board (in the case of the Audit Executive) and/or Board Committee (as relevant) on the exercise of their delegated duties and powers.
- 7.3. The Executive sub-groups shall work closely with the other Executive sub-groups to share information, be efficient and timely and prevent overlap (unless required).

8. Governance and Resources

- 8.1. The Executive Committee shall, via the Chief Executive's office, make available to new members of the Executive Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Executive Committee.
- 8.2. The Executive 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 Executive 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, public interest and reputation implications of its decisions (liaising where relevant with the Board, its committees and the Audit Board).

- 8.4. The Executive Committee shall have access to sufficient resources in order to carry out its duties. In consultation with the Chair of the Board and/or General Counsel, it shall have the power to engage independent counsel and other professional advisers.

9. Review and Terms of Reference

- 9.1. The Executive Committee shall annually review its Terms of Reference and may recommend to the Board for approval any amendments.
- 9.2. The Executive Committee shall conduct an annual assessment of its activities under these terms of reference and report any conclusions or recommendations to the Board.

**Approved by the Board on 13 December 2023
and effective from 1 January 2024**

Appendix 17: Risk Executive

Risk Executive

Role

The Risk Executive provides the Executive Committee with appropriate oversight, governance and outcomes in relation to (i) risk management and (ii) reputation issues (including, but not limited to, legal, regulatory and conduct issues). The Risk Executive also supports the Operations Executive to manage operational, financial and people risk by providing oversight of the key risks in those areas.

The Risk Executive makes decisions, oversees implementation and provides guidance, and assurance to the Executive Committee and the Board that the firm is acting within its agreed risk appetite and is achieving its strategic outcomes in relation to the following matters:

- Meeting or exceeding all relevant legal, regulatory, ethics and independence and compliance requirements.
- Improving relationships and building trust with regulators, clients and other stakeholders.
- Effectively monitoring and addressing threats and challenges to the Firm's brand and reputation.

Members

Unless otherwise determined by the Executive Committee, the duration of appointments of members of the Committee will be for a continuous term.



John Bennett (Chair)

Chief Risk Officer and Ethics Partner
KPMG in the UK



Neil Barnicoat

General Counsel
KPMG in the UK



Chris Hearld

Chief Operating and Financial Officer
KPMG in the UK



Paul Heywood

Tax & Legal Risk Management
Partner
KPMG in the UK



John Luke

Chief Risk Officer – Audit
KPMG in the UK



Simon Pilkington

Consulting Risk Management
Partner
KPMG in the UK



Andy Pyle

Deal Advisory Risk Management
Partner
KPMG in the UK



Andy Samsonoff

Chief Information Security Officer &
technology Risk Partner
KPMG in the UK

Appendix 17: Risk Executive

continued

Risk Executive Committee of KPMG LLP – Terms of Reference

1 Purpose

- 1.1. The role of the Risk Executive shall be to provide the Executive Committee (“the ExCo”) with appropriate oversight, governance and outcomes in relation to (i) risk management and (ii) reputation issues (including, but not limited to, legal, regulatory and conduct issues). The Risk Executive will also support the Operations Executive to manage operational, financial and people risk by providing oversight of the key risks in those areas.
- 1.2. The Risk Executive shall make decisions, oversee implementation and provide guidance, and assurance to the ExCo and the UK LLP Board (the “Board”) that the UK Firm (the “Firm”) is acting within its agreed risk appetite and is achieving its strategic outcomes in relation to the below matters, including: meeting or exceeding all relevant legal, regulatory, ethics and independence and compliance requirements; improving relationships and building trust with regulators, clients and other stakeholders; and effectively monitoring and addressing threats and challenges to the Firm’s brand and reputation.

2 Authority and Delegation (including working groups)

- 2.1 The Risk Executive is a subcommittee of the ExCo from which it derives its authority and to which it regularly reports. The ExCo derives its authority from the Board. The Risk Executive has authority to review and investigate any matters within its terms of reference and to obtain such information as it may require from any member, officer or employee of KPMG in relation to such.
- 2.2 In order to discharge specific tasks and activities, including for analysis, consultations and escalations as appropriate, the Risk Executive has established the following Working Groups : CEAC Committee, Ethics Working Group, Information Governance Oversight Committee and the Policies, Controls and Compliance Working Group; such working groups may be comprised of representatives of the Risk Executive and other individuals (including KPMG partners, officers and employees) with relevant expertise. Delegations to, and the terms of reference of, the Working Groups will be approved by the Risk Executive and reviewed on an annual basis.
- 2.3 The Risk Executive shall escalate appropriate issues and decisions to the ExCo and, if necessary, the Board or Board Committees.

3 Constitution

3.1 Chairperson

- 3.1.1 The Risk Executive will be chaired by the Chief Risk Officer. In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

3.2 Membership

- 3.2.1 Membership shall be ratified by the ExCo and shall include the following, or delegates acceptable to the Chair:
 - Chief Risk Officer (Chair)
 - General Counsel
 - Chief Operating Officer
 - COO – Risk & Legal
 - Ethics Partner
 - Head of Tax and Legal Risk
 - Head of Audit Risk
 - Head of Consulting Risk
 - Head of Deals Risk

3.3 Standing Invites

- 3.3.1 The following individuals are in attendance at the meeting but are not voting members:
 - Head of Regulatory Affairs
 - Head of KBS Risk
 - Head of Regional Risk
 - Head of Corporate Affairs (or their delegate)
 - Chief Information Security Officer

- 3.3.2 The Chief Executive will have a standing invitation to the Risk Executive and can attend when they wish.

3.4 Other attendees

- 3.4.1 Other individuals shall be asked to attend meetings as required at the discretion of the Chair.

3.5 Participation

- 3.5.1 Participation shall usually be in person, but as agreed with the Chair of the Risk Executive, a person/member may participate by telephone or via the Teams facility and be deemed to be present and/or constitute part of the Risk Executive for that meeting.

3.6 Duration of appointments

- 3.6.1 Unless otherwise determined by the ExCo, the duration of appointments of members of the Committee will be for a continuous term.

3.7 Secretary

- 3.7.1 A Committee Secretary shall be appointed to support the Committee from the Board Governance team.
- 3.7.2 The Secretary shall attend all meetings and will be responsible for recording the proceedings and decisions of the Committee meetings and the minutes shall be made available to all members and attendees, as appropriate.

Appendix 17: Risk Executive

continued

Risk Executive Committee of KPMG LLP – Terms of Reference (continued)

4 Proceedings of Meetings

4.1 Frequency of Meetings

- 4.1.1 The Risk Executive shall meet at least monthly (or more often, at the discretion of the Chair) and shall provide regular reports and relevant qualitative and quantitative management information to the Board, Executive Committee, and the Board Risk Committee (as relevant).

4.2 Notice of Meetings

- 4.2.1 Unless otherwise agreed, notice of each meeting confirming the location, time and date shall be forwarded to each member of the Risk Executive and any other attendees required to attend.
- 4.2.2 Ad-hoc meetings of the Risk Executive, other than those regularly scheduled, shall be convened by the Secretary at the request of any of the Risk Executive members, if they consider it necessary.

4.3 Ad hoc meetings

- 4.3.1 Ad-hoc meetings of the Risk Executive, other than those regularly scheduled, shall be convened by the Secretary at the request of any of the Risk Executive members, if they consider it necessary.
- 4.3.2 Additional ad-hoc meetings can be set up where required by any member of the Risk Executive, with approval from the Chair, to consider particular circumstances.

4.4 Quorum

- 4.4.1 The majority of members may form a quorum. A duly convened meeting of the Risk Executive at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Risk Executive.

4.5 Decisions

- 4.5.1 While making decisions the Risk Executive will take into consideration the Board approved Strategy and Risk Appetite, any instructions given to it by the ExCo to which it reports and in accordance with the Decision Matrix as approved from time to time by the ExCo.
- 4.5.2 The Risk Executive shall reach decisions by simple majority of those members voting on the matter in question. If the numbers for and against are equal the Chair of the Risk Executive shall have the casting vote or escalate the matter to the ExCo.
- 4.5.3 Any decision evidenced in writing or by electronic or voice recognition means, by such member or members of the Risk Executive as would have been necessary to pass such decision had all members of the Risk Executive 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 Risk Executive duly convened and held, provided that notice and details of the proposed decision have been given in advance to each member of the Risk Executive.

5 Responsibilities

- 5.1 The Risk Executive's responsibilities shall be determined by the ExCo from time to time and, in any event, shall include the following responsibilities:

5.2 Risk Management (including compliance)

5.2.1 Risk management

- Approving the Firm's enterprise risk management framework
- Horizon scanning for emerging internal and external risks (including changes in the enterprise risk management framework)
- Performing deep dives into any new or emerging risks
- Providing oversight of the Firm's Information Security Programme
- Providing oversight to ensure that the Firm is operating within the Board's approved Risk Appetite
- Reviewing the risk and control process ('RACA') and the watchlists received from Capabilities
- Approving the principal risk statements for the annual report
- Overseeing the adequacy of the risk training curriculum
- Approval of new or any material changes to risk policies
- Considering on an annual basis the adequacy of the controls in place to manage each of the Level One risks

5.2.2 Compliance

- Approving on an annual basis the Firm's overall programme of compliance activity
- Considering the results from the Firm's key compliance programmes (including RCP, QPR and GCR), the adequacy of the proposed actions and monitoring to ensure that action plans are implemented in line with plans
- Considering any breaches of laws or regulations (including of the FRC's Ethical Standard)
- Considering any themes arising from the annual quality & risk metrics process
- Ensuring that the Firm is compliant with the requirements of ISQM1
- Ensuring that the Firm implements all new KPMG International risk management policies, procedures, and any other requirements on a timely basis.
- Ensuring that the Firm is compliant with all KPMG International, regulatory and external accreditation requirements with respect to Information Security

Appendix 17: Risk Executive

continued

Risk Executive Committee of KPMG LLP – Terms of Reference (continued)

5.2.3 Reputation issues

- a. Litigation and regulatory action
 - Provide oversight to ensure that lessons learned from material litigation and regulatory actions are proactively considered and where necessary actions are taken to address findings
 - Consider on an annual basis the adequacy of insurance coverage for all key professional risk insurances (PII, D&O & cyber) and make recommendations to the Board Risk Committee
 - Review quantitative and qualitative complaints data to assess materiality, themes, root cause and plans for improvement
- b. Regulatory affairs
 - Monitor the status of relationships with all key regulators
 - Approve annual stakeholder engagement plan for all key regulators
 - Receive regular reporting to ensure that all key regulatory commitments are met
- c. Conduct
 - Consider the results from the annual partner conduct verification process to ensure that all risks or warnings with regards to the fitness and propriety of all partners are being mitigated or handled appropriately and that any themes emerging are addressed
 - Consider the six-monthly report from the ombudsman on the operation of the Speak Up Hotline
 - Consider quarterly reporting on conduct issues to ensure that any hotspots or firm wide emerging themes are identified and addressed
- d. Other
 - Consider on an annual basis the adequacy of the crisis management and business continuity plan
 - Provide relevant input into the development of the annual internal audit programme and provide oversight of the implementation of actions for any internal audit findings from reports that are relevant to risk management.

6 Reporting

- 6.1 The Chair of the Operations Executive shall report formally to the ExCo on matters dealt with in the Operations Executive in as much detail as the ExCo would like.
- 6.2 The Chair of the Risk Executive shall report formally to the ExCo on matters dealt with in the Risk Executive in as much detail as the ExCo would like.
- 6.3 The Risk Executive will decide what information, and in what form, it would like provided to it and make sure this is created and received by the members at regular intervals as agreed by the Risk Executive.
- 6.4 The Risk Executive shall, at the direction of the Chair or another chair of another leadership group, share information and decisions as appropriate with the ExCo, the Operations Executive, the Board or the Board committees (as relevant).

7 Governance and Resources

- 7.1 The Risk Executive 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.
- 7.2 The Risk Executive will have an annual work plan to help it address all of its responsibilities above. This work plan is a live document and will constantly be updated to reflect matters of priority and items that need to be addressed.
- 7.3 The members will receive an agenda and any other appropriate or supporting information one week in advance of each meeting and the Secretary will keep minutes of its proceedings and an action list, circulate those minutes/action list as appropriate, record any changes in the membership and maintain appropriate records of decisions etc.
- 7.4 Minutes of meetings and the action list shall be made available promptly to all members and those that need them to undertake any action by the Risk Executive.
- 7.5 The Risk Executive shall conduct an annual assessment of its activities under these terms of reference and report any conclusions or recommendations to the ExCo and, as part of that assessment, shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual work plan is manageable.

8 Terms of Reference

- 8.1 The Risk Executive shall annually review its terms of reference and may recommend to the ExCo any amendments to its terms of reference.

Approved by the Executive Committee on 28 July 2023

Appendix 18: Operations Executive

Operations Executive

Role

The Operations Executive provides the Executive Committee with appropriate oversight and outcomes in relation to delivery of the UK firm's operations and technology strategy in support of the three year business plan, and vision to be the 'Fastest Growing, Most Connected, Most Trusted professional services firm'.

Members

Unless otherwise determined by the Executive Committee, the duration of appointments of members of the Committee will be for a continuous term.



Chris Hearld (Chair)
Chief Operating and Financial Officer
KPMG in the UK



Phil Abram
Partner, Markets and Corporate
Development
KPMG in the UK



Neil Barnicoat
General Counsel
KPMG in the UK



John Bennett
Chief Risk Officer and Ethics Partner
KPMG in the UK



Lindsey Crossland
Chief Accounting Officer
KPMG in the UK



Mick Davies
Chief Operating Officer, Audit
KPMG in the UK



Karl Edge
Chief People Officer
KPMG in the UK



Peter Luscombe
Advisory COO
KPMG in the UK



Alan Turner
Chief Operating Officer, Tax & Legal
KPMG in the UK



James Osborn
Chief Digital Officer and Partner
KPMG in the UK



Suzanne Shenton
Head of KBS and Transformation
KPMG in the UK



Guy Stallard
Chief Operating Officer, KBS
KPMG in the UK



Laura Stamp
Partner, Financial Services,
Deal Advisory
KPMG in the UK



Sue Richardson
Chief Operating Officer –
Deal Advisory
KPMG in the UK



Donald Wilson
Chief Operating Officer, Consulting
KPMG in the UK

Appendix 18: Operations Executive

continued

Operations Executive Committee of KPMG LLP – Terms of Reference

1 Purpose

The role of the Operations Executive Committee (“the Operations Executive” or “the Committee”) shall be to provide the Executive Committee (“the ExCo”) with appropriate oversight and outcomes in relation to delivery of the UK Firm’s (“the Firm”) operations and technology strategy in support of the 3 Year Business Plan and KPMG’s vision to be the ‘Fastest Growing, Most Connected, Most Trusted professional services firm’.

2 Authority and Delegation (including working groups)

- 2.1. The Operations Executive is a subcommittee of the ExCo from which it derives its authority and to which it regularly reports. The ExCo derives its authority from the Board.
- 2.2. The Operations Executive has delegated authority from the ExCo in respect of functions and powers set out in these terms of reference and the specific responsibilities set out above (with further approval required from the ExCo, Board or Board Committee (as relevant)).
- 2.3. The Operations Executive has authority to review and investigate any matter within its terms of reference and to obtain such information as it may require from any member, officer, or employee of KPMG in relation to such.
- 2.4. Additional working groups of the Operations Executive may be established by the Operations Executive for specific tasks and activities, including for analysis, consultations, and escalations as appropriate; such working groups may be comprised of representatives of the Operations Executive and other individuals (including KPMG partners, officers, and employees) with relevant expertise.
- 2.5. Only members of the Operations Executive however will be able to make decisions on matters.
- 2.6. Delegations to, and the terms of reference of, the Working Groups will be approved by the Operations Executive and reviewed on an annual basis.

3 Constitution

3.1 Chairperson

- 3.1.1 The Chair of the Committee will be the Chief Operating and Financial Officer as appointed by the Chief Executive and ratified by the ExCo.
- 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 Membership shall be ratified by the ExCo and shall include the following, or delegates acceptable to the Chair:

- Chief Operating and Financial Officer (Chair)
- Chief People Officer
- Chief Accounting Officer
- Chief Digital Officer
- Chief Risk Officer
- Capability COOs
- Head of Corporate Development
- Head of KBS and Transformation
- Corporate Services COOs
- General Counsel, Risk and Legal COO
- Director of Internal Communications

3.3 Standing Invites

3.3.1 The following individuals will have a standing invitation to the Operations Executive and can attend when they wish:

- Chief Executive
- Head of Corporate Affairs (in relation to Reputational Matters)
- Programme Lead – EMpowered
- KGS CEO
- The Board Secretary (or their delegate)
- COFO Operations Representatives

3.4 Other attendees

3.4.1 Other individuals shall be asked to attend meetings as required at the discretion of the Chair.

3.5 Duration of appointments

3.5.1 Unless otherwise determined by the ExCo, the duration of appointments of members of the Committee will be for a continuous term.

3.6 Secretary

3.6.1 A Committee Secretary shall be appointed to support the Committee from the Governance team.

3.6.2 The Secretary shall attend all meetings and will be responsible for recording the proceedings and decisions of the Committee meetings and the minutes shall be made available to all members and attendees, as appropriate.

Appendix 18: Operations Executive

continued

Operations Executive – Terms of Reference (continued)

4. Proceedings of Meetings

4.1 Frequency of Meetings

- 4.1.1 The Operations Executive shall meet at least monthly (or more, at the discretion of the Chair) and shall provide regular reports and relevant qualitative and quantitative management information to the ExCo, the Board or any Board Committee, as relevant, (such as the People Committee, Audit Committee). It shall also provide specialist reviews, “deep dive” reports as required by these Terms of Reference or as necessary.

4.2 Notice of Meetings

- 4.2.1 Unless otherwise agreed, notice of each meeting confirming the location, time and date shall be forwarded to each member of the Operations Executive and any other attendees required to attend by the Chair of the Committee.

4.3 Ad hoc meetings

- 4.3.1 Other than those regularly scheduled, the Operations Executive shall be convened by the COFO's office at the request of any of the Operations Executive members, if they consider it necessary.

4.4 Quorum

- 4.4.1 Any four members may form a quorum. A duly convened meeting of the Operations Executive at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Operations Executive.

4.5 Decisions

- 4.5.1 While making decisions the Operations Executive will take into consideration the Board approved Strategy and Risk Appetite, any instructions given to it by the ExCo to which it reports and the Decision Matrix as approved from time to time by the ExCo. The Operations Executive shall not have the authority to make any decisions which have a material impact on the Firm's Audit function without the agreement of the Head of Audit or the Chief Executive, and such agreement to be provided in writing. If it is unclear if the matter has a material impact on Audit the matter shall be referred to the ExCo.
- 4.5.2 The Operations Executive shall reach decisions by simple majority of those members voting on the matter in question. If the numbers for and against are equal the Chair of the Operations Executive shall have the casting vote or escalate the matter to the Executive Committee.
- 4.5.3 Any decision evidenced in writing or by electronic or voice recognition means, by such member or members of the Operations Executive as would have been necessary to pass such decision had all members of the Operations Executive 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 Operations

Executive duly convened provided that notice and details of the proposed decision have been given in advance to each member of the Operations Executive.

5 Responsibilities

- 5.1 The Operations Executive responsibilities shall be determined by the ExCo from time to time and, in any event, shall include the following responsibilities:

5.2 Strategy

- 5.2.1 Developing and preparing (for the ExCo's review and recommendation to the Board for approval) the Firm's annual budget and 3 Year Business Plan that seeks to deliver sustainable profitable growth over the next 3 to 4 years.
- 5.2.2 Developing (on behalf of the ExCo and for approval by the ExCo and the Board as appropriate) the strategy for enterprise wide technology and business support services (KBS and EWT) and firmwide location/ offshoring strategy.
- 5.2.3 Ensuring that the Operations strategy is appropriately aligned to the relevant UK and Global strategy and ensure effective connection to the corresponding Global teams to ensure a global approach.

5.3 Performance and Operations

- 5.3.1 Actively managing and monitoring the operational and financial performance of the Firm against targets, objectives, and key performance indicators (set by the Board or ExCo where appropriate) including oversight (on behalf of the Chief Executive and the ExCo) of delivery against these targets, objectives and KPIs by individual ExCo members in line with their individual accountabilities. This will include all operational matters (including managing overheads and monitoring performance, within the Board approved budget and 3 Year Business Plan).
- 5.3.2 Supporting the ExCo in its responsibility to ensure the achievement of the approved budgets and UK 3-year Business Plan.
- 5.3.3 Reviewing and challenging organisational finance and group budgets and overseeing the business planning process; making recommendations to the ExCo for approval.
- 5.3.4 Managing the Firm's working capital position through the setting and monitoring of lock up targets.
- 5.3.5 Overseeing the operational effectiveness of offshore services (including reviewing quality and effectiveness) of the relevant delivery centre network.
- 5.3.6 In collaboration with the Investment Committee, overseeing the development and delivery of the investment portfolio associated with the 3 Year Business plan. This will include monitoring risks and mitigation plans through the delivery phase of investments and developing and monitoring key metrics to measure return on investment and lessons learned.

Appendix 18: Operations Executive

continued

Operations Executive – Terms of Reference (continued)

- 5.3.7 Overseeing execution of any divestments approved by the ExCo within the investment framework approved by the Board.
- 5.4 People and Culture
- 5.4.1 Reviewing the (i) timing of and level of partner pay and (ii) partner business cases (from an affordability perspective).
- 5.4.2 Working with the ExCo and Audit Executive to execute on the people strategy including review and changes to salary and bonus levels for employees based on affordability.
- 5.4.3 Working with the ExCo and Audit Executive to optimise the calibration, allocation, prioritisation, and adequacy of the Firm's resources.
- 5.4.4 Overseeing firmwide HR processes and policies, including recruitment and retention, learning and development and making recommendations to the ExCo (or as the case may be, the Audit Executive) for its approval.
- 5.4.5 Monitoring people policies and processes and regularly reviewing and making changes (or, recommending to the Audit Executive, where relevant) if thought appropriate and necessary.
- 5.4.6 Overseeing the implementation of inclusion and diversity plans and pay gap for employees and making recommendations to the ExCo (or as the case may be, the Audit Executive) for their approval or recommendation to the Board or People Committee.
- 5.4.7 Creating and implementing the GPS, reviewing the outcome, and ensuring the issues that it raises are addressed.
- 5.5 KPMG Business Services (KBS) and Enterprise-wide Technology(EWT)
- 5.5.1 Oversight of the IT services and business support services and ensuring they operate effectively, allowing high quality delivery through the Firm; escalating matters to the ExCo as required.
- 5.5.2 Managing the Firm's property portfolio and its facilities and overseeing the continued evolution of new ways of working.
- 5.5.3 Managing the Firm's taxes and tax exposure.
- 5.5.4 Challenge the Firm's Budget and Long-Term Plan
- 5.5.5 Working with the Audit Executive and the Risk Executive to execute the technology strategy.
- 5.5.6 Setting policy (within the scope of its delegation from the ExCo) as relates to people, finance, technology, sales and marketing, operations and procurement.
- 5.5.7 Administering Corporate Affairs including internal and external communications.
- 5.5.8 Managing and monitoring compliance with the Firm's health and wellbeing protocols.
- 5.6 Risk
- 5.6.1 Working closely with the Risk Executive, and specifically the CRO to identify and review operations and technology risks and help put controls in place to monitor and control such exposures.
- 5.6.2 Oversight of the policies and procedures in place to ensure the Firm's systems are compliant with the General Data Protection Regulation.
- 5.6.3 Regular review of compliance statistics against the firm's operational policies.
- 5.6.4 Discuss and receive regular updates from Internal Audit on management actions, and progress against these.
- 5.6.5 Liaising with the Risk Executive in its responsibility to ensure the Firm's insurance policies are appropriate in their terms and coverage.
- 5.6.6 Identifying risk exposure issues arising in operations and acting on early warning and deviations from the business plan and/or budget, reviewing the adequacy of interventions and monitoring the effectiveness of remedial actions.
- 5.6.7 The Operations Executive may form working groups to accomplish the above outcomes and shall escalate appropriate issues and decisions to the ExCo and Audit Executive and, if necessary, the Board/Board Committees (eg, People Committee).
- 5.7 Other Matters
- 5.7.1 The Operations Executive, as well as dealing with the above responsibilities, will also deal with the items on the annual work plan and anything else delegated to it by the ExCo.
- 6 Reporting**
- 6.1 The Chair of the Operations Executive shall report formally to the ExCo on matters dealt with in the Operations Executive in as much detail as the ExCo would like.
- 6.2 The Operations Executive will decide what information, and in what form, it would like provided to it and make sure this is created and received by the members at regular intervals as agreed by the Operations Executive.
- 6.3 The Operations Executive shall, at the direction of the Chief Executive or another chair of another leadership group, share information and decisions as appropriate with the ExCo, the Risk Executive, the Audit Executive, Board, or the Board committees (as relevant).
- 7 Governance and Resources**
- 7.1 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.
- 7.2 The Committee shall conduct an annual self-assessment of its activities under these Terms of Reference and report any conclusions and recommendations to the ExCo 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.

Appendix 18: Operations Executive

continued

Operations Executive – Terms of Reference (continued)

- 7.3 The Operations Executive will have an annual work plan to help it address all of its responsibilities above. This work plan is a live document and will be updated to reflect matters of priority and items that need to be addressed.
- 7.4 The members will receive an agenda and any other appropriate or supporting information 3 days in advance of each meeting. The Secretary will keep minutes of its proceedings in the secure Operations Exec team space and will log actions in the standard Board and Executive Committee Jira-based action tracker. The Secretary will provide links to the minutes, papers, and the actions tracker as appropriate and on a timely basis to all members, record any changes in the membership and maintain appropriate records of decisions etc.
- 7.5 Minutes are submitted for formal approval to the Operations Executive at the next meeting.

8 Terms of Reference

- 8.1 The Operations Executive shall annually review its terms of reference and may recommend to the ExCo any amendments to its terms of reference.

Approved by ExCo on 29 February 2024

Appendix 19: Audit Executive

Audit Executive

Role

The Audit Executive manages the day-to-day activities of the Audit practice of the firm through developing and implementing strategy, operational plans, policies, procedures and budgets; driving and monitoring operating and financial performance; promoting and role-modelling a strong culture that supports audit quality; assessing and controlling risk; and prioritising and allocating resources.

The Audit Executive makes decisions, oversees implementation and reports to the Board (through the Executive Committee) and to the Audit Board, providing assurance that the firm is acting within its agreed risk appetite and is achieving its strategic outcomes in relation to Audit.

Members

Unless otherwise determined by the Executive Committee, the duration of appointments will be for a continuous term.



Catherine Burnet (Chair)
Head of Audit
KPMG in the UK



John Bennett
Chief Risk Officer and Ethics Partner
KPMG in the UK



Matt Campbell
Chief Technology Officer, Audit
KPMG in the UK



Mick Davies
Chief Operating Officer, Audit
KPMG in the UK



Simon Haydn-Jones
Head of CLR Audit
KPMG in the UK



Emily Jefferis
Head of Audit Quality
KPMG in the UK



Aimie Keki
Performance Group Leader,
Audit, KPMG Private Enterprise
KPMG in the UK



Jill Loughran
Head of People, Audit
KPMG in the UK



John Luke
Chief Risk Officer – Audit
KPMG in the UK



Fleur Nieboer
Head of Accounting, Advisory &
Assurance
KPMG in the UK



Salim Tharani
Performance Group Leader,
Financial Services
KPMG in the UK

Appendix 19: Audit Executive

continued

Audit Executive of KPMG LLP (the "Firm") – Terms of Reference

1. Purpose

- 1.1 The purpose of the Audit Executive is to manage the day-to-day activities of the Audit practice of the Firm through:
 - Developing and implementing strategy, operational plans, policies, procedures and budgets;
 - Driving and monitoring operating and financial performance;
 - Promoting and role-modelling a strong culture that supports audit quality;
 - Assessing and controlling risk;
 - Prioritising and allocating resources.
- 1.2 In fulfilling its purpose, the Audit Executive shall give due consideration to:
 - The Firm's obligations and commitments as a member firm of the KPMG global network;
 - Balancing the interests of various stakeholders (employees, partners, audited entities, regulators and the public at large);
 - Upholding the integrity, brand and reputation of KPMG; and
 - Planning the Audit Practice's future development.
- 1.3 In fulfilling its responsibilities (set out in section 5) the Audit Executive ensures that the Firm discharges its public interest responsibilities in relation to Audit, in particular, prioritising Audit Quality and the application of Ethical Standards and the ICAEW's Code of Ethics, and compliance with regulation (including the FRC's Principles of Operational Separation).

2. Authority and Delegation (including Working Groups)

- 2.1 The Audit Executive is a subcommittee of the Executive Committee from which it derives its authority and to which it regularly reports. The Executive Committee derives its authority from the Board.
- 2.2 The Audit Executive also reports to the Audit Board, which derives its authority from the Board to oversee the KPMG Audit practice.
- 2.3 The Audit Executive has delegated authority from the Executive Committee in respect of functions and powers set out in these Terms of Reference and the responsibilities set out above.
- 2.4 The Audit Executive has authority to review and investigate any matter within its Terms of Reference and to obtain such information as it may require from any member, officer or employee of KPMG in relation to such.
- 2.5 Working groups of the Audit Executive may be established by the Audit Executive for specific tasks and activities, including for analysis, consultations and escalations as appropriate; such working groups may be comprised of representatives of the Audit Executive and other individuals (including KPMG partners, officers and employees) with relevant expertise. Only members of the Audit Executive however will be able to make decisions on matters.
- 2.6 Delegations to, and the terms of reference of, the Working Groups will be approved by the Audit Executive and reviewed on an annual basis.

3. Constitution

- 3.1 Chair
 - 3.1.1 The Audit Executive will be chaired by the Head of Audit. In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
 - 3.1.2 In the event that the Chair, or the Chair of the meeting of the Audit Executive, declares a conflict of interest, or the Audit Executive decides that such individual has a conflict of interest, then an appointed deputy shall chair the meeting or the relevant part of the meeting. If the appointed deputy is also not available to chair the meeting or the relevant part of the meeting, then the members of the Audit Executive shall nominate a Chair from amongst themselves.
 - 3.1.3 Each member of the committee shall satisfy all Independence checks before their membership is confirmed on the committee.
- 3.2 Membership
 - 3.2.1 Membership shall be ratified by the Executive Committee and shall include the following, or delegates acceptable to the Chair subject to independence clearance:
 - Head of Audit (Chair);
 - Chief Operating and Finance Officer;
 - Chief Risk Officer;
 - COO for Audit;
 - CRO for Audit;
 - Head of People for Audit;
 - Head of Audit Quality;
 - PGL of KPE Audit (including PS);
 - PGL of FS Audit;
 - PGL of CLR Audit; and
 - UK Head of Assurance and Accounting; and
 - Chief Technology Officer for Audit.
 - 3.2.2 Any other members may be appointed by the Chair and ratified by the Executive Committee.
- 3.3 Standing attendees
 - 3.3.1 The following individuals will have a standing invitation to the Audit Executive and can attend when they wish:
 - Chief Executive
 - Head of Corporate Affairs (in relation to Reputational Matters); and
 - Head of Governance/Board Secretary
- 3.4 Other attendees
 - 3.4.1 Other individuals shall be asked to attend meetings as required at the discretion of the Chair.

Appendix 19: Audit Executive

continued

Audit Executive – Terms of Reference (continued)

- 3.5 Duration of appointments
- 3.5.1 Unless otherwise determined by the Executive Committee, the duration of appointments will be for a continuous term.
- 3.6 Secretary
- 3.6.1 A Committee Secretary shall be appointed to the Audit Executive by the Head of Governance/Board Secretary.
- 3.6.2 The Secretary shall attend all meetings and will be responsible for circulating documents in advance of the meetings and actions and documenting decisions.
- 4. Proceedings of the Meetings**
- 4.1 Frequency
- 4.1.1 The Audit Executive shall meet at least monthly (or more, at the discretion of the Chair) and shall provide regular reports and relevant qualitative and quantitative management information to the Board, Executive Committee, Audit Board, the Board People Committee and Board Risk Committee (as relevant).
- 4.1.2 Additional ad hoc meetings (including by conference call) can be set up where required by any member of the Audit Executive, with approval from the Chair, to consider particular circumstances.
- 4.2 Notice of meetings
- 4.2.1 Unless otherwise agreed, notice of each meeting confirming the location, time and date shall be forwarded to each member of the Audit Executive and any other attendees required to attend.
- 4.3 Ad hoc Meetings
- 4.3.1 Ad hoc meetings, other than those regularly scheduled, shall be summoned by the Secretary at the request of any of its members, if they consider it necessary.
- 4.4 Quorum
- 4.4.1 Any four members may form a quorum. A duly convened meeting of the Audit Executive at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Executive.
- 4.5 Participation
- 4.5.1 Participation shall usually be in person but, as agreed with the Chair of the Audit Executive, a member/ attendee may participate in a meeting of the Audit Executive from separate locations by means of conference technology or other communications equipment enabling those present to hear and speak to each other and shall be deemed to be present in person at such meeting for all purposes and shall be counted towards a quorum accordingly.
- 4.6 Conflict of Interest
- 4.6.1 If a member of the Audit Executive finds themselves with a conflict of interest in relation to a particular subject matter, they shall immediately disclose this to the Chair, and where appropriate, recuse themselves from any deliberation or vote of the Audit Executive on the matter in question.
- 4.7 Decisions
- 4.7.1 The Audit Executive shall make decisions, oversee implementation and report to the Board (through the Executive Committee) and to the Audit Board, providing assurance that the Firm is acting within its agreed risk appetite and is achieving its strategic outcomes in relation to Audit.
- 4.7.2 The Audit Executive will only make decisions which involve the Audit practice of the Firm.
- 4.7.3 While making decisions the Audit Executive will take into consideration the Board approved Strategy and Risk Appetite, any instructions given to it by the Executive Committee to which it reports. The Audit Executive shall reach decisions by simple majority of those members voting on the matter in question. If the numbers for and against are equal the Chair of the Audit Executive shall have the casting vote or may escalate the matter to the Executive Committee.
- 4.7.4 Any decision evidenced in writing or by electronic or voice recognition means, by such member or members of the Audit Executive as would have been necessary to pass such decision had all members of the Audit Executive 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 Audit Executive duly convened provided that notice and details of the proposed decision have been given in advance to each member of the Audit Executive.
- 5 Responsibilities**
- 5.1 The Audit Executive's responsibilities shall be determined by the Executive Committee and from time to time and, in any event, shall include the following responsibilities:
- 5.2 Strategy
- 5.2.1 Developing the Audit strategy, which shall take into account the recommendations and challenge of the Audit Board, and which shall be subject to review by the Executive Committee and approval by the Board;
- 5.2.2 Ensuring the Audit strategy is aligned to the Firm's strategy and the Global strategy;
- 5.2.3 Developing the Audit pricing strategy and ensuring it is effective in supporting the commercial business plan;
- 5.2.4 Developing an Audit communications strategy;
- 5.2.5 Evaluating and deciding, in appropriate liaison with other capabilities which opportunities or key targets to pursue; and
- 5.2.6 Reviewing the pipeline of confirmed and prospective audit appointments.

Appendix 19: Audit Executive

continued

Audit Executive – Terms of Reference (continued)

- 5.3 Audit Quality
- 5.3.1 Developing the strategy for Audit, which shall take into account recommendations from the Audit Board, so that it prioritises the delivery of high quality audits;
- 5.3.2 Maintaining audit quality in audit service delivery across coverage areas and regionally and together with the CRO deal with matters that arise in relation to Audit quality;
- 5.3.3 Developing a culture to drive a focus on Audit Quality, and ensuring Audit Quality is a key consideration in all aspects of recruitment, promotion and reward matters;
- 5.3.4 Embedding the Single Quality Plan and periodically reviewing the need for further changes;
- 5.3.5 Continuing to refine the materials, training and guidance for the Audit Practice in order to respond proactively to changes in regulations and in response to internal and external review findings;
- 5.3.6 Implementing the changes in operational procedures required by the FRC's Principles of Operational Separation or by the Global Audit Quality Transformation Programme and any other changes required by the Global organisation; and
- 5.3.7 Achieving the targets set by our external regulatory reviewers (i.e. AQR, QAD, and PCAOB) and the Firm's internal Quality Performance Reviews.
- 5.4 Performance
- 5.4.1 Developing and ensuring delivery of the 3-years business plan and budget for the Audit Practice, consistent with the Board approved Audit strategy;
- 5.4.2 Using technology to develop new processes to support and improve the delivery of audits;
- 5.4.3 Together with the Operations Executive discuss and agree operational matters for Audit (within budget and consistent with the 3-years Business Plan) including recruitment, promotions, salary and bonuses for Audit staff;
- 5.4.4 Working with the Operations Executive to evaluate and approve investment proposals in Audit (within Investment Framework and including technology) seeking approval from the Executive Committee or the Board, within the Firm's investment framework, subject to oversight from the Audit Board; and
- 5.4.5 Monitoring stakeholder feedback, win rates and revenue targets;
- 5.5 People & Culture
- 5.5.3 Oversee the delivery of the Firm's People strategy insofar as it relates to the Audit Practice;
- 5.5.4 Manage overall Audit partner numbers consistent with the Board approved 3- years Business Plan and budget, subject to oversight from the Audit Board and its Remuneration Committee;
- 5.5.5 Manage, support and empower Audit staff;
- 5.5.6 Ensuring all lateral hires are integrated well into the business and become effective as quickly as possible;
- 5.5.7 Implement and monitor delivery of Inclusion, Diversity and Equity (IDE) plans and gender and ethnicity pay gap targets in the Audit Practice;
- 5.5.8 Deliver on the Firm's desired cultural, ethical and behavioural objectives in relation to supporting Audit quality; and
- 5.5.9 Consider the Future of the Audit profession.
- 5.6 Risk
- 5.6.3 Together with the Risk Executive develop the Firm's Audit quality and risk frameworks and comply with the Global and UK Audit quality and risk framework;
- 5.6.4 Oversee the implementation of the Enterprise-Wide Risk Management Framework in Audit, approved by the Board to adopt an appropriate quality, risk and controls framework and embed proper process and disciplines into all aspects of operations and service delivery to achieve Audit Quality targets;
- 5.6.5 Monitoring and assessment of Audit risks;
- 5.6.6 Oversee the quality in Audit delivery across coverage areas and regionally including appropriate capability and capacity to provide the audit services; and
- 5.6.7 Ensure everyone across Audit is trained in and adheres to the Firm's quality and risk management frameworks, escalate issues and impose sanctions for non-compliance.
- 5.6.8 The Audit Executive, as well as dealing with the above responsibilities, the items on the annual work plan and anything else delegated to it by the Executive Committee or the Audit Board
- 6 Responsibilities**
- 6.1.1 The Chair of the Audit Executive shall report formally to the Executive Committee and Audit Board on matters dealt with in the Audit Executive in as much detail as the Executive Committee and Audit Board requires.
- 6.1.2 The Audit Executive will decide what information, and in what form, it would like provided to it and make sure this is created and received by the members at regular intervals as agreed by the Audit Executive.
- 6.1.3 The Audit Executive shall, at the direction of the Chair or another Chair of another leadership group, share information and decisions as appropriate with the Executive Committee, the Audit Board, Executive groups, the Board or the Board's committees (as relevant).

Appendix 19: Audit Executive

continued

Audit Executive – Terms of Reference (continued)

7 Governance

- 7.1.1. The Audit Executive shall conduct an annual assessment of its activities under these terms of reference and report any conclusions or recommendations to the Executive Committee and Audit Board, as part of that assessment, shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual work plan is manageable.
- 7.1.2 The Audit Executive will have an annual work plan to help it address all of its responsibilities above. This work plan is a live document and will constantly be updated to reflect matters of priority and items that need to be addressed.
- 7.1.3 Ordinarily, the members will receive an agenda and any other appropriate or supporting information one week in advance of each meeting and the Secretary will keep minutes of its proceedings and an action list, circulate those minutes/action list as appropriate, record any changes in the membership and maintain appropriate records of decisions etc.
- 7.1.4 Minutes of meetings and the action list shall be circulated promptly to all members and those that need them to undertake any action by the Audit Executive. Minutes are submitted for formal approval to the Audit Executive at the next meeting.

8 Terms of reference

- 8.1 The Audit Executive shall annually review its Terms of Reference and may recommend to the Executive Committee any amendments to its terms of reference.

Approved by Executive Committee 26 September 2023

Appendix 20: Public Interest Committee

Public Interest Committee

Role

In accordance with the Audit Firm Governance Code (AFGC), the firm has a Public Interest Committee (PIC). This PIC comprises entirely of Independent Non-Executives (INEs).

The key responsibilities of the PIC are to provide comment, challenge and recommendations relevant to the public interest in the context of KPMG's UK business. Specifically, they provide independent oversight of the firm's policies and processes for the core objectives defined within the AFGC:

- Promoting Audit Quality (in liaison with the Audit Board)
- Securing the firm's reputation more broadly (including its non-audit business)
- Reducing the risk of firm failure
- Fulfilling the multi-disciplinary firm's public interest responsibilities

Within the governance of KPMG in the UK, it is important for the INEs to remain in a position of independence from the leadership decision-making of the firm and outside its chain of command. As such, although they may vote on recommendations as a PIC, they do not carry votes on the Board or its other Committees. Notwithstanding this, the INEs have access and a full opportunity to question and challenge KPMG in the UK at both the Board and Board Committee level. They are also able to comment on the activities of KPMG in the UK to external stakeholders, including our regulators, in an objective and dispassionate way in furtherance of their public interest role.

Members of the PIC attended the Board and the Board Committees during the year, including the Risk Committee, People Committee, Nominations Committee and Audit Committee, as well as the Audit Board, in order to have greater visibility into the operations of KPMG in the UK and to share perspectives gained with fellow members of the PIC.

Members

The Public Interest Committee comprises at least three INEs – as at January 2023, the PIC comprised of four INEs. The Chair of the PIC is an INE appointed by the Chair and approved by the Board. The INEs of the PIC are appointed for a term of up to three years, with the option for this to be renewed by the Board for an additional two terms of three years each, subject to a maximum of nine years in aggregate.



Jonathan Evans (Chair)
Independent Non-Executive & Chair
of the Public Interest Committee
KPMG in the UK



Anne Bulford
Independent Non-Executive
KPMG in the UK



Oonagh Harpur
Independent Non-Executive
KPMG in the UK



Kathleen O'Donovan
Independent Non-Executive
& Audit Non-Executive
KPMG in the UK

Appendix 20: Public Interest Committee

continued

Public Interest Committee – Terms of Reference

1. Background and Purpose

- 1.1 The Revised 2022 Audit Firm Governance Code (“the AFGC”) provides a benchmark of good governance practice against which firms which audit listed companies can report and sets out responsibilities for Independent Non-Executives.
- 1.2 The Financial Reporting Council’s 2020 Principles for Operational Separation of the Audit Business in large audit firms, such as KPMG LLP, set out arrangements to be implemented by such firms in pursuit of two public interest objectives, namely the improvement of audit quality and audit market resilience.
- 1.3 The Public Interest Committee (“the PIC”) is KPMG LLP’s public interest body as contemplated by the AFGC and also aims to provide an effective and efficient mechanism for the discharge of some of the responsibilities of the Independent Non-Executives (“the INEs”) set out in the AFGC and a forum for oversight of the firm’s appropriate implementation of the Principles for Operational Separation in the public interest.
- 1.4 The PIC, including through the involvement of the INEs, has an oversight role in respect of the firm’s policies and processes for:
 - Fulfilling the multi-disciplinary firm’s public interest responsibilities;
 - Promoting audit quality (in liaison with the Audit Board)¹;
 - Helping the firm secure its reputation more broadly, including in its non-audit businesses; and
 - Reducing the risk of firm failure and ensuring its resilience and sustainability.

2. Authority

- 2.1 The PIC is a Committee established by KPMG LLP.
- 2.2 The PIC has delegated authority from the LLP in respect of the functions and powers set out in these Terms of Reference.
- 2.3 The Terms of Reference are approved by the Board of KPMG LLP.
- 2.4 The PIC 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.

3. Constitution

- 3.1 Chairperson
 - 3.1.1 The Chair of the PIC will be an Independent Non-Executive appointed by the Chair and approved by the Board.
 - 3.1.2 In the absence of the Chair of the PIC, the remaining Independent Non-Executive 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 remaining members of the Committee shall appoint an individual from amongst themselves to chair the meeting or the relevant section of the meeting.

3.2 Membership

- 3.2.1 The PIC comprises at least three Independent Non-Executives (“INEs”).
- 3.2.2 Any or all members of the PIC may be removed at any time by the vote of at least seventy five percent of the Board. The relevant member will be entitled to make representations in writing in connection with the voting on such resolution.

3.3 Duration of appointments

- 3.3.1 The Independent Non-Executives of the PIC shall be appointed for a term of up to three years, with the option for this to be renewed by the Board for an additional two terms of three years each, subject to a maximum of nine years in aggregate. Appointments and renewals shall be recommended to the Board by the Nominations Committee.

3.4 Secretary

- 3.4.1 The Board Secretary or their nominee shall act as Secretary to the PIC and attend all meetings.
- 3.4.2 The Secretary shall record the proceedings and decisions of PIC 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 PIC shall meet at least four times a year and otherwise as required.
- 4.1.2 Meetings of the PIC may be called by the Chair of the PIC at any time to consider any matters falling within these Terms of Reference.

4.2 Quorum

- 4.2.1 Any two Independent Non-Executive members of the PIC may form a quorum.
- 4.2.2 A duly convened meeting of the PIC 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 PIC.

¹ Until such time as any future revisions to the AFGC are published by the FRC, in the context of its Principles for Operational Separation, the PIC will continue to have an oversight role in respect of the firm’s policies and processes for promoting audit quality; the PIC will undertake this role in close liaison with the Audit Board.

Appendix 20: Public Interest Committee

continued

Public Interest Committee – Terms of Reference (continued)

- 4.2.3 The members of the PIC may participate in a meeting of the PIC 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 PIC members have the right to attend PIC meetings.
- 4.3.2 The following are anticipated to attend PIC meetings on a regular basis:
- Chair of the Board
 - Chief Risk Officer
 - Head of Regulatory Affairs
 - Chair of Audit Board
 - Ethics Partner
 - General Counsel
 - Board Secretary or nominee.
- 4.3.3 The following attend the PIC on a periodic basis in liaison with the Chair of the PIC:
- Chief Executive
 - Chief Operating and Financial Officer
 - Chief People Officer
 - Head of Audit
- 4.3.4 Any Partner, officer or employee of the LLP may attend at the invitation of the Chair of the PIC and they may collectively or individually be requested to withdraw from meetings of the PIC if required to do so by the Chair of the PIC.
- 4.4 Conflicts of interest of individual PIC members
- If a member of the PIC finds themselves with a conflict of interest, they shall immediately disclose this to the Chair of the PIC and the Chair.
- 5 Resolutions**
- 5.1 The PIC 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 PIC 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 PIC as would have been necessary to pass such resolution had all members of the PIC 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 PIC duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the PIC.
- 6 Oversight Responsibilities**
- 6.1 The PIC is responsible for ensuring that the INEs deliver the requirements stated of their role in the Audit Firm Governance Code²
- 6.2 The PIC will review the impact of the firm's activities on its public interest responsibilities through consideration of:
- the firm's strategy;
 - the firm's risk management and internal controls frameworks and compliance with regulations;
 - the Firm's assessment of principal risks including those that would threaten the business model, future performance, solvency or liquidity, and insofar as they relate to the sustainability of the Audit Practice, liaise with the Audit Board accordingly;
 - the Firm's financial performance, investments, capital and insurance arrangements;
 - the Firm's operational policies and procedures including client management processes and global network initiatives;
 - the firm's firmwide and cross-business operations insofar as they impact compliance with the FRC Principles for Operational Separation;
 - the firm's people policies and the impact of initiatives and procedures for training and development, remuneration, promotion processes, diversity and inclusion and ensuring appropriate ethical standards and behaviour;
 - the firm's culture – overseeing initiatives taken by the firm and progress against key performance indicators to ensure that the appropriate culture exists throughout the organisation;
 - compliance with the firm's Code of Conduct; and
 - any other matters relevant to public interest with respect to the multi-disciplinary services provided by the firm, as well as the impact of wider network issues beyond the UK firm.
- 6.3 The PIC will be consulted during the development and modification of the Firm's strategy, and may make recommendations prior to their approval by the Board
- 6.4 With respect to changes in regulation and any regulatory matters which may significantly impact the Firm, the PIC will be consulted so as to provide input to any deliberations or decisions of the Board related to them.
- 6.5 The PIC will independently and in conjunction with the Firm's leadership and the independent Audit Non-Executives (members of the Audit Board) engage with regulators, investors and other stakeholders to enhance stakeholder confidence in the public interest aspect of the firm. In this context, the INEs will meet at least once a year with representatives of the FRC.
- 6.6 The PIC shall make recommendations to the LLP Board with respect to material communications to regulators and KPMG's responses to relevant consultations.

² See Appendix to this section – relevant sections from Audit Firm Governance Code.

Appendix 20: Public Interest Committee

continued

Public Interest Committee – Terms of Reference (continued)

- 6.7 As part of the PIC's wider oversight role, individual INEs frequently attend the Board and Board Committees so as to support their role as contemplated by the AFGC to: (1) monitor the activities of the wider firm and global network for their potential to affect audit quality and the resilience of the audit practice (liaising with the Audit Board as necessary); and (2) ensure the Firm takes account of the public interest in its wider decision making.
- 6.8 In relation to each of the matters set out in paragraph 6, the PIC will liaise with the Audit Board which has public interest oversight responsibilities with respect to the Audit Practice (and on which the PIC may reasonably rely). In this context, the Chair of the PIC will liaise with the Chair of the Audit Board regarding the Audit Practice, Audit Quality, reputational risks in Audit, the impact of the non-Audit businesses of the Firm upon Audit Quality, and the resilience of the Audit
- 7 Reporting**
- 7.1 The INEs' principal points of contacts are the Chair, Chief Executive and Chief Risk Officer.
- 7.2 The INEs shall also have regular contact with the Ethics Partner.
- 7.3 The Chair of the PIC will provide a report to the Board on the PIC's activities after each quarterly meeting.
- 7.4 The Chair of the PIC shall compile a report of the work of the PIC in discharging its responsibilities for inclusion in the Transparency Report, including a description of significant issues dealt with by the PIC. The PIC will agree a statement of how the Board, the Audit Board and INEs have worked during the year detailing specific PIC activities and stakeholder engagement to fulfil the AFGC's purpose, for inclusion in the Transparency Report.
- 7.5 The PIC shall work and liaise as necessary with the Audit Board and other committees of the Board to which the INEs shall have a standing invitation.
- 7.6 The INEs shall alert the Regulator as soon as possible if they have concerns in the following circumstances:
- 7.6.1 the INE believes the Firm is acting contrary to the public interest; or
- 7.6.2 the INE believes the Firm is endangering the objectives of the AFGC; or
- 7.6.3 the INE initiates the procedure for fundamental disagreements.
- 8 Governance and Resources**
- 8.1 The firm shall, through the Secretary to the PIC, make available to new members of the PIC a suitable induction process and, for existing members, ongoing training as discussed and agreed by the PIC.
- 8.2 The PIC shall conduct an annual self-assessment of its activities under these Terms of Reference and shall conduct an externally facilitated evaluation every three years. The PIC shall 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. The Chair of the PIC, supported by the Secretary to the PIC, shall be responsible for acting on the results of the self- assessment and embedding the recommendations from the externally facilitated evaluation.
- 8.3 The PIC 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 firm shall provide access to sufficient resources to the PIC and INEs in order for them to carry out their duties and they shall have the power to engage independent counsel and other professional advisers and to invite them to attend meetings.
- 8.5 The PIC shall be consulted with regard to any dispute between the Audit Board and the LLP Board concerning a decision to include any report in the firm's Transparency Report relating to a disagreement between the Audit Board and the LLP Board. Any INE who sits on the Audit Board may recuse themselves from such consultation (but shall not be obliged so to do). This mechanism shall not limit the ability of the INEs or the Audit Non-Executives to disclose such disagreements to the FRC or, in the event of resignation by an INE, to disclose such
- 9 Terms of Reference**
- 9.1 The PIC shall annually review its Terms of Reference and may recommend to the Board any amendments to its Terms of Reference.

Terms of Reference approved by the Board on 31 May 2023

Appendix 20: Public Interest Committee

continued

Public Interest Committee – Terms of Reference (continued)

Appendix 1: INE/PIC Role – Extracts from 2016 Audit Firm Governance Code

Responsibility

B.1.3 The firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and independent non-executives should oversee compliance with it.

C Independent Non-Executives

C.1 Involvement of independent non-executives principle

A firm should appoint independent non-executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.

Provisions

- C.1.1 Independent non-executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm. They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed. If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.
- C.1.2 The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.
- C.1.3 The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:
- Promoting audit quality.
 - Helping the firm secure its reputation more broadly, including in its non-audit businesses.
 - Reducing the risk of firm failure
- C.1.4 Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.

C.2 Characteristics of independent non-executives principle

Responsibility

The independent non-executives' duty of care is to the firm. They should command the respect of the firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise. They should have a balance of relevant skills and experience including of audit and a regulated sector. At least one independent non-executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.

Provision

- C.2.1 The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.
- C.3 Rights and responsibilities of independent non-executives principle.

Independent non-executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly.

Provisions

- C.3.1 Each independent non-executive should have a contract for services setting out their rights and duties.
- C.3.2 Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.
- C.3.3 The responsibilities of an independent non-executive should include, but not be limited to, oversight of the firm's policies and processes for
- Promoting audit quality.
 - Helping the firm secure its reputation more broadly, including in its non-audit businesses.
 - Reducing the risk of firm failure.
- C.3.4 The firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any independent non-executive in respect of their work in that role.
- C.3.5 The firm should provide each independent non-executive with sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense where an independent non-executive judges such advice necessary to discharge their duties.

Appendix 20: Public Interest Committee

continued

Public Interest Committee – Terms of Reference (continued)

Appendix 1: INE/PIC Role – Extracts from 2016 Audit Firm Governance Code (continued)

C.3.6 The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the independent non-executives and members of the firm's management team and/or governance structures.

Responsibility

- D.1 A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The independent non-executives should be involved in the oversight of operations.
- D.2.1 The firm should, at least annually, conduct a review of the effectiveness of the firm's system of internal control. Independent non-executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm.
- D.3.2 Independent non-executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.
- D.4 A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration. The independent non-executives should be satisfied that there is an effective whistleblowing process in place.
- D.4.1 The firm should report to independent non-executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.
- F.1.1 The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by the AFGC with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. These disclosures should cover the nature and extent of the involvement of independent non-executives in such dialogue.

Appendix 20: Public Interest Committee

continued

Report on the Public Interest Committee's activities during the year

30 September 2023

Areas of oversight

The Public Interest Committee has overseen the impact of the Firm's activities on its public interest responsibilities through consideration of:

- The firm's strategy.
- The firm's risk management and internal controls framework and compliance with regulations, including its implementation of the International Standard of Quality Management (ISQM1).
- Firm-wide and cross-business operations as they impact compliance with the FRC's Principles for Operational Separation.
- The firm's people policies and the impact of initiatives and procedures for training, remuneration, and ensuring appropriate ethical standards and behaviour.
- The firm's culture, including overseeing initiatives taken by the firm and progress against key performance indicators to ensure that the appropriate culture exists throughout the organisation.
- Compliance with the firm's [Code of Conduct](#). This includes regular private updates from the Head of Ethics and Independence, including the number of cases reported to the firm's independently run Speak Up whistleblowing hotline.
- The firm's engagement with its stakeholders, including investors, audit committee chairs and regulators.
- Any matters relevant to the public interest with respect to the multi-disciplinary services provided by the firm, including the lessons learned and any actions taken from legacy regulatory investigations and tribunals.
- The impact of wider network issues beyond the UK firm.

Our priorities for 2024

- Continue to engage with the Audit Non-Executives and their oversight of the Audit practice.
- Monitor the firm's progress in relation to commitments made to regulators.
- Oversee the execution of the firm's Culture Ambition and Ethical Health Plan.
- Monitor how the firm manages operational and financial resilience.
- Monitor the degree to which ISQM1 processes and controls have been embedded.
- Monitor the firm's developments in relation to ESG and artificial intelligence.
- Engage with the global network and continue to inform the UK firm's consideration of network risk.

In numbers

The Public Interest Committee comprises four members.

During the reporting period, the Public Interest Committee held four formal meetings.



Appendix 21: Audit Board

Audit Board

Role

The Audit Board oversees the Audit practice, in terms of its operations, processes and controls. This includes overseeing the strategy and internal investment needs of the Audit practice in furtherance of audit quality, inputting to the firm's response to audit-related regulation and monitoring the discharge of KPMG's public interest obligations to investors and other key stakeholders, such as regulators and audited entities.

The Audit Board also makes recommendations to the Board on the adequacy of the firm's approach for meeting the principal objectives in the Audit Firm Governance Code as they relate to the Audit practice. It reviews the firm's responsiveness to challenges in the audit profession specifically in relation to audit quality, actual or perceived conflicts of interest, independence, the attractiveness of the Audit profession, and regulatory objectives including the Principles for Operational Separation.

The Chair of the Audit Board also attends meetings of the Board.

Members

The Audit Board comprises five members. Three of these are independent Audit Non-Executives providing independent objectivity and challenge in the same way as INEs on the Public Interest Committee. One of the ANEs is also an INE. The other two members are Partners and also Elected or Nominated Members of the Board. The number of independent Audit Non-Executives shall always exceed the number of Elected and Nominated Board Members on the Audit Board.

Unless otherwise determined by the Board, the duration of appointments of independent Audit Non-Executives as members of the Audit Board shall be for a period of three years which may be extended by the Board for an additional two terms of three years each, subject to a maximum nine years in aggregate.

Unless otherwise determined by the Board, the duration of appointments to the Audit Board of Elected and Nominated Members of the Board and any 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.

The Audit Board Remuneration Committee

Role

The Remuneration Committee ("RemCo") is chaired by an Audit Non-Executive (ANE) and all members of the RemCo are ANEs. The Committee's role is to oversee the policy and processes for Audit partner remuneration, as well as to oversee the criteria and selection processes for both Audit partner promotion and the designation of Responsible Individual status.

Activities during the year, as at 30 September 2023.

During the year, the Remco has focused on the new audit partner balanced scorecard, ensuring audit quality is a critical metric embedded within it.



Claire Ighodaro (Chair)

Audit Non-Executive
KPMG in the UK



Jonathan Downer

Partner, Audit and Board member
KPMG in the UK



Melanie Hind

Audit Non-Executive
KPMG in the UK



Anthony Lobo

Partner, Deal Advisory and Board Member
KPMG in the UK



Kathleen O'Donovan

Independent Non-Executive
& Audit Non-Executive
KPMG in the UK

Appendix 21: Audit Board

continued

KPMG LLP – Audit Board – Terms of Reference

1. Purpose

- 1.1. The Audit Board is established as a permanent committee of KPMG LLP under the LLP Agreement. Its purpose is to provide independent oversight of the KPMG Audit practice (“KPMG Audit” or the “Audit Practice”), providing independent oversight through its composition and involvement of external members including independent Audit Non- Executives. Its role involves overseeing the stewardship, accountability and leadership of the Audit Practice providing clear sighted counsel on the implementation of the strategic direction of the Audit Practice and alignment to its Vision, Values and Purpose. In doing so the Audit Board seeks to balance the interests of the various stakeholders to whom it is responsible in order for the Audit Practice to have a successful and sustainable future, including with a focus on maintaining and improving Audit Quality.
- 1.2. The Audit Board oversees, monitors and provides independent challenge to KPMG Audit to ensure that the Firm discharges its public interest obligations to investors and other key stakeholders such as regulators, as well as to those entities which it audits (audited entities), and to employees in the Audit Practice. It is an oversight board; its responsibilities do not extend to making management or operational decisions, which are the responsibility of the Audit Executive and, ultimately, the LLP Board and nor does it form part of the system of internal quality control over the individual audits performed by KPMG Audit. It is not involved in regulatory enforcement matters with respect to individual audits performed by KPMG Audit.
- 1.3. The Audit Board oversees, reviews and makes recommendations to the LLP Board on the adequacy of the Firm’s approach for meeting the principal objectives in the Audit Firm Governance Code as they relate to the Audit practice:
 - 1.3.1. to promote Audit Quality, including the Firm’s strategy, culture, investment and remuneration in support thereof;
 - 1.3.2. to help the audit practice secure its reputation more broadly, including with respect to actual or perceived conflicts of interest, ethics and Independence, the regulation of Audit Firms and the Audit Profession, including:
 - (i) the regulatory objectives and principles of Operational Separation; and
 - (ii) the Audit Firm Monitoring and Supervision regime; and
 - 1.3.3. to reduce the risk of audit practice failure, including oversight of:
 - (i) a sustainably profitable, resilient and viable audit business; and
 - (ii) the attractiveness of the audit profession.
- 1.4. The Audit Non-Executives provide constructive challenge and specialist advice with a focus on the public interest in the Audit Practice’s operations and activities, forming their own views on where the public interest lies.

2. Authority

- 2.1 The Audit Board is established by the Board of KPMG LLP (the “LLP Board”) from which it derives its authority to discharge those responsibilities set out in these Terms of Reference and to which it regularly reports, with a focus on improving Audit Quality and the interaction of the Audit Practice with the rest of the Firm in accordance with applicable regulatory principles for its operational separation within the Firm.
- 2.2 The Audit Board has authority to review any matter within its Terms of Reference and to obtain such information as it may require for such purpose from any member of the LLP, officer or employee.

3. Constitution

- 3.1 Chair
 - 3.1.1 The Chair of the Audit Board will be appointed by the Chair of the LLP Board upon recommendation of the Nominations Committee and ratified by the LLP Board. Such person shall be an independent Audit Non-Executive who shall not chair any other governance body within the Firm.
 - 3.1.2 In the absence of the Chair of the Audit Board, the remaining members present shall elect one of themselves to chair the meeting, provided that such person shall be an independent Audit Non-Executive.
 - 3.1.3 If the Chair of the Audit Board declares a conflict of interest, or the Audit Board decides that such individual has a conflict of interest, then the members of the Audit Board shall appoint a member of the Audit Board to chair the meeting or the relevant section of the meeting, provided that such person shall be an independent Audit Non- Executive.
 - 3.1.4 The Chair shall not be a member of the LLP Board or the Public Interest Committee but shall be entitled to attend meetings of both in a non-voting capacity.
- 3.2 Membership
 - 3.2.1 The Audit Board shall comprise:
 - (i) the Chair of the Audit Board (an independent Audit Non-Executive);
 - (ii) at least two other independent Audit Non-Executives; and
 - (iii) at least two Elected or Nominated Board Members provided that at least one shall be an Elected Board Member and at least one shall have recent and relevant experience as a practising auditor.
 - 3.2.2 The number of independent Audit Non-Executives shall always exceed the number of Elected and Nominated Board Members on the Audit Board.
 - 3.2.3 At least one of the independent Audit Non-Executives shall have relevant experience of audit at an appropriate level of seniority, either as a former auditor or consumer of audit services.

Appendix 21: Audit Board

continued

Audit Board – Terms of Reference (continued)

- 3.2.4 One of the independent Audit Non-Executives may be an Independent Non- Executive, member of the Public Interest Committee.
- 3.2.5 The Head of Audit shall be invited to attend each Audit Board meeting (subject to their not attending for scrutiny discussion relating to the Head of Audit or the Audit Executive, if the Chair of the Audit Board so requires).
- 3.2.6 The Ethics Partner is entitled to attend any meeting of the Audit Board and shall have access to all agendas and papers of the Audit Board.
- 3.2.7 The Global Head of Audit shall be invited to attend each Audit Board meeting.
- 3.2.8 Any Independent Non-Executive (member of the Public Interest Committee) may attend meetings of the Audit Board.
- 3.2.9 Additional members of the Audit Board shall be appointed by the LLP Board on the joint recommendation of the Chair of the LLP Board and the Chair of the Audit Board, provided that any appointment of independent Audit Non- Executives shall also be on the recommendation of the Nominations Committee of the LLP Board.
- 3.2.10 Members can be co-opted onto the Audit Board (as determined by the Chair of the Audit Board) as the need arises to help fulfil the duties and obligations of the Audit Board. These appointments (including the duration) shall be made by the LLP Board on the recommendation of the Chair of the Audit Board.
- 3.2.11 Members may be removed from the Audit Board at any time before the end of their term by the LLP Board.
- 3.2.12 Other attendees may be invited to attend meetings at the discretion of the Chair of the Audit Board.
- 3.3 Duration of appointments
- 3.3.1 Unless otherwise determined by the LLP Board, the duration of appointments of independent Audit Non-Executives as members of the Audit Board shall be for a period of three years which may be extended by the LLP Board for an additional two terms of three years each, subject to a maximum nine years in aggregate.
- 3.3.2 Unless otherwise determined by the LLP Board, the duration of appointments to the Audit Board of Elected and Nominated Members of the LLP Board and any co-opted members shall be for a period of up to three years which may be extended by the LLP Board for an additional period of two years.
- 3.4 Secretary
- 3.4.1 The LLP Board Secretary or their nominee shall act as Secretary to the Audit Board and attend all meetings.
- 3.4.2 The Secretary shall record the proceedings and decisions of the Audit Board 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 Audit Board shall meet at least six times per annum and otherwise as required.
- 4.1.2 Meetings of the Audit Board may be called by the Chair of the Audit Board at any time to consider any matters falling within these Terms of Reference.
- 4.2 Quorum
- 4.2.1 Any three members of the Audit Board may form a quorum, provided that a majority in attendance are independent Audit Non-Executives.
- 4.2.2 A duly convened meeting of the Audit Board 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 Audit Board.
- 4.3 Attendees
- 4.3.1 Only the members of the Audit Board, other Elected or Nominated Members of the LLP Board, Independent Non-Executives and the Ethics Partner have the right to attend Audit Board meetings.
- 4.3.2 Members of KPMG Audit leadership responsible for Audit Quality and risk management may attend each meeting on invitation of the Chair of the Audit Board.
- 4.3.3 Any member, officer or employee of the LLP may attend at the invitation of the Audit Board Chair and they may collectively or individually be requested to withdraw from meetings of the Audit Board if required to do so by the Chair of the Audit Board.
- 4.4 Resolutions on recommendations and observations
- 4.4.1 The Audit Board 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 Audit Board Chair shall have a casting vote.
- 4.4.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Audit Board as would have been necessary to pass such resolution had all members of the Audit Board been present at a meeting consider such resolution, shall be valid and effective as if it had been passed at a meeting of the Audit Board duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Audit Board.
- 4.5 Conflicts of interest of individual Audit Board members
- If a member of the Audit Board has a conflict of interest, they shall immediately disclose this to the Chair of the Audit Board and where appropriate recuse themselves from any deliberations or votes of the Audit Board concerning the relevant subject- matter.

Appendix 21: Audit Board

continued

Audit Board – Terms of Reference (continued)

5. Responsibilities

The Audit Board shall under delegation by the LLP Board (which retains all relevant decisions and responsibility for the operations of the Audit practice and implementation of its strategy, policies and procedures) have the following responsibilities: Monitoring Audit

5.1 Quality

- 5.1.1 Monitor the appropriateness of the Firm's policies and processes supporting Audit Quality including the focus of people in the Audit Practice on the delivery of high-quality audits in the public interest and make recommendations to the LLP Board accordingly.
- 5.1.2 Monitor the drivers that contribute to Audit Quality to assess if KPMG complies with, and how it performs relative to, standards expected by investors, regulators and other stakeholders, including partners and colleagues in the Audit Practice, and make recommendations to the LLP Board accordingly.
- 5.1.3 Periodically review the Firm's System of Quality Management (overseen by the Audit Committee) as it pertains to the Audit Practice, with regard to the appropriateness and effectiveness of reporting lines, authorities and responsibilities.
- 5.1.4 Review the overall targets (i.e., not targets related to individual audit engagements) set by the Audit Executive for Audit Quality to ensure that they are robust and meet regulator expectations and make recommendations to the LLP Board accordingly.
- 5.1.5 Oversee the Audit Quality framework, and challenge management to ensure that the framework is sufficient to drive good quality audits and meets the expectations of investors, regulators and other stakeholders including partners and colleagues in the Audit Practice.
- 5.1.6 Review the performance of KPMG Audit and overall audit quality, including the adequacy and quality of resourcing.
- 5.1.7 Monitor the efficacy of the continuous improvement initiatives (including root cause analysis) in connection with Audit Quality, and in particular the elements designed to meet targets set by the FRC for AQR results and monitor performance against the plan.

5.2 Monitoring culture and behaviours

- 5.2.1 Oversee culture and behaviours within the Audit Practice and the extent to which they are supportive of the public interest, including their role in ensuring Audit Quality.

5.3 Conflicts of Interest and Independence

- 5.3.1 Monitor and make recommendations to the LLP Board in respect of the adequacy and effectiveness of KPMG Audit's arrangements for managing actual, potential or perceived conflicts of interest and independence.

- 5.3.2 Monitor and make recommendations to the LLP Board in respect of the effective management of actual, potential or perceived conflicts of interest internally within the Firm or its governance and leadership that could adversely impact the delivery of Audit Quality by the Audit Practice.

- 5.3.3 Receive and review a report at least twice a year from the Ethics Partner in respect of ethics and independence matters.

- 5.3.4 Review the criteria and decision-making processes of the Audit Practice in terms of tendering for new audit work and make recommendations (including where required escalating public interest concerns) to the LLP Board which is the ultimate governance body with respect to tendering or retendering decisions.

5.4 Audit Practice Strategy

- 5.4.1 Review and challenge the strategy of the Audit Practice ("the Strategy") as developed (or modified) by the Audit Executive and, if not satisfied, raise concerns or objections to the LLP Board or make recommendations considering:

- (i) whether the strategy is designed to ensure appropriate levels of Audit Quality are achieved and maintained;
- (ii) the Strategy's consistency with the pursuit of the regulatory objectives and desired outcomes in the context of the operational separation of the Audit Practice within the Firm and the Audit Firm Governance Code;
- (iii) the Strategy's adequacy and responsiveness to challenges in the audit profession; and
- (iv) the Strategy's alignment to the Firm's Vision, Values and Purpose.

- 5.4.2 Review and challenge the development by the Audit Executive of the operational plan designed to implement the Strategy.

- 5.4.3 Monitor that management is executing the Strategy as expected.

- 5.4.4 Monitor and make recommendations to the LLP Board in respect of material strategic and regulatory matters impacting the profession and the Audit business.

5.5 Investments

- 5.5.1 Review and challenge the Audit Executive in respect of the development of the budget for investments in the Audit practice to deliver the Strategy and, if not satisfied, raise concerns to the LLP Board.

- 5.5.2 Monitor the implementation of key investments in Audit to fulfil the Strategy.

- 5.5.3 For the avoidance of doubt the LLP Board approved Investment Framework applies to proposed investments in the Audit Practice.

Appendix 21: Audit Board

continued

Audit Board – Terms of Reference (continued)

5.6 Risk Management

- 5.6.1 Review and monitor the adequacy of the Audit Practice's risk management framework, including the identification, management and reporting of risks and the appropriateness of its risk appetite (including in respect of accepting higher risk audits); and make recommendations to the Board Risk Committee in respect thereof.
- 5.6.2 Review information sufficient to satisfy itself that Audit is being managed within the agreed risk appetite.
- 5.6.3 Consider the Firm's assessment of principal risks including those that would threaten the Audit Practice's business model, future performance and sustainability.

5.7 Engagement with Regulators

- 5.7.1 Monitor the appropriateness and adequacy of KPMG Audit's interaction with external regulators and investors, to ensure that it is engaging with regulators in an open and positive way, consistent with regulators' expectations.

5.8 Operational Separation

- 5.8.1 Oversee the operational and financial performance of KPMG Audit to ensure that it meets the FRC's principles for Operational Separation.
- 5.8.2 Review the policies and procedures related to performance management, promotion and remuneration, to ensure that they are aligned to appropriate quality outcomes and the principles for Operational Separation.

5.9 Remuneration Committee

- 5.9.1 Establish a Remuneration Committee of the Audit Board, whose membership shall be exclusively independent Audit Non-Executives, and approve such committee's Terms of Reference. The Remuneration Committee shall oversee (including where relevant on a no-names basis):
 - (i) the policy and processes for Audit partner remuneration and their implementation, in particular to ensure their consistency with regulatory objectives and requirements, as well as to support Audit Quality; and
 - (ii) the criteria and selection processes for both Audit partner promotion and designation of Responsible Individual status.
- 5.9.2 In its oversight capacity, the Remuneration Committee will monitor, assess and apply scrutiny to anonymised data with respect to the appropriate application of the respective policies and criteria for Audit partner remuneration and promotion.
- 5.9.3 For the avoidance of doubt, the Remuneration Committee shall not be involved in any way in decision-making in respect of any specific promotion or any given Partner's remuneration, which shall follow the firmwide governance procedures established by the LLP Board.

5.10 Audit Leadership

- 5.10.1 Review candidates for appointment to the role of Head of Audit (including through interviews) and, provide feedback as to whether or not the proposed candidates meet the attributes and qualities for that role to the Chief Executive and the People Committee, who have the relevant approval authorities with respect to such appointment.
- 5.10.2 Provide input to the People Committee on the performance of the Head of Audit each year.
- 5.10.3 The Audit Board may, where it has concerns, recommend to the KPMG LLP Board that the Head of Audit be removed from their post. The decision as to whether the Head of Audit is to be removed from their post will be made by the KPMG LLP Board and will be communicated to the Audit Board.

5.11 Audit Investigations

- 5.11.1 Monitor trends and lessons learned arising both from the Firm's matters under case examination, review or investigation by the FRC, ICAEW, ICAS, PCAOB or other relevant regulator, and from regulatory enforcement outcomes involving other firms that are in the public domain.

5.12 Stakeholder engagement

- 5.12.1 The Audit Board will independently and in conjunction with the Firm's leadership and the Independent Non-Executives (members of the PIC) engage with regulators, investors and other stakeholders to enhance stakeholder confidence in the public interest aspect of the Firm. In this context, the ANEs will meet at least once a year with representatives of the FRC.

6. General

- 6.1 The Audit Board shall review the Audit Quality section of the annual report and make recommendations to the LLP Board on it.
- 6.2 The Audit Board shall make recommendations to the LLP Board with respect to material communications to regulators and KPMG's responses to relevant consultations.
- 6.3 As part of the Audit Board's oversight role, individual ANEs are invited to attend Board Committees (and the Chair of the Audit Board is invited to attend the Board) to further pursue the purpose of the AFGC. As attendees, ANEs will: (1) monitor the activities of the wider Firm and global network for their potential to affect audit quality and the resilience of the audit practice (liaising with the PIC as necessary); and (2) ensure the Firm takes account of the public interest in its wider decision making.

Appendix 21: Audit Board

continued

Audit Board – Terms of Reference (continued)

- 6.4 In relation to each of the matters set out in section 5, the Audit Board will liaise with the Public Interest Committee (“PIC”) which has public interest oversight responsibilities with respect to the whole Firm (and on which the Audit Board may reasonably rely). In this context, the Chair of the Audit Board will liaise with the Chair of the PIC regarding the Audit Practice, Audit Quality, reputational risks in Audit, the impact of the non-Audit businesses of the firm upon Audit Quality, and the resilience of the Audit Practice.
- 6.5 The Audit Board shall assume no responsibility (as the Audit Board or individually as its members) for supervision nor have direct management responsibility for audits, quality control of audits or the setting of audit partners’ remuneration.
- 7. Reporting**
- 7.1 Minutes of each Audit Board meeting will be disclosed at the following meeting of the LLP Board. The Chair of the Audit Board shall report to the LLP Board after each meeting on matters within its duties and responsibilities.
- 7.2 The Audit Board shall compile a report of the work of the Audit Board in discharging its responsibilities for inclusion in the Transparency Report, including a description of significant issues dealt with by the Audit Board.
- 7.3 The Audit Board shall work and liaise as necessary with other Committees of the LLP Board and with the Public Interest Committee.
- 7.4 The ANEs shall inform the Regulator as soon as possible if they have concerns in the following circumstances:
- the ANE believes the Firm is acting contrary to the public interest; or
 - the ANE believes the Firm is endangering the objectives of the AFGC; or
 - the ANE initiates the procedure for fundamental disagreements.
- 8. Governance and Resources**
- 8.1 The Audit Board shall, via the Secretary to the Audit Board, make available to new members of the Audit Board a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Audit Board.
- 8.2 The Audit Board shall conduct an annual self-assessment of its activities under these Terms of Reference and shall conduct an externally facilitated Board evaluation every three years. The Audit Board shall report any conclusions and recommendations to the LLP 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. The Chair of the Audit Board, supported by the Secretary to the Audit Board, shall be responsible for acting on the results of the self-assessment and embedding the recommendations from the externally facilitated evaluation.
- 8.3 The Audit Board shall in making recommendations and observations 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 Audit Board shall have access to sufficient resources in order to carry out its duties and have the power to engage the Firm’s Internal Audit function as well as independent counsel and other professional advisers and to invite them to attend meetings.
- 8.5 In the event of any significant and serious disagreement between the Audit Board and the LLP Board with respect to any matters within the scope of the Audit Board’s Purpose, Authority and Responsibilities as set out in these Terms of Reference, the LLP Board shall ensure that such disagreement shall be reported within the Firm’s next following annual Transparency Report. With regard to any dispute between the Audit Board and the LLP Board with respect to the decision to include such a report in the Transparency Report, the matter shall be the subject of consultation with the Public Interest Committee. Any INE who sits on the Audit Board may recuse themselves from such consultation (but shall not be obliged so to do). This mechanism shall not limit the ability of the ANEs to disclose such disagreements to the FRC or, in the event of resignation by an ANE, to disclose such disagreements in a public statement as contemplated by the AFGC.
- 9. Terms of Reference**
- 9.1 The Audit Board shall annually review its Terms of Reference and may recommend to the LLP Board any amendments to its Terms of Reference.

Terms of Reference approved by the Board on 15 March 2023

Appendix 21: Audit Board

continued

Report on the Audit Board's activities during the year

30 September 2023

Areas of oversight

During the year under review, the Audit Board maintained its oversight of the following key priorities within the Audit Practice:

Monitoring Audit Quality

- Monitoring the adequacy of the firm's policies and procedures which underpin audit quality, including the commitment of individuals within the Audit practice to perform audits of the highest standard in the public interest, and making recommendations to the LLP Board accordingly.
- Reviewing the firm's performance in relation to both internal and external regulatory assessments and overseeing root cause analysis and lessons learned from inspections, assessments, investigations or legacy matters as outlined in the Public Report and Single Quality Plan.
- Overseeing the firm's Quality Management System and implementation of ISQM1 in relation to the Audit practice.

Monitoring culture

- Overseeing the culture programme within the Audit practice and receiving updates on the results of the Audit practice's people survey results and associated action plan.

Conflict of Interest and Independence

- Receiving reports from the Head of Ethics and Independence regarding ethics and independence matters arising within the Audit business.
- Overseeing the firm's protocols for dealing with actual, potential or apparent conflicts of interest or independence.

Strategy and Investments

- Reviewing and challenging the Audit practice's strategy (and its implementation) to ensure its alignment with the pursuit of regulatory objectives and desired outcomes under the operational separation of audit.
- Reviewing the performance of Audit practice, including the adequacy and quality of resources, overseas delivery centres and its ability to attract and retain talent.
- Receiving updates on the Audit practice's technology investments and developments.
- Understanding of global audit strategy and the impact on the UK audit strategy.

Risk Management and Regulation

- Reviewing data to ensure that the Audit business is being supervised in accordance with the established risk tolerance, including the annual risk review and the audit regulatory compliance plan.
- Discussing the firm's assessment of key risks, including those that could jeopardise the Audit practice's operational framework, future performance and resilience.
- Receiving updates on regulatory changes and key consultations the firm has responded to which relate to the Audit business.

Our priorities for 2024

- Continue to monitor the firm's efforts to improve audit quality and assess the effectiveness of actions taken to address underlying issues. This will include enhancements to the root cause analysis process.
- Monitor the wider activities of the firm and its global network and assess their potential impact on audit quality and the resilience of the Audit practice.
- Monitor legacy regulatory matters and oversee the embedding of any actions the firm has taken to address issues which have arisen.
- Ensure compliance with the new Audit Firm Governance Code within the firm, particularly as it relates to the Audit Practice.
- Reviewing the adequacy of the firm's policies and procedures to support audit quality, with particular emphasis on the commitment of the Audit practice's people to provide high-quality audits in the public interest.

In numbers

The Audit Board consists of five members.

These are three independent Audit Non-Executive members, including its Chair; two Elected or Nominated Members of the Board.

During the reporting period, the Audit Board held eight formal meetings.



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