



Public Interest Committee Terms of Reference

For the year ended 30 September 2024

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 (the “INEs”).
- 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 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.
- 1.5 The INEs provide constructive challenge and specialist advice with a focus on the public interest in firm-wide operations and activities, forming their own views on where the public interest lies.

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 INEs.
 - 3.2.2 Any or all members of the PIC may be removed at any time by the vote of at least 75 percent of the Board. The relevant member will be entitled to make representations in writing in connection with the voting on such resolution.

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.

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.

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:

- a) Chair of the Board
- b) Chief Risk Officer
- c) Head of Regulatory Affairs
- d) Chair of Audit Board
- e) Ethics Partner
- f) General Counsel
- g) Board Secretary or nominee.

4.3.3 The following attend the PIC on a periodic basis in liaison with the Chair of the PIC:

- a) Chief Executive
- b) Chief Operating and Financial Officer
- c) Chief People Officer
- d) 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 number of votes for and against a certain proposal is 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 Code.²

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 firm-wide 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.

² See Appendix 1 – relevant sections from Audit Firm Governance Code. this role in close liaison with the Audit Board.

- 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.
- 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:
- i) 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
 - ii) 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 practice.

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 disagreements in a public statement as contemplated by the AFGC.

9 Terms of Reference

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

Appendix 1: INE/PIC Role

Extracts from the 2022 Audit Firm Governance Code

Leadership Principles

- C A firm's Management should demonstrate its commitment to the public interest through their pursuit of the purpose of this Code and regular dialogue with the INEs. Management should embrace the input and challenge from the INEs (and ANEs).
- E The Management of a firm should ensure that members of its governance structures, including owners, INEs and ANEs, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.

Provisions

- A.7 There should be a formal annual evaluation of the performance of the Board and any committees, plus the public interest body. A firm should consider having a regular externally-facilitated board evaluation at least every three years.
- A.8 Management should ensure that, wherever possible and so far as the law allows, members of governance structures and INEs and ANEs have access to the same information as is available to Management.

People, Values and Behaviour

Provisions

- B.11 A firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and INEs should oversee compliance with it.
- B.15 A firm should assess and monitor culture. It should conduct a regular review of the effectiveness of the firm's systems for the promotion and embedding of an appropriate cultures underpinned by sound values and behaviour across the firm, and in audit in particular. INEs should be involved in this review and where a firm has implemented operational separation the ANEs should be involved in the review as it relates to the audit practice. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the purpose of this Code, it should take corrective action.
- B.16 A firm should establish mechanisms for delivering meaningful engagement with its people. This should include arrangements for people to raise concerns in confidence and anonymously and to report, without fear, concerns about the firm's culture, commitment to quality work, the public interest and/or professional judgement and values. The INEs should be satisfied that there is an effective whistleblowing policy and procedure in place and should monitor issues raised under that process.
- B.17 INEs should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, recruitment and promotion processes, training and development activities, and diversity and inclusion, to ensure that the public interest is protected. They should monitor the firm's success at attracting and managing talent, particularly in the audit practice. Where operational separation is in place the ANEs should be involved in this process.

- B.18 INEs and ANEs should use a range of data and engagement mechanisms to understand the views of colleagues throughout the firm and to communicate about their own roles and the purpose of this Code. One INE should be designated as having primary responsibility for engaging with the firm's people.

Operations and Resilience

Provisions

- C.22 A firm should develop robust datasets and effective management information to support monitoring of the effectiveness of its activities, including by INEs (and ANEs), and its ability to furnish the regulator with information.
- C.24 A firm should monitor its risk management and internal control systems, and, at least annually, conduct a review of their effectiveness. INEs should be involved in the review which should cover all significant controls, including financial, operational and compliance controls and risk management systems.
- C.25 A firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice in the UK. INEs (and in firms with operational separation, ANEs) should be involved in this assessment.

INEs and ANEs

Principles

- M A firm should appoint INEs to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of this Code. INEs should be positioned so that they can observe, challenge and influence decision-making in the firm.
- N INEs (and ANEs) should provide constructive challenge and specialist advice with a focus on the public interest. They should assess and promote the public interest in firm operations and activities as they relate to the purpose of this Code, forming their own views on where the public interest lies.
- O INEs (and ANEs) should maintain and demonstrate objectivity and an independent mindset throughout their tenure. Collectively they should enhance public confidence by virtue of their independence, number, stature, diverse skillsets, backgrounds, experience and expertise. They should have a combination of relevant skills, knowledge and experience, including of audit and a regulated sector. They owe a duty of care to the firm and should command the respect of the firm's owners.
- P INEs (and ANEs) should have sufficient time to meet their responsibilities. INEs (and ANEs) should have rights consistent with discharging their responsibilities effectively, including a right of access to relevant information and people to the extent permitted by law or regulation, and a right, individually or collectively, 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.

- Q INEs (and ANEs) should have an open dialogue with the regulator.

Provisions

- 29 INEs should number at least three, be in the majority on a body chaired by an INE that oversees public interest matters and be embedded in other relevant governance structures within the firm as members or formal attendees with participation rights. If a firm considers that having three INEs is unnecessary given its size or the number of public interest entities it audits, it should explain this in its transparency report and ensure a minimum of two at all times. At least one INE should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function or at an audit firm.
- 30 INEs should meet regularly as a private group to discuss matters relating to their remit. Where a firm adopts an international approach to its management and/or governance 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 jurisdiction. The firm should disclose on its website the terms of reference and composition of any governance structures whose membership includes INEs, whether in the UK or another jurisdiction.
- 31 INEs should have full visibility of the entirety of the business. They should assess the impact of firm strategy, culture, senior appointments, financial performance and position, operational policies and procedures including client management processes, and global network initiatives on the firm and the audit practice in particular. They should pay particular attention to and report in the transparency report on how they have worked to address: risks to audit quality; the public interest in a firm's activities and how it is taken into account; and risks to the operational and financial resilience of the firm.
- 32 A firm should establish a nomination committee, with participation from at least one INE, to lead the process for appointments and re-appointments of INEs (and ANEs), to conduct a regular assessment of gaps in the diversity of their skills and experience and to ensure a succession plan is in place. The nomination committee should assess the time commitment for the role and, when making new appointments, should take into account other demands on INEs' (and ANEs') time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior consultation with the nomination committee.
- 33 A firm should provide access for INEs to relevant information on the activities of the global network such that they can monitor the impact of the network on the operations and resilience of the UK firm and the public interest in the UK.
- 34 INEs should have regular contact with the Ethics Partner, who should under the ethical standards have direct access to them.
- 35 INEs should have dialogue with audit committees and investors to build their understanding of the user experience of audit and to develop a collective view of the way in which their firm operates in practice.
- 36 Firms should agree with each INE (and ANE) a contract for services setting out their rights and duties. INEs (and ANEs) should be appointed for specific terms and have a maximum tenure of nine years in total.
- 37 The firm should provide each INE (and ANE) with the resources necessary to undertake their duties including appropriate induction, training and development, indemnity insurance and access to independent professional advice at the firm's expense where an INE or ANE judges such advice necessary to discharge their duties.
- 38 The firm should establish, and disclose on its website, well defined and clear escalation procedures compatible with Principle P, for dealing with any fundamental disagreement that cannot otherwise be resolved between the INEs (and / or ANEs) and members of the firm's Management and/or governance structures.
- 39 An INE (and/or ANE) should alert the regulator as soon as possible to their concerns in the following circumstances:
- the INE or ANE believes the firm is acting contrary to the public interest; or
 - the INE or ANE believes the firm is endangering the objectives of this Code; or
 - the INE or ANE initiates the procedure for fundamental disagreements.
- 40 A firm should disclose in its annual transparency report:
- a) information about the appointment, retirement and resignation of INEs (and ANEs); 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 INEs in the way it has; and
 - b) its criteria for assessing whether INEs (and ANEs) are:
 - i) independent from the firm and its owners; and
 - ii) independent from its audited entities.

Operational Separation

Principles

- R Where a firm applies the Principles for Operational Separation, has established an Audit Board with a majority of ANEs and is subject to regulatory monitoring of these arrangements, ANEs will fulfil the responsibilities of INEs under this Code in so far as these relate to the audit practice. A firm's INEs will focus on representing the public interest in high quality audit at the firm-wide level as well as on the public interest in firm activities in non-audit parts of the business and the risks posed by these non-audit activities to the audit practice. In fulfilling their role ANEs should follow the Principles set out in section D as applied to the audit practice.
- S INEs should rely on ANEs to provide independent oversight of audit quality plans, audit strategy and remuneration in the audit practice. ANEs should rely on the INEs to monitor activities at the firm-wide and network levels for their potential impact on the audit practice.

Provisions

- 41 ANEs should have the same obligations regarding time commitment, independence and objectivity as INEs. They should focus their attention on the audit practice in accordance with the Principles for Operational Separation. The Audit Board should have the authority to act independently of the firm-wide public interest body.
- 42 INEs should participate in governance structures operating across the entirety of the firm and pursue the purpose of this Code at the firm-wide level. They should: i) monitor the activities of the wider firm and global network for their potential to affect audit quality and the resilience of the audit practice; and ii) ensure the firm takes account of the public interest in its wider decision making.
- 43 INEs and ANEs should maintain open dialogue, consult on matters of public interest and share information with one another to the extent this is relevant for the Audit Board's oversight of the audit practice and/or the effective discharge of the INEs' responsibilities at the firm-wide level. They should inform one another in the event they invoke the procedure for fundamental disagreements.