Risk Executive Terms of Reference

For the year ended 30 September 2024

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 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 sub-committee 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: Client Engagement Acceptance and Continuance (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.

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.

4.3 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 number for and against is 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-Wide Risk Management Framework;
- Horizon scanning for emerging internal and external risks (including changes in the Enterprise-Wide 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; and
- 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; and
- Ensuring that the firm is compliant with all KPMG International, regulatory and external accreditation requirements with respect to information security.

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; and
- 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; and
- 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; and
- 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; and
- 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 Risk Executive shall report formally to the ExCo on matters dealt with in the Risk Executive in as much detail as the ExCo requires.

6.2 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.

6.3 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.

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

The Risk Executive shall annually review its Terms of Reference and may recommend to the ExCo any amendments to its terms of reference.

Designed by CREATE | CRT158539 | January 2025