UK Transparency Report 2022

Meeting our reporting requirements

January 2023 | kpmg.com/uk/ourimpact

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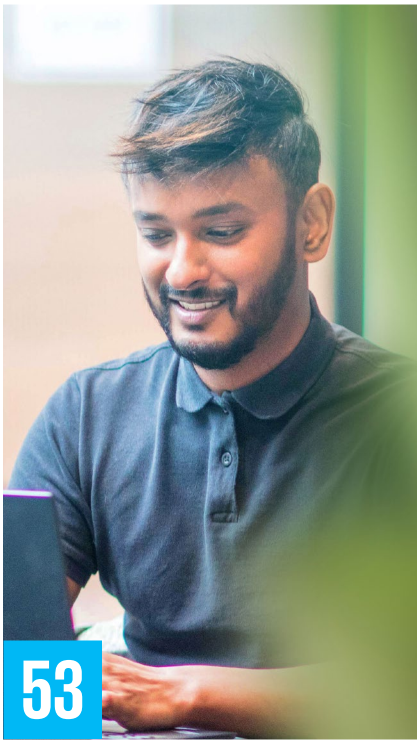



Leadership statements

Whilst KPMG is a multi-disciplinary firm, this 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 2022, and demonstrates compliance with various regulatory reporting requirements.

Jon Holt / Chief Executive, KPMG in the UK
31 January 2023

Jon Holt /
Chief Executive,
KPMG in the UK

Bina Mehta /
Chair, KPMG in the UK

Cath Burnet /
Head of Audit,
KPMG in the UK

For more information about the leadership and governance of the firm, including the UK Board's members, committees and their reports on activities during the year, refer to the appendices of this document.

Statement by the Independent Non-Executives and Audit Non-Executives

The imporant role of independent oversight

Jonathan Evans /
Chair of the Public Interest Committee

Claire Ighodaro /
Chair of the Audit Board

Overview

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

The Public Interest Committee (PIC) comprises the four INEs and is chaired by Jonathan Evans. The Audit Board comprises the three ANEs, and two partners, and is chaired by Claire Ighodaro. More details of these bodies and individual bios can be seen here.

Promoting audit quality

Audit quality is at the centre of the Audit business strategy; and it is high on both the PIC's and the Audit Board's agenda.

When the Audit Board was established in its current form in 2021 (as part of the firm's transitional arrangements for the implementation of the FRC's Principles for Operational Separation) the business was part way through its audit quality transformation journey; and there were areas where progress needed to be made. The Audit Board has focused on high audit quality and how the business delivers that consistently and sustainably. Particularly, the Audit Board has provided independent oversight of the commitments made to the FRC in respect of the firm's Banking Audit Quality Improvement Plan.

The Head of Audit and the Chair of the Audit Board are invited to present at the PIC. This ensures the INEs are aware of the latest results and developments within the Audit practice and provides opportunity for them to challenge the approach.

People, Ethics and Culture

Culture remains a high priority for the firm and the Non-Executives are very supportive of the High Challenge, High Support culture in Audit and across the entire firm.

The Chief People Officer regularly attends the PIC to ensure they are kept abreast of key developments. One of the INEs attends the People Committee and Culture SteerCo to provide expert advice and participated in the firm's 'Building Confidence' podcast series to explore culture – how it can be measured, what it means for boards and the implications for corporate reporting and assurance.

An INE and an ANE meet with the Audit Head of People and Audit Head of Culture on a monthly basis. One of the INEs also joins the Audit Board for the People and Culture updates.

The Ethics Partner attends every PIC and the external independent Ombudsman attends periodically to provide assurance that the handling of whistleblowing cases is effective and efficient. The Committees have kept abreast of, and provided challenge on, the ESG agenda, remuneration and the People and IDE (Inclusion, Diversity and Equity) strategy.

The Chair of the PIC attends the Nominations Committee which oversees the appointment of Elected Board Members, and formed part of the judging panel for the internal People Awards.

Both the PIC and the Audit Board participated in an external Board Effectiveness Review during FY22, the recommendations of which will continue to shape dynamic and valuable committees.

"

Claire and I have been working closely together and one of our priorities has been to ensure there are no gaps or overlaps in the coverage of our two committees. From my perspective the relationship has developed very well and we are in a stronger position today than we were 12 months ago."

Jonathan Evans /
Chair of the Public Interest Committee

Engagement activities

Throughout the year the Non-Executives have delivered a robust programme of engagement both virtually and in person with the leadership, Partners and employees of the firm. This has been achieved via:

Attendance at the Board, Board Risk Committee, Audit Committee, People Committee, Audit Board and the Audit Evolution Board, in order to have greater visibility into the operations of the Firm. All of the Non-Executives (except our doubly independent Non-Executive) attend the Board.

165 meetings with Board and Executive Committee members and key management to monitor and contribute to matters of public interest and audit quality.

Site visits to the Manchester and Reading office, engaging with Partners, the Shadow Board, Ethics Champions, Network Groups and staff from both the Audit and non-Audit businesses.

Virtual roundtable events with Partners from the Audit and non-Audit businesses to understand their views and challenges they face.

To further develop relationships between the UK and overseas member firms, the Chair of the PIC and the Chair of the Audit Board met with the Non-Executives in the KPMG US firm to share best practice. The Global Head of Audit attends every Audit Board meeting, and the Global Chairman and CEO and the Incoming Global Head of Quality, Risk & Regulatory attended a PIC meeting. The global perspectives they share have been invaluable, providing insights into how global supports the delivery of high-quality audits and firm-wide activities, such as risk management and engagement with global audit regulators.

The Chair of the PIC and the Chair of the Audit Board presented at the Annual Audit Review, sharing perspectives with audit committee chairs and investors. The PIC and the Audit Board also receive periodic updates from KPMG's stakeholder engagement programme to understand the challenges and concerns from stakeholders such as investors and audit committee chairs.

One of the INEs has continued to attend the Future of Audit Steering Committee, which focuses on audit and corporate governance reform and measures the firm can take now ahead of legislation.

The Non-Executives also regularly engage with the FRC, either in firm-specific meetings or at roundtable events hosted by the FRC. The FRC has also observed an Audit Board during the year.

Regulation, risk management and internal controls

An INE and an ANE attend the Board Risk Committee, and an INE attends the Audit Committee. Specifically, they have been kept abreast of key legal and regulatory matters as well as updates on legacy issues including oversight into the actions arising from the Cabinet Office.

The PIC and the Audit Board have monitored the firm's implementation of operational separation, with both committees receiving updates from the firm's Chief Financial Officer throughout the year. They have particularly challenged how the firm allocates costs between business and the definition of "persistent, material, structural cross-subsidy".

The PIC and the Audit Board have taken a keen interest in the firm's implementation of the International Standard of Quality Management (ISQM1), as well as receiving regular updates on the firms internal control environment.

The Non-Executives also oversaw the firm's response to the new Audit Firm Governance Code.

"

It's pleasing that this year the firm's Audit Quality Review scores have improved – although we are certainly not complacent – and the Audit Board will maintain that focus on audit quality going forward. That improvement demonstrates that the programmes we've put in place are beginning to give benefits."

Claire Ighodaro / Chair of the Audit Board

Contact

The statement above does not contain an exhaustive list of activities performed by the non-executives. More detail on the PIC and Audit Board, including their priorities for the next 12 months can be seen here. If you would like to get in touch with questions or concerns, please contact any of us at: ukfmkpmgnonexe@kpmg.co.uk

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 discharge 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.

Appointment of Non-Executives

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 Independent Audit Non-Executives (ANEs) – see Audit Board.

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 ANEs or INEs 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. In addition, 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 ANE or INE became a Partner (or equivalent) of KPMG UK then they would no longer be eligible to hold their role. Finally, the ANEs and INEs are required to notify KPMG if an immediate or close family member became one of our employees, 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 that 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.

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 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.

Remuneration

The annual remuneration of each Non-Executive is £100,000. The Chair of the PIC and the Chair of the Audit Board receives an additional amount of £25,000 in respect of chairing duties.

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.

Putting audit quality first

Quality is at the heart of our Audit strategy and every action we take is with the motivation of continually improving it.

We have made significant investment in audit quality over the past five years. This year we have introduced a Single Quality Plan, building on our previous Audit Quality Plan. This plan incorporating our Banking Audit Quality Improvement Plan as a top priority, brings together our key focus areas to drive sustainable improvements to audit quality across our business.

We are seeing the positive impact of this with the FRC's external measure of audit quality placing us at the top of the Big Four professional services firms this year. We are pleased to see the benefit of our investment, but we are not complacent and continue to challenge ourselves on how the programmes in our Single Quality Plan will help us sustain and improve our performance.

Our investments in quality have re-engineered every aspect of our Audit practice. We have strengthened our governance and controls, standardised the way we execute audits, invested in market-leading technology which is central to audit delivery, and transformed the training and guidance we give to all auditors including in emerging areas such as ESG, cyber and cryptocurrencies. In this way, we are ensuring that we are preparing for the future of Audit as technology develops and regulations, requirements and stakeholder expectations change.

We also believe this stands us in good stead as external conditions continue to be volatile, unpredictable and, potentially, recessionary. These conditions will make some aspects of audit analysis and judgement more complex – but the investments we have been making, particularly in technology, people and processes - will strengthen our ability to perform high-quality audits that take account of all the data and performance indicators available.

Since 2018, our investment has brought additional people into our Audit practice, while at the same time ensuring we have the right number of audit engagements to remain focused on the delivery of high-quality audits. We have continued to look carefully at the shape and size of our audit portfolio, reflecting on Sir John Thompson's remarks in the FRC's 'What makes a good audit?' publication:

"

…we also recognise the important contribution that the management of the audited entity and those charged with governance can make to a robust and comprehensive audit. A well governed company, which reports transparently, and has clear and robust evidence that underpins that reporting, as well as effective internal controls are all important in underpinning a high-quality audit."

Sir Jonathan Thompson /
Chief Executive Officer, FRC

As quoted in the FRC's "What Makes a Good Audit?" paper, November 2021.

Our decisions in relation to our portfolio are always guided by our public interest responsibilities to deliver safely on our book of work.

Each year we consider all of the data we have on audit quality successes and challenges by looking internally and externally and delving into the results of our detailed work on root cause. This analysis allows us to assess which programmes and actions we must focus on in our annual quality plan to respond to current challenges or sustain improvements. This means we stay laser-focused on the things which will bring rigour, consistency and efficiency.

Audit quality in numbers

Our 2022 FRC Audit Quality inspection results:

% of individual audits assessed requiring no more than limited improvements / **84%**

July 2022
(July 2023: 59%)

% of FTSE 350 audits assessed requiring no more than limited improvements / **91%**

July 2022
(July 2023: 75%)

Number of individual audits assessed requiring significant improvements / **0**

July 2022
(July 2023: 1)

FRC Audit Quality Inspection and Supervision Report of KPMG LLP, July 2022*

"I am confident that the significant improvement we have seen in our external FRC inspections, which is aligned to our internal audit quality assessments, demonstrates the positive impact of the continued investment in our audit quality transformation – in particular the commitment and efforts of everyone in our Audit practice. But we are not complacent and our priorities for 2023 demonstrate our ongoing commitment to placing sustainable quality at the heart of our Audit strategy."

Cath Burnet / Head of Audit, KPMG in the UK

Looking ahead: Delivering sustainable audit quality

We are focused on sustaining our improvements with some clear priorities for the year ahead.

— Our Banking Audit Quality Improvement Plan remains a top priority. We now need to embed the new policies, processes and way of executing into business as usual.

— 2023 will see completion of the full deployment of KPMG Clara, across all of our audits.

— We will maintain the progress seen through our 'SSS' (Scalability, Standardisation and Support) programme which guides teams to focus on risk assessment to better focus their audits, particularly important as we face into a period of economic uncertainty with far-reaching impacts for our audited entities.

— We also plan to reap the benefits from investments in technology to give us information about engagements and those executing them in real time so our central teams can provide proactive support.

We will continue to embed our high challenge, high support culture, as well as embed and operate the requirements of the International Standard on Quality Management (ISQM1) which became effective from December 2022.

We embraced the FRC's vision for a Single Quality Plan (SQP) for all Tier 1 firms and have developed our SQP, aligning it with our programmes in the Audit Quality Plan.

* 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.

Specific measures we're taking to drive audit quality

Banking Audit Quality Improvement Plan

Over recent years we have made the quality of execution on banking audits and the methodology and guidance which underpins them, a top priority. This focus resulted in our root and branch Banking Audit Quality Improvement Plan (BAQIP), which was first created in 2020. Through this Plan we have benefited from helpful engagement with the FRC, underpinning iterative improvements each year. This has meant that over the past two years we have:

- Made significant changes and enhancements to our UK banking methodology and the work papers and guidance that support it, using our new KPMG Clara workflows (see below) to better support our Banking Audit teams.
- Established a clearer feedback loop to ensure we are proactively looking for ways to improve and address concerns and emerging issues.
- Created a strong connection and level of engagement between our Banking Audit and central technical teams to improve the challenge and support our Banking Audit teams receive from the centre.
- Taken strong actions on culture which have had an immediate impact.
- Reshaped our portfolio to align to the capacity of people within Banking Audit while providing the space for us to focus on the improvements we needed to make.

We were pleased to see a significant improvement in our banking inspection results this year, showing that our investment, strategy and commitment is making a difference. BAQIP will continue through the next year as a continued area of focus to ensure we sustain the improvements and embed the positive changes into business as usual.

> "Technology is fundamental to the successful delivery of our audit strategy. It underpins delivery of a quality audit, it drives joined-up execution, it helps us grow and it empowers our auditors. With the right technology in their hands auditors can work more accurately; partners can robustly challenge management teams, assess critical accounting judgements, and present their views in a coherent and meaningful way."
>
> **Matthew Campbell / Chief Technology Officer, Audit, KPMG in the UK**

Delivering digital audits

Technology is at the heart of our efforts to enhance audit quality, create greater consistency and strengthen the monitoring of engagement milestones. It's why we are making smart technology our business-as-usual mode of audit delivery – simply the way that modern audit work is carried out. We have been investing significantly in leading technology solutions to empower our Audit colleagues to deliver exceptional quality and enable smart, efficient working. KPMG is investing $5bn globally in innovations from 2020 to 2024.

The core platform behind a KPMG audit is KPMG Clara; our cloud-based, digital audit platform. Our deployment of KPMG Clara marks a step-change in how we are innovating, digitalising, and transforming the audit experience. The forthcoming year will see every audit engagement using KPMG Clara as standard.

KPMG Clara embeds the best new tools, processes and technologies that:

- Simplify, standardise and streamline our audit approach.
- Create a cutting-edge user experience.
- Enhance the quality, consistency and efficiency of our audit delivery.
- Deliver the requirements from new auditing standards to every team.

What is KPMG Clara?

Future-proofed and built upon cutting-edge cloud technology and artificial intelligence, KPMG Clara is the foundation of our entire audit process.

The implementation of KPMG Clara workflows introduce a new way of working for our audit teams which delivers the refreshed global methodology and supports consistent performance of our audits across the global network.

The latest analytics, automation and artificial intelligence tools are integrated into the KPMG Clara platform. We perform data analytics to support thousands of audits, processing over 1.3 trillion rows of data in the last year in the UK alone. We are committed to continually investing to enhance our data analytics capabilities – both in proprietary tools and solutions with major technology providers (such as through our Microsoft alliance) and smaller specialist analytics companies.

By utilising machine learning, predictive analytics and cognitive technology we equip our expert auditors with solutions that look forward, detect hidden anomalies and test scenarios – all of which support robust challenge and informed decision-making.

We are also investing in people in this space. We are training auditors in new advanced techniques, such as data science and modelling as well as expanding our central Clara team of 200+ colleagues (grown from 45 in 2017) which brings together data analytic specialists to support our audit teams and drive higher standards of quality.

Pathways into technology

There are many routes into a career in Audit at KPMG – including our increasingly popular degree apprenticeship scheme. Bella is now in her fourth year with the firm, working within the Clara Analytics and Technology team at the same time as studying one day a week for a university degree in Digital & Technology Solutions, with all fees paid by KPMG. Bella provides technical support to auditing teams on the tools available in KPMG Clara. "It's an important job because KPMG Clara is central to how auditing teams perform their work," Bella says. "I'm really enjoying acting as a first line of support and working within the wider analytics and technology team."

But Bella is getting involved in other aspects too, including the development of marketing tools and videos. "I'm really interested in marketing. It's a route I may try to go down as my career progresses," Bella says.

She is also passionate about wellbeing and is part of the Clara Analytics and Technology wellbeing team. Bella helps write a monthly wellness email and gets involved in related events and sessions. Not only that, but she launched her own 'Meditation Mondays' initiative that over 500 colleagues from across KPMG globally have participated in.

Aged just 23, Bella is making quite an impact. In her own words: "I love my job. It's varied and challenging. It excites me to think where I may be in my career with KPMG when I'm 30!"

Bella

Applying data science to the audit

With an audit involving huge quantities of data, there is enormous potential to bring data science techniques to bear. That is why KPMG has established a team of data scientists within Audit, who are working to increasingly embed data analytics and smart technology such as AI and machine learning (ML) into audit processes. This will further deepen the robustness of KPMG's analyses and strengthen audit quality.

Jack, Lead Data Scientist, KPMG Clara Analytics and Technology team, explains: "We have a team of dedicated data scientists working very closely with others in the Analytics and Technology team, and with audit teams, to develop new approaches. Areas like anomaly detection, asset valuation and debt provisioning, to name just a few, can be hugely enhanced through technology. We're coding and building tools that can be embedded directly into the KPMG Clara platform. Our work also helps us keep across the AI and ML techniques that audited entities are using, so that KPMG can audit them effectively."

KPMG is bringing significant rigour to the development of these techniques, including putting a cohort of auditors onto an MSc in data science each year. Jack says: "This allows auditors to take proof of concepts and iterate them in real academic research. It's leading to exciting developments already – such as a voice assistance tool which is in development to help auditors find specific pieces of data. Audit is a great field for data science, and we're keeping KPMG at the leading edge of it."

Jack

Training delivered in Audit

Our training this year has reflected a mix of virtual and face-to-face delivery as COVID-19 restrictions eased.

The formal audit training programme continues to include mandatory audit technical training, industry-specific training and risk courses. This is supported by centrally-run fortnightly technical briefings, lunch and learns, drop-in clinics and locally run sessions using centrally-developed content.

We run an annual KPMG Audit University (KAU), which was delivered face-to-face in 2022 for the first time in three years and was attended by both Audit and IT Audit colleagues. The training covered content on ISA 315 Revised (Identifying and Assessing the Risks of Material Misstatement), fraud, estimates, the audit of IT, and updates on the workflows and functionality of KPMG Clara. It was delivered in a mix of plenary and breakout sessions and, for the first time, included live link-ups across multiple locations, supporting our ESG agenda by minimising attendees' travel and optimising the use of our subject matter experts.

The mandatory curriculum also includes quarterly updates focusing on performing an effective 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. This is extended to audit managers through live and recorded workshops.

To support our strategy of being the most trusted firm, there are three releases of 'Building Trust' risk training each year, covering a range of risk-related topics. This year it included a new ICAEW film "All Too Familiar" about Anti Money Laundering.

In addition, partners and audit professionals must complete training relevant to their grade and role. This includes sector specific training and training to support technical overlays, such as working on US engagements.

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

Average number of hours of mandatory training completed by audit partners and audit professionals / **81**

FY22
(FY22: 114)

Average learning hours for technology experts in audit / **32**

FY22
(FY22: 61)

Monitoring our audit quality progress

We adopt a holistic approach to support audit quality and monitor our progress. We have engaged with stakeholders, enhanced our governance and invested in our people, culture, controls and technology.

We are committed to achieving the highest levels of quality in our work. To do that, we not only follow auditing and ethical standards, but monitor our progress and use feedback to continuously improve.

Continuous improvement and Root Cause Analysis

Our Root Cause Analysis (RCA) process is our most impactful way of identifying opportunities for continuous improvement. We use the results of this analysis to consider how to enhance our processes and embed best practices. During the year we commissioned an independent review of our RCA process and have implemented the majority of the enhancement recommendations with substantially all actions to be completed this year.

Over this year, we have continued to broaden the depth and scope of our RCA programme, introduced further innovations to our approach and refreshed our pool of trained and accredited individuals supporting the programme. These steps have enabled us to gain more insight into the key factors that drive quality findings and also those that contribute to high-quality audits.

We take the results from our RCA programme and use them to focus action and target investments.

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.

The findings from our RCA are reported to internal and external stakeholders, including the FRC and the ICAEW. In the 2021/22 cycle, the most frequent findings indicated:

Key positive messages from RCA

- Strong tone at the top.
- Awareness of requirements.
- Robust responses to complex and changing scenarios including use of internal consultations and support available.
- Good project management and team collaboration.
- Confidence and willingness to challenge management and timetables.

Key areas where improvement is needed

- Consistency of coaching.
- Use of guidance and tools available.
- Critical self-review of work performed.
- Over-reliance on the review process.
- Workload management.

Our RCA in numbers

During the year we spoke to more than 300 individuals. These findings are then analysed and categorised into themes including knowledge, resource allocation and behaviours.

- 29 – RCA performed on external inspections
- 46 – RCA performed on internal inspections
- 4 – RCA performed on other projects

External monitoring and engagement

Engaging with regulators

KPMG has a number of regulators due to the types of services we provide. This includes the Financial Reporting Council (FRC)[1], the Institute of Chartered Accountants in England and Wales (ICAEW)[2], 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.

From a regulatory change perspective, the environment remains challenging, and we continue to scan 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. Audit quality is our number one priority, and we value the constructive input and challenge from the FRC through their audit quality 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.

We are subject to external annual reviews, primarily by:

FRC

The Financial Reporting Council (FRC) Audit Firm Supervision (AFS), Audit Market Supervision (AMS) and Audit Quality Review (AQR) teams in the FRC's Supervision Division work closely together to develop an overall view of the key issues for each firm to improve audit quality.

Find out more information below

ICAEW

The Quality Assurance Department (QAD) of the ICAEW.

For a summary of the QAD's review findings, refer to the FRC's Audit Quality Inspection and Supervision report for KPMG LLP (July 2022).

In October 2022, the FRC published its Audit Quality Inspection report relating to Major Local Audits. The FRC inspected two in-scope audits whilst the QAD inspected none at KPMG in this cycle due to the proportion of in-scope audits at KPMG.

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. The inspection is in the final stages and we look forward to receiving the report in 2023.

Uplift in AQR inspection results

The combined impacts of our investments in quality, governance and technology are starting to become clear. There were notable improvements in our 2022 AQR inspection results – giving us the best results, and the most significant improvement in results, amongst the Big Four professional services firms.

These results are particularly pleasing given that these audits were conducted largely remotely due to the COVID-19 pandemic, when our teams and audited entities had to adapt to significant changes to how our audits were delivered.

We recognise that there is more to do and will remain focused on driving further, continuous enhancements as we pursue our vision of being the most trusted audit firm: by our regulators, the organisations we audit, investors, the public and our people.

1 https://www.frc.org.uk/auditors/audit-quality-review

2 https://www.icaew.com/regulation/working-in-the-regulated-area-of-audit/audit-monitoring-for-all-icaew-audit-registered-firms

FRC Audit Quality Inspection and Supervision Report findings for KPMG LLP, July 2022

In its July 2022 report, the FRC highlighted good practices and areas for improvement, in respect of its review of individual audits and its review of the firm's quality control procedures. Below we set out a summary of the FRC's findings (as previously noted, full details are available on the FRC's website).

Section 2 of FRC's AQR report – Review of individual audits

Good practices identified in individual audits inspected:

— Risk assessment and planning, including climate risk and fraud.

— Robust and well-evidenced challenge of management.

— Oversight and involvement with component auditors.

— Effective use of data analytics, including a bespoke, robust audit approach to test general IT controls and to recalculate fee income.

— Expected credit losses data testing - data elements.

— Contract accounting – engagement of KPMG infrastructure specialists.

— Engagement Quality Control Review, including strong evidence across all areas with particularly robust evidence and challenge of goodwill impairment.

Areas of improvement from the inspection of individual audits:

— Expected credit losses – model testing and monitoring and assessment and challenge of post-model adjustment relating to covid and other uncertainties.

— Certain areas of Journal testing.

— Procedures performed over settlement and clearing accounts and assessment of conduct-related provisions.

— Impairment assessments for tangible and intangible non-current assets.

— Interim testing of accrued revenue.

Section 3 of FRC's AQR report - Review of the firm's quality control procedures

Good practices identified within KPMG in the UK's firm-wide procedures:

— Use of the KPMG global finance system by the UK firm's Ethics function to inform assessment of non-audit fee requirements for UK PIEs.

— Requirement for group audit teams discuss with component audit teams how their systems and processes support them in complying with the Revised Ethical Standard requirements.

— Providing detailed guidance for group audit teams, including examples of the conditions that could compromise the independence.

— Design and implementation of a thorough audit accreditation framework.

— Shortening the period for audit teams to assemble the audit file to a maximum of two days after the audit report is signed.

Areas identified for improvement within KPMG in the UK'S firm-wide procedures[3]:

— Improve guidance on how to more consistently consider the perspective of an Objective Reasonable and Informed Third Party when taking decisions relating to ethics and independence.

— Embed the new Gifts and Entertainment system to ensure pre-approvals are sought before offers/acceptance.

— Issue methodology and improve the quality and extent of IFRS 13 guidance in relation to auditing fair value of financial instruments for banks and similar entities.

— Ensure professional judgements made by internal reviewers are recorded to support the depth of their review and conclusions reached in key areas where no findings have been raised.

— Increase the number of focus areas scoped into each review for large and complex audits with more significant risks or key audit matters.

In response to the FRC's findings in its AQR report, the firm confirmed that, Audit quality is our number one priority, and we are committed to consistently delivering high quality audits. We value the constructive input and challenge from the FRC throughout this year's audit quality inspection and supervision process. We continue to work closely with the FRC and thanks to their input, we are clear on 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.

Regulatory investigations and sanctions

We are committed to continuing to work with our regulators on concluding and learning from a number of historical investigations.

3 More detail on individual actions is included in our responses in the FRC public report, which is available on the FRC website.

Find out more

Ongoing FRC matters

FRC investigations4 into two matters announced in previous years remained ongoing at the end of the year:

— In respect of the financial statements of Carillion plc, the audit by KPMG Audit Plc for the year ended 31 December 2013, the audits of KPMG LLP for the years ended 31 December 2014, 2015, and 2016, and additional audit work carried out during 2017.

— The audit by KPMG LLP of the financial statements of Eddie Stobart Logistics plc for the year ended 30 November 2017.

New FRC matters or developments on ongoing matters during the year

No new FRC investigations in respect of KPMG were announced during the year.

FRC matters closed during the year

Four matters[4] relating to periods between 2010 and 2018 were closed during the year:

— In January 2022, the FRC announced sanctions against KPMG LLP and a former partner relating to the audit of the financial statements of Conviviality plc for the financial years ended 30 April 2017 and 29 April 2018. KPMG LLP was fined £3 million, severely reprimanded, and ordered to report to the FRC on the causes of the deficiencies in the 2017 audit and the steps taken to avoid recurrence. The former partner was fined £80,850 and severely reprimanded.

— In March 2022, the FRC announced sanctions against KPMG LLP and a former director relating to the audit of the financial statements of Revolution Bars Group plc for the financial years ended 30 June 2015 and 2 July 2016. KPMG LLP was fined £875,000, severely reprimanded and ordered to analyse the underlying causes of the breaches of relevant standards and report on the steps taken to avoid recurrence. The former director was fined £35,000, severely reprimanded, and ordered to identify and implement any necessary remedial measures as part of his appraisal and personal development arrangements at his current firm, and to report to the FRC at each stage of the process, to avoid recurrence.

— In May 2022, the FRC announced sanctions against KPMG Audit Plc and a partner relating to the audit of the financial statements of Rolls-Royce Group plc for the financial year ended 31 December 2010. KPMG LLP was fined £3,375,000, severely reprimanded, and ordered to commission an external expert review of the effectiveness of the firm's approach to audit work in the area of an audited entity's compliance with laws and regulations. The partner was fined £112,500 and severely reprimanded.

— In July 2022, following an FRC tribunal, the FRC announced sanctions against KPMG LLP, a former KPMG partner and four former KPMG employees, following an investigation undertaken pursuant to the Accountancy Scheme. The investigation related to the provision of false and misleading information and documents to the FRC in connection with the FRC's Audit Quality Reviews of two audits carried out by KPMG: the audit of the financial statements of Regenersis plc for the period ended 30 June 2014, and the audit of the financial statements of Carillion plc for the period ended 31 December 2016. KPMG LLP was fined £14.4 million, severely reprimanded, and ordered to appoint an independent reviewer to conduct a review to consider the effectiveness of KPMG's current AQR policies and procedures in supporting high-quality engagement with the AQR inspectors. The former KPMG partner and three of the individuals were fined, severely reprimanded, and excluded from membership of the ICAEW; the other individual was severely reprimanded. In January 2022, another former KPMG employee admitted misconduct in relation to this matter and was fined, severely reprimanded, and excluded from membership of the ICAEW.

ICAEW matters

Three ICAEW investigation outcomes were announced during the year. Two related to audits of financial statements of entities and the third related to a KPMG partner who was not registered to sign an Irish audit report.

PCAOB matters

In November 2022, the PCAOB announced disciplinary orders in respect of two matters:

— The PCAOB announced sanctions against KPMG LLP arising from failures to detect or prevent improper answer sharing on tests for mandatory internal training courses in the audit practice from 2018 until March 2021. KPMG LLP was censured, agreed to pay a civil money penalty of $2m and was ordered to review and improve as necessary its quality control policies and procedures to prevent recurrence.

— The PCAOB announced sanctions against KPMG LLP relating to the use of another KPMG network firm in the audits of the financial statements of Endava plc for the financial years ended 2017 to 2020 and inaccuracies in the firm's reporting of the participation of other KPMG network accounting firms in a small number of other audits. KPMG LLP was censured, agreed to pay a $600,000 civil money penalty and was ordered to review and improve as necessary its quality control policies and procedures in respect of the supervision and reporting of the participation of other firms in its PCAOB audits.

FRC Ethics Breach Reporting Policy

In February 2022, the FRC published a new policy for ethics breach reporting for auditors of public interest entities (PIEs) which sets out a standardised format and timeline of reporting in addition to requiring approval of the reporting by the firm's Ethics Partner (or equivalent).

4 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.

Breaches of the FRC Ethical standard

Our systems and processes help our people and our firm comply with the requirements of the FRC's 2019 Ethical Standard (ES). Where we identify breaches, we take prompt action: we assess the significance of the breach and how it has impacted on our independence and objectivity as auditor of the entity concerned, and we report our conclusions to those charged with governance. The Ethics Working Group considers the sanctions to be applied in respect of the breaches arising (including both financial sanctions and any additional remedial measures necessary). In line with the regulator's requirements, we submit a report of breaches to the FRC every six months. Reporting occurs outside of this cycle if the nature of the breach is such that the FRC would expect to be made aware. In the year ended 30 September 2022, we identified 24 breaches of the FRC's Ethical Standard (2021: 16 breaches).

Internal monitoring

Internal monitoring programs are created by KPMG International and applied across KPMG firms. The programs evaluate both:

- engagement performance in compliance with the applicable professional standards, applicable laws and regulations and KPMG International key policies and procedures; and
- our compliance with KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

Our internal monitoring programs also contribute to the assessment of whether our system of quality management has been appropriately designed, effectively implemented, and operates effectively.

There are three components to our internal monitoring:

- Quality Performance Reviews (QPR) programme
- KPMG Quality and Compliance Evaluation (KQCE) programme – formerly known as the Risk Compliance Programme (RCP)
- Global Quality and Compliance Review (GQ&CR) programme

The results and lessons from the integrated monitoring programs are communicated internally and appropriate action is taken at local, regional and global levels.

Quality Performance Review (QPR) programme

The QPR programme is the cornerstone of KPMG's efforts to monitor engagement quality. It assesses engagement level performance and identifies opportunities to improve engagement quality. It is also how we make sure that member firms collectively and consistently meet both KPMG International's requirements and professional standards.

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.

Our firm conducts the annual QPR programme in accordance with KPMG International QPR instructions. The reviews are performed at a UK level and are monitored regionally and globally.

Reviewer selection, preparation and process

There are robust criteria for selection of reviewers. Reviews are overseen by a senior experienced lead reviewer who is independent of KPMG in the UK.

Training is provided to review teams and others overseeing the process, with a focus on topics of concern identified by audit oversight regulators and the need to be as rigorous as external reviewers.

Evaluations from Audit QPR programme

Consistent criteria are used to determine engagement ratings and member firm Audit practice evaluations. During the year our rating structure for QPR findings was refined to align more closely with market practice. These changed from S (Satisfactory), PIN (Performance Improvement Necessary) and U (Unsatisfactory) to the new ratings 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

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

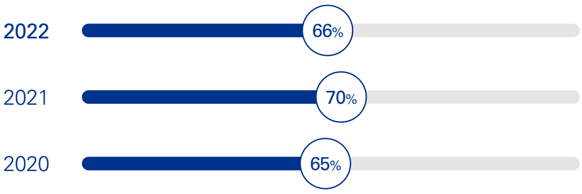
When the auditor did not perform the engagement in line with KPMG's professional standards and policies in a more significant area, or where there are deficiencies in the related financial statements. Where appropriate, in a limited number of cases we remediate engagement files to ensure the audit evidence 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. We take the ratings from the annual QPR programme into account, together with the results of external reviews and other quality features, when assessing the performance and remuneration of all engagement leaders and managers.

Reporting

Prior to the finalisation of the review there is a rigorous moderation process to ensure consistency of grading. If the reviewer notes any significant deficiencies, a remedial action plan is created, applicable at an engagement and firm level. We share our findings from the QPR programme, through internal training tools and in periodic partner, manager and team meetings. Any issues are also emphasised in subsequent inspection programmes to gauge the extent of continuous improvement and effectiveness of the implementation of remedial actions.

Our 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.

Rating / Compliant



Rating / Compliant – improvements needed

Rating / Not Compliant

Number of engagements reviewed

KPMG Quality and Compliance Evaluation (KQCE) programme

KPMG International develops and maintains quality management policies and processes that apply to all KPMG firms. These policies and processes, and their related procedures, include the requirements of the Global Quality & Risk Management (GQ&RM) Manual, ISQC 1 and the implementation requirements of ISQM 1 for this transition period.

The objectives of the KQCE programme are to:

— document, assess and evidence the extent of compliance of KPMG in the UK's implementation of ISQM 1 and the extent of compliance of their system of quality control with the GQ&RM Manual policies and key legal and regulatory requirements; and

— provide the basis for KPMG in the UK to evaluate that the firm and its personnel comply with relevant professional standards and applicable legal and regulatory requirements.

For FY22 member firms are required to self-assess their overall levels of compliance as green, yellow or red. A green rating indicates that the firm is substantially compliant with KPMG's policies and procedures; yellow indicates that the firm is substantially compliant with KPMG's policies and procedures and, although there may be several instances of non-compliance, these do not indicate serious deficiencies within the firm as a whole; while red indicates there are serious deficiencies.

The firm's evaluation also considers the results and status of action plans arising from other reviews assessing risk, quality and compliance, including QPRs and GQ&CRs. Where exceptions are identified, we are required to develop appropriate action plans and then monitor the status of each action item.

In 2022 our self-assessment found that our overall level of compliance is yellow (2021: yellow).

Global Quality and Compliance Review (GQ&CR) programme

Each KPMG member firm is subject to a GQ&CR conducted by KPMG International's GQ&CR team, independent of the member firm, at various intervals based on identified risk criteria.

The GQ&CR team performing the review is independent of the firm and is objective and knowledgeable of GQ&RM policies. GQ&CRs assess compliance with selected KPMG International policies and procedures and share best practices among member firms.

The GQ&CR provides an independent assessment of:

— a firm's commitment to quality and risk management (tone at the top) and the extent to which its overall structure, governance and financing support and reinforce this commitment;

— a firm's compliance with KPMG International policies and procedures; and

— the robustness with which the member firm performs its own quality and compliance program (former RCP and, current, KQCE programme).

KPMG in the UK develop action plans to respond to all GQ&CR findings that indicate improvement is required and agree these with the GQ&CR team. Our progress on action plans is monitored by the GQ&CR central team. Results are reported to the GQ&RM Steering Group and where necessary, to appropriate KPMG International and regional leadership.

The UK firm was subject to a GQ&CR inspection 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, RCP/KQCE and other compliance and quality control processes.

Audit quality engagement

Investor engagement

We have an investor engagement programme which is sponsored by the Board and Audit Executive, reported to (and challenged by) our Audit Board and Public Interest Committee, and 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 to inform how we can best respond.

At these meetings, we focus on topics of interest to investors, such as ESG factors, the government's response to the Department for Business, Energy and Industrial Strategy (BEIS) consultation "Restoring Trust in Audit and Corporate Governance", and key trends and new requirements in financial reporting. We also discuss the measures we are taking to continue to drive audit quality to the high standards expected of us by regulators and users of financial statements, and how the scope of Audit might need to change to meet the evolving needs of users of corporate reporting.

In addition, we make investors aware of the governance structures and reporting processes that corporates need in place themselves in order to facilitate a robust audit (and meet the likely requirements arising from the Restoring Trust consultation).

A selection of our events is attended by our INEs. This year, this included our Annual Audit Review where we discussed the future of Audit with investors, audit committee chairs and finance directors.

Looking ahead, the 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 Audit might need to change to better meet investors' needs. We have incorporated that feedback into our responses to the various reviews of the audit 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.

Investors tell us they want auditors to:

- Produce audits that better reflect investors' concerns. In response, we have shared investors' areas of focus through our training for partners and audit professionals (on topics such as climate change risk, where the AQR noted our good practices) and sought investors' views on the companies we audit as an input into our audit planning.
- Provide greater assurance on information beyond the financial statements, such as alternative profit measures, ESG metrics and other non-financial information. In response, we are exploring how best we can provide assurance on those areas that are of most interest to investors and have incorporated that feedback into our responses to the various reviews of the audit profession.
- Give more insight into management judgements than a binary audit opinion can give them. In response we continue to offer 'graduated findings' in audit reports – where the auditor provides an independent view of the relative caution or optimism of management's key judgements, rather than presenting merely a binary conclusion on the acceptability of those judgements.
- Share their insights sooner. In response we have reminded the companies we audit of the requirements concerning timely publication of annual reports and introduced a report containing extracts of our signed audit report that companies can publish with their preliminary announcements.
- Strengthen their culture of management challenge and professional scepticism, embedding such thinking into their processes, training, incentives and career progression pathways. In response, we have invested in reengineering our entire audit process with a standardised response to most area and we have transformed mandatory training for auditors with a constant focus on professional scepticism and challenge of management
- Safeguard their independence from the companies that they audit – both in fact and appearance. In response, we were the first audit firm to voluntarily restrict the provision of non-audit services (other than those services closely related to the audit) to FTSE 350 companies that we audit, well before the FRC's new Ethical Standard required it. We also welcome the FRC's intention to seek operational separation of Audit from the rest of the firm across our profession. Our business is already substantially organised to achieve the operational separation envisaged by the FRC in its recently published principles, having introduced a range of measures to enhance our governance and partner performance management, all focused on audit quality.

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 3,100 (2021: 2,800) members across both the private and public sectors. 67 FTSE 100 companies (2021: 79) have engaged with the programme through the active attendance of one or more board members and the audit committee chairs of 74 FTSE 100 companies (2021: 72) are members – receiving our thought leadership, guidance, updates and surveys.

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 recently refreshed our political relationships and activity policy for all colleagues to ensure we demonstrate best practice in conducting political engagement at all levels of government.

Further details of our approach to political engagement can be found in Appendix 13.*

* 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.

People and culture

Continuing to strengthen and evolve our culture is key to building a stronger and more sustainable firm for the future.

Our firm's Culture Ambition

"At KPMG we are guided by Our Values and doing great work that matters. We're building a culture that is open, safe and inclusive, and operates to the highest ethical and quality standards. A culture and environment that is continually listening, learning and evolving."

Jon Holt / Chief Executive, KPMG in the UK

Our values

Integrity	Excellence	Courage	Together	For Better
We do what is right	We never stop learning and improving	We think and act boldly	We respect each other and draw strength from our differences	We do what matters

Working closely with the Board, the Executive Committee looked into determining how we should evolve our culture as we grow our business and embed hybrid working. The outcome is our culture ambition, which Jon Holt set out to our Partners and colleagues and how he, and the Executive Committee, will be held accountable to deliver against that ambition.

There are five important components of the firm's Culture Ambition:

- Using our values to guide everything we do
- Creating an open, safe and inclusive environment
- Demonstrating the highest ethical and quality standards
- Listening, learning and evolving
- Doing work that matters

We've already taken some leading steps, for example our network of Ethics Champions and enhancing our Speak Up processes. In April, Jon Holt also announced some new actions, focused on:

— Embedding our values.

— Creating a stronger link between Partner pay and behaviour.

— Enhancing the governance of our culture ambition and plan.

— Increasing the independent oversight of the actions we're taking.

Read more on our Culture Ambition and the steps we're taking.

We listen to feedback and continually monitor our progress against key areas to identify what's working and where we need to take further steps to improve. Our Culture Steering Group, comprised of Board, Public Interest Committee, Executive Committee members and our Ethics Partner, meet on a quarterly basis to discuss culture metrics aligned to our ambition. We're also getting independent insight into the actions we're taking, including from the Institute of Business Ethics and also our Public Interest Committee.

Investing in our culture is part of our strategy to build a stronger and more sustainable firm for the future. This includes ensuring that all our people uphold the highest possible professional, ethical and quality standards, and that we learn from instances where behaviour falls short. We continue to work with the Cabinet Office to demonstrate the significant work that has been done, and is being done, to deal with the firm's legacy issues, and we've shared our culture ambition and plans with them. While this engagement took place we took the decision to temporarily stop bidding for government contracts. In June 2022, we were pleased to return as a strategic supplier to support the work of Government. We will continue to engage with the Cabinet Office closely and transparently on the implementation of our ongoing improvement plans and the commitments we've made as part of our culture ambition.

These commitments apply right across the firm, regardless of which function, department or team an individual belongs to. This report focuses on our Audit practice, in line with the regulatory requirement behind producing a Transparency Report. But it is important to note that numerous issues discussed in the following pages – our commitment to Inclusion, Diversity and Equity (IDE), our adoption of hybrid working to support both work/life balance and valuable collaboration with colleagues, our determination to uphold the highest standards of conduct and integrity, the guiding principle and aspiration of Quality that informs every piece of work we carry out – apply universally to every part of KPMG.

"It's important to me that, as a Board, we show leadership when it comes to culture, but also that we have the humility to listen to our people about where we can go further. We will be actively monitoring progress and holding our executive – who I know are equally committed – to account."

Bina Mehta / Chair, KPMG in the UK

People and Culture in our Audit practice

Number of people (onshore) in Audit / **5,118**

1 Oct 22
(1 Oct 21: 5,328)

Number of people (offshore) in Audit / **2,220**

1 Oct 22
(1 Oct 21: 1,585)

% of women in Audit / **47%**

1 Oct 22
(1 Oct 21: 47%)

% of ethnic minority colleagues in Audit / **37%**

1 Oct 22
(1 Oct 21: 35%)

% of black heritage colleagues in Audit / **7%**

1 Oct 22
(1 Oct 21: 6%)

% of disabled colleagues in Audit / **7%**

1 Oct 22
(1 Oct 21: 7%)

% of lesbian, gay & bi colleagues in Audit / **4%**

1 Oct 22
(1 Oct 21: 4%)

% of lower socio-economic background colleagues in Audit / **18%**

1 Oct 22
(1 Oct 21: 18%)

Building a culture of 'High Challenge, High Support' in Audit

In Audit, we're building a culture of 'High Challenge, High Support', which is part of the firm's Culture Ambition. It's where our people embrace Our Values and demonstrate a mindset of professional scepticism. This is key in delivering high quality audits. To nurture this mindset, we are focused on empowering our people. This means providing them with the right support, as well as opportunities to develop their skills and gain relevant experience.

We recognise that having the right culture will help us deliver our People Strategy: to Empower our People to build purposeful, fulfilling careers in an environment where they can thrive. Having the right culture also drives audit quality, delivery and growth.

The Culture Change Programme in Audit is now in its third year. We have matured our programme of work, building relevant resources, local networks and mechanisms to embed the firm's Culture Ambition within the business. We have been highly encouraged by the extent to which this is resonating with colleagues – they welcome the opportunity to co-create impactful culture resources that build a vibrant workplace and support in the delivery of our Audit strategy. We have had positive and regular engagement with the FRC since we commenced our Culture Change Programme in 2020 and more recently over the course of the last year as part of the FRC Thematic Review in respect of Scepticism and Challenge. We have received positive feedback from the FRC on our Culture Change Programme. They have highlighted many areas of good practice we have implemented, whilst noting our focus is now on further embedding change. The FRC's Thematic Review has also highlighted recommendations which we have taken into account as part of our plan for the year ahead.

> "…significant progress has been made in delivering the Culture Change Programme, which we consider to be well-designed, with the focus now on embedding the cultural collateral in individual practice groups."
>
> **Audit Quality Inspection and Supervision Report, FRC (July 2022)**

Audited entities somewhat satisfied or very satisfied with level of challenge on key estimates and judgements / **84%**

FY22
(FY21: 76%)

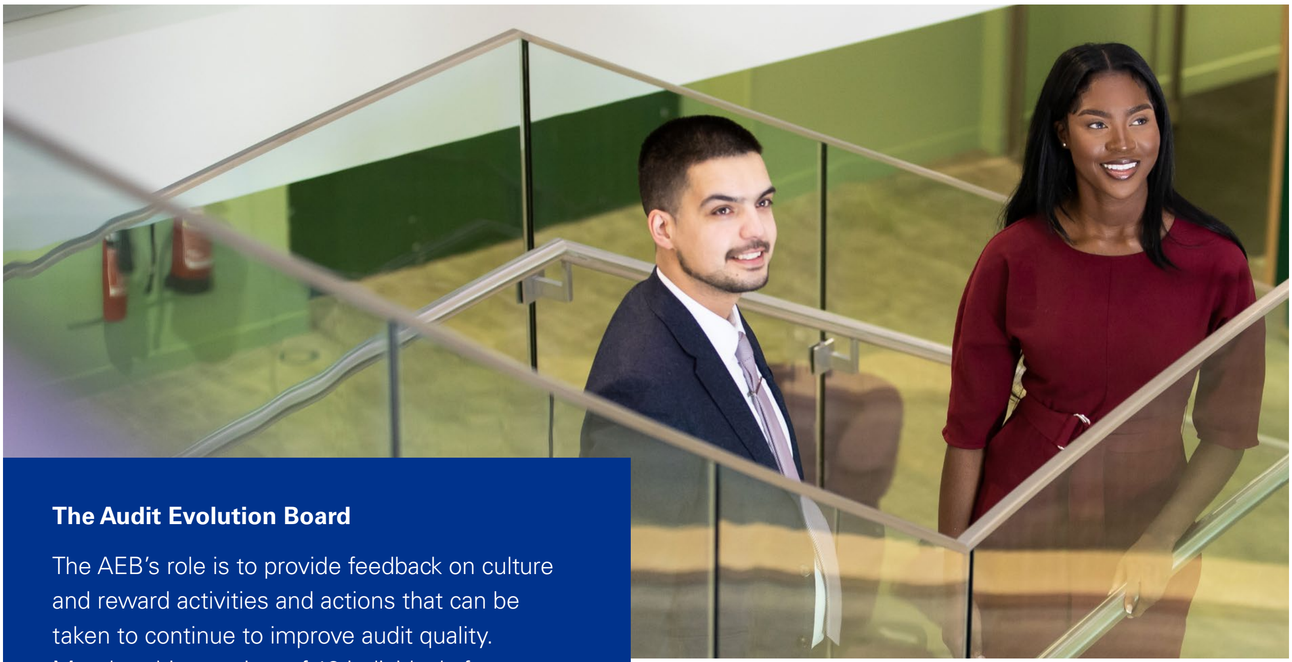
94% / of Audit colleagues feel the culture and tone set by leadership promotes the importance of audit quality

2022 Global People Survey[5]
(2021 Global People Survey: 91%)

89% / of Audit colleagues eel our commitment to quality is apparent in what we do on a day-to-day basis

2022 Global People Survey[5]
(2021 Global People Survey: 81%)

5 2022 Global People Survey data is based on 3,371 Audit colleague responses. 2021 Global People Survey data is based on 2,206 Audit colleague responses.



The Audit Evolution Board

The AEB's role is to provide feedback on culture and reward activities and actions that can be taken to continue to improve audit quality. Membership consists of 12 individuals from a range of Audit departments, locations and grades (from trainees to Senior Manager) together with one non-Audit member to provide an additional perspective. This diverse group bring a wide range of opinions and experiences through the monthly meetings. Their primary focus is to support the transformation to improve audit quality.

Alongside the AEB's focus on audit quality, other areas of contribution include the firm's Audit culture strategy, hybrid working, the ESG agenda and the Black Lives Action Plan. They consider the people and culture activities and actions that can be taken and bring them to the attention of senior leadership, helping us continue to embed our culture and improve audit quality.

"This year the Audit Evolution Board has provided feedback on audit reward changes, taken part in Audit Quality and Culture Awards judging, and acted as a sounding board for leadership proposals. The members are committed to ensuring that people feel rewarded and receive recognition for the hard work they do and will continue to work alongside the Audit Executive to achieve this."

Katie Henry / Audit Evolution Board Deputy Chair, KPMG In the UK

"

We are proud to have worked together with the Culture Change team to script, film and produce 'challenge and support' training resources for auditors, by auditors. We are releasing additional resources this autumn to demonstrate how to effectively work with our specialists and offshore colleagues."

Rich Pinks, Audit Director

Leading from the top, ensuring consistency

To be effective, our culture programme must be consistent, both across Audit itself and with all the other areas of our firm. To that end, 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.

We have aligned the cultural change activities in Audit to firm-wide activity whilst recognising the Audit programme is wider in remit and may require additional areas of focus. What is clear is that our culture ambition of high challenge, high support is understood by our people and is driving the right behaviours and outcomes.

Our Audit culture change team (a small group of dedicated specialists) is aligned and integrated with teams across Audit and the firm to bring consistency in ambition and messaging, with a joined-up approach. Our culture change professionals bring value to teams across Audit by guiding and supporting their culture activity focus - sharing insights and lessons learnt.

Leadership accessibility

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. Examples include sessions with Cath Burnet, Head of Audit, through visits to our offices up and down the country, getting to know Audit colleagues better and listen to their feedback and ideas on a wide range of topics including career development, KPMG Clara workflows, use of technology and the future of Audit. Both Cath Burnet and Mick Davies, Head of Audit Quality (until 30 September 2022, when he took up his new role of Chief Operating Officer, Audit) also spent a week visiting KGS colleagues and leadership in KGS's Indian offices in Gurgaon and Bangalore to speak to the 2,200 Audit colleagues there and hear what has been going on locally. Feedback received shows that those colleagues welcomed the opportunity to discuss issues that matter to them and hear directly from the UK Audit practice leadership. Our open feedback philosophy is helping us build a strong culture from the bottom up as well as top down.

Another significant event was the launch in March of "Talking Audit", an internal hub for sharing, listening and connecting, with a monthly video featuring leadership and colleagues updating Audit team members on what is going on in the practice and in the profession.

On a more operational and day-to-day level, there are a number of opportunities for leaders to ensure they can engage with their teams and support our culture ambition in their management approach. Measures include quarterly performance management conversations (as a minimum), coaching, culture surveys and 'Town Halls'.

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 2022, there were over 100 Ethics Champions (2021: over 120) nationwide who helped colleagues with 214 concerns they wished to raise (2021: 193). We are pleased to see that our colleagues also continue to use the Speak Up hotline where 45 separate matters were reported (FY21: 48). 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.

> "
>
> …the firm's investment in initiatives to improve audit quality, including a Culture Change Programme, is having an impact."
>
> **Audit Quality Inspection and Supervision Report, FRC (July 2022)**

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

We are embedding our culture ambition by developing practical tools, resources and events that help our colleagues understand and apply it in practice. Our progress in 2022:

Centrally-led activities and resources:

— Audit Quality and Culture Awards (AQCAs). These awards now run three times a year, giving our colleagues more opportunity to be recognised 'in the moment'. This recognition really matters to our people – we know because the winners have told us. The Spring and Summer AQCAs have been a huge success with over 1,000 individual winners. We use the results and stories to measure the impact our culture change programme is having across Audit.

— CultureScope. We have continued to use this culture measurement tool in a targeted way to help identify our culture strengths and areas of focus.

— We continue to embed Our Values and culture ambition across firm-wide activities, policies and processes.

— Our bi-annual speaker series brings our culture ambition and expected behaviours to life through a diverse range of speakers from across industry. The series stimulates thinking and supports colleagues with practical actions, hints and tips that they can apply every day to live our culture and behaviours. This year our speaker series focused on Curiosity which supports the right mindset for challenge and professional scepticism. To date we have had over 13,000 colleague views, live and on-demand for this content.

Driving cultural change locally:

— Our Culture Ambassador network has grown to 140 colleagues supporting the business. Their passion in delivering tangible culture change has resulted in over 300 value-adding activities, aligned to our culture plan, being carried out locally.

— Coaching materials continue to be used locally and training is delivered to newly promoted managers and experienced hires. All of our Partners and Directors, and 75% of our Senior Managers and Managers, have attended this training. Newly promoted Managers attend the training on an ongoing basis.

Supporting our people:

Our work on cultural change has put a spotlight on colleague wellbeing:

— We delivered an impactful campaign during Mental Health Awareness Week, with Partners and Directors setting the tone from the top through personal videos and conversations with colleagues at all levels.

— We delivered our first Wellbeing Innovation Challenge (WIC), where we asked our Audit practice to submit innovative ideas to improve wellbeing for all in Audit. We launched the winning idea – Focus Time – from the WIC in December 2022.

— We also launched an informative Audit Culture portal, a one-stop shop for Audit colleagues to access all culture resources, including wellbeing support.

— We announced a new five-year partnership on the 'Future of Work' between KPMG and the University of Cambridge. It will reimagine the world of work, examine the big issues affecting the modern workforce and offer practical, research-backed solutions to employers – starting with mental wellbeing.

We returned to running our successful KPMG Audit University (KAU) in person this year where our Culture Ambition and expected behaviours was one of the core themes.

The Wellbeing Innovation Challenge winning idea: Focus Time

The concept is about having 'focus time' in the diary and removing distractions to allow people to get their work done more efficiently. Achieving more, in less time, gives a sense of achievement, removes the anxiety of workloads building up, and allows us to work smarter and fewer hours.

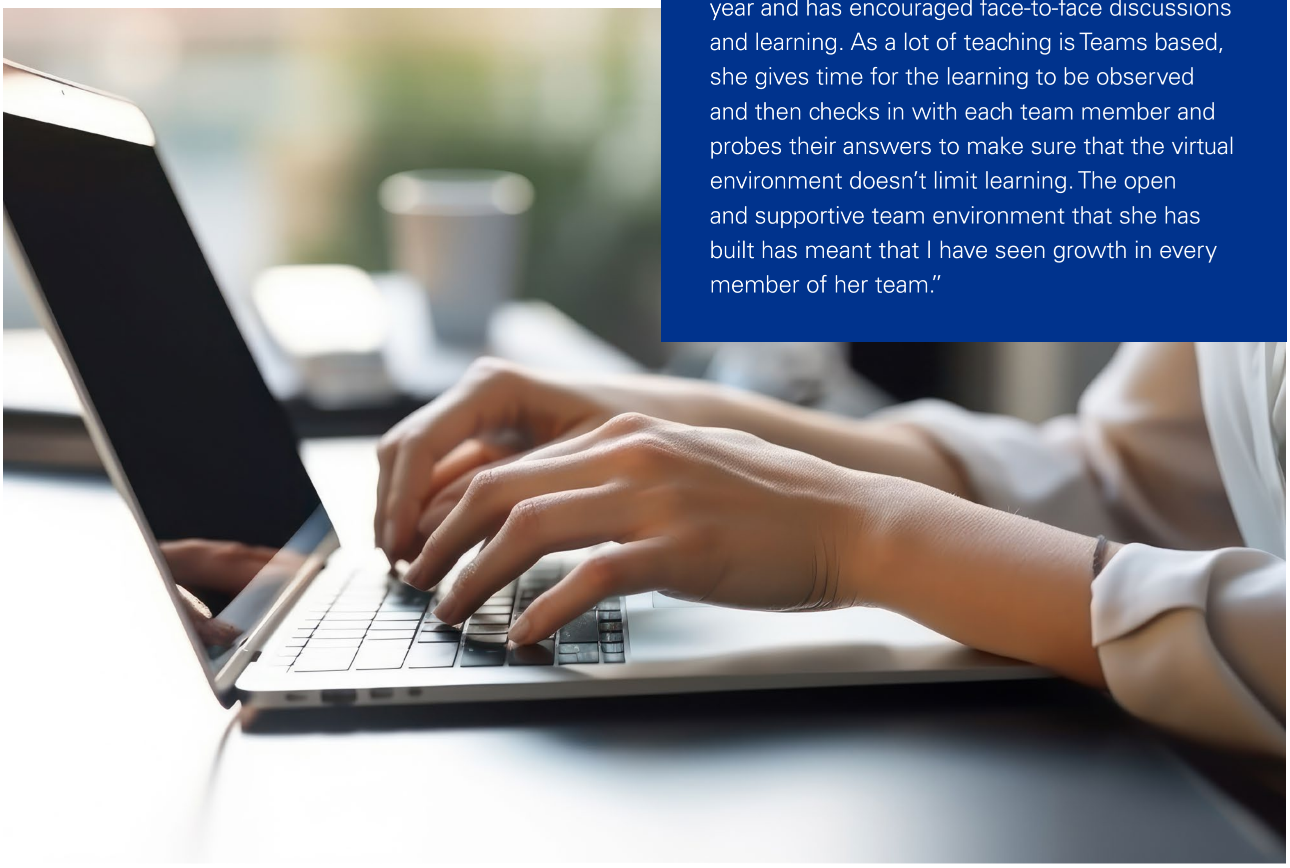
Hybrid working model

We believe that hybrid working is important in empowering our people and building the culture of the firm. Since November 2021, as part of the 'Reconnection' phase of KPMG's workplace strategy, we have been encouraging colleagues in Audit (and in the firm as a whole) to make the shift to hybrid working by spending a minimum of two days a week working together, in the office or at an audited entity site. This helps ensure we continue to deliver high-quality audits and support the wellbeing of our colleagues by giving them the best of both worlds – the flexibility to be at home, and time in the office or at an audited entity where they can catch up, work with each other in person and learn new skills together. It is clear that our people have really felt the benefit of being back in the office with their teams, particularly in terms of coaching and team engagement. We will continue to embed hybrid working in Audit, investing in technology and infrastructure to support it, listening to feedback, and evolving our approach when required, to ensure our colleagues are engaged, supported and learning in their roles.

Hybrid working excellence

Jennifer Wilmoth, Audit Manager, was recognised in the Summer 2022 Audit Quality and Culture Awards for the way she has managed her audit team whilst also embracing hybrid working. The director, Michelle Smarsh who put Jennifer forward for the award wrote in her nomination:

"…a stellar example of adapting and excelling as a manager in a hybrid environment". She is Glasgow based but is leading the Aberdeen-based team. Focused on transferring audit entity knowledge to the Aberdeen team members this year and has encouraged face-to-face discussions and learning. As a lot of teaching is Teams based, she gives time for the learning to be observed and then checks in with each team member and probes their answers to make sure that the virtual environment doesn't limit learning. The open and supportive team environment that she has built has meant that I have seen growth in every member of her team."



The recruitment and development of our people

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. This requires a focus on 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 engagements 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 colleagues 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, new 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.

Recognising our success

Through our revamped Audit Quality and Culture Awards and also our People Awards, we have seen some excellent examples of individuals and teams living Our Values and setting the highest standards of professionalism and quality.

The Audit Quality and Culture Awards recognise and celebrate those individuals and teams who champion audit quality and demonstrate our expected behaviours. In FY22, we had over 1,000 winners and good news stories linked to our culture goals. These stories are used across our Audit practice to continue to embed our culture ambition and drive good practices.

The People Awards are a firm-wide awards programme celebrating our people and what they've achieved. The awards are a chance for us to recognise the colleagues and teams who have exemplified Our Values and the incredible impact they have. 21 individuals and teams in Audit were recognised in the 2022 People Awards.

Delivering audit quality

One of the winners in the Audit Quality and Culture Awards this year was Nicole, a manager in Banking Audit. Nicole achieved the rare distinction of having her contribution recognised externally in the Audit Quality Inspection and Supervision Report, FRC (July 2022), where her personal initiative to improve data testing for expected credit losses was highlighted amongst good practices observed.

Nicole had mapped out each data element to the expected credit loss testing, showing how the risk had been addressed and linking that consistently through the controls and substantive work performed. This allowed the external reviewer to clearly follow KPMG's thinking and testing, leaving a positive impression on the inspector.

More broadly, Nicole has performed excellently through the year. The partner nominating her in the awards said: "Nicole is a special talent. She has shown great ability to work independently, excellent attention to detail, impressive technical ability, and outstanding flexibility in her approach. Her perseverance and depth is excellent: her challenge of management's accounting led in a number of cases to restatement in the accounts. She is becoming a real role model and has taken a keen interest in coaching and supporting colleagues in the team around her.

"Based on her exceptional performance and her wider impact on firm-wide quality, including her expected credit losses work, she fully deserves this award."

Personal development and performance evaluation

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

Our Open Performance Development framework supports partners and colleagues when thinking about career aspirations, progression and personal development needs via regular performance conversations and ongoing feedback from those they work with. In FY22, we developed a Career Pathways Tool to support colleagues' understanding of what different teams in Audit do and the opportunity to build their career.

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.

Audit quality is a key element of our performance evaluation, reward and promotion processes. More information on how we do this can be found here.

Total number of promotions in Audit this year / **970**

2 Oct 21 to 1 Oct 22
(2 Oct 20 to 1 Oct 21: 895)

81% / of Audit colleagues feel the review of their performance places a significant emphasis on their contribution to audit quality

2022 Global People Survey[6]
(2021 Global People Survey: 91%)

Number of Partner promotions in Audit this year / **38**

2 Oct 21 to 1 Oct 22
(2 Oct 20 to 1 Oct 21: 895)

% of Audit Partner promotions that were female / **36.8%**

2 Oct 21 to 1 Oct 22
(2 Oct 20 to 1 Oct 21: 20%)

% of ethnic minority Audit Partner promotions / **15.8%**

2 Oct 21 to 1 Oct 22
(2 Oct 20 to 1 Oct 21: 19.6%)

6 2022 Global People Survey data is based on 3,371 Audit colleague responses. 2021 Global People Survey data is based on 2,206 Audit colleague responses.

Putting quality at the core of performance evaluation and remuneration

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 2022, 98% of colleagues 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.

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 reflect our commitment to professionalism and integrity, delivering high-quality audits and being the best choice for the entities we audit and our people. In FY22 we also introduced Non-Equity Partners who go through the same admissions process as our Equity Partners. In our Audit practice, of the partners we promoted from within the firm this year, 36.8% were female.

Basis of equity partner 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.

Having introduced Partner Bands and a Unit Based remuneration model during FY21, this is now fully embedded across the partnership. The five 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 Partner Band descriptors: Quality (as the primary factor within the Audit practice).
- Sustained performance.
- Market value of skill set.
- Individual capability.
- Leadership qualities and overall contribution to the group.

The LLP Partnership Agreement requires that a minimum of 75% of the 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 noted earlier, we also introduced Non-Equity Partners during FY22 who are remunerated in the same way as colleagues. As at 30 September 2022, there were 283 Non-Equity Partners and 503 Equity Partners in the UK firm.

Inclusion, Diversity and Equity

Our trust and growth objectives are underpinned by an inclusive culture, which is critical to ensuring that we can thrive as a firm. This applies across KPMG, whether in Audit, Consulting, Tax or Advisory. Our new Inclusion, Diversity and Equity strategy 'Our KPMG: A Fairer Future for All' launched in February 2022 and is focused on leadership accountability, attracting and retaining talent, ensuring fairness in our systems and processes and using our collective voice for the better.

Our leaders are committed to driving change and are held accountable with set targets and action plans which they're measured against regularly. As part of the strategy, we have set targets to 2030 to mark our long-standing commitment to change. 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 each under-represented characteristic[7].

Examples of our commitment to date include: our Inclusive Leadership Board; a Black Lives Action Plan which has been in place for over two years; IDE training which was launched in 2022 to all colleagues; and our 15 very active employee networks. We are proud to have been recognised externally as a Times Top 50 Employer for Women, a Disability Confident Leader; a top 20 ranking in the 2022 Stonewall Workplace Equality Index; and to be the only firm to have ranked in the top three in the Social Mobility Employer Index every year since 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. We're setting targets for experienced hires across under-represented characteristics and are investing in insights and market mapping to help us reach these groups. We also 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. In 2021, the Audit practice also launched a Black Heritage Talent programme which has explored numerous themes with internal and external speakers to support colleagues in their career development and maximise their potential.

In our bid to build an inclusive culture, we have 15 Employee Networks open to all, providing a sense of community and 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 colleagues can voice their own lived experiences and provide vital feedback and insight to leadership.

"Being part of the Black Heritage Talent Programme (BHTP) has developed my leadership and time management skills, created new career opportunities and helped to expand my network. It was the perfect programme to build my confidence in identifying my stakeholders and being my authentic self at work. The lessons learnt have been life-changing and I am happy to have participated in the programme."

Esther Owusu-Ansah / Manager, Audit, KPMG in the UK

7 https://kpmg.com/uk/en/home/about/our-impact/our-people/inclusion--diversity-and-equity/addressing-our-pay-gaps.html

Measuring our progress

Continuing to measure our progress is key to success. We baseline and measure our culture on a holistic basis, using a variety of different sources of existing Management Information using our Firm-wide Culture Dashboard.

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 Audit Listening Programme which gathers views from the entities we audit.
- CultureScope, a culture measurement tool to assess our current culture.
- Reports to our Speak Up hotline.
- Coaching surveys.
- Audit leaver feedback.
- Root Cause Analysis outcomes (read more about this on page 13*).

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 130 focus groups in 2022 which were attended by approximately 750 Audit colleagues. These inputs are helping us target our actions where they will have the greatest impact.

Our People and Culture in Audit priorities for 2023

We’re committed to delivering on our strategic plans and will continue to focus on the following for FY23:

- Continue to drive engagement locally through our Culture Ambassador network to embed our High Challenge, High Support culture and make it real for colleagues through a variety of activities as listed below
- Implement our winning Wellbeing Innovation Challenge idea – Focus Time.
- Create further resources to build trust and psychological safety in teams, supporting a culture where people feel able to speak up if necessary.
- Focus on building continuous improvement to drive sustainable growth and develop our people to adopt a commercial mindset.
- Measure culture success and deliver insights through existing Management Information and the use of CultureScope.
- Continue to embed culture learning into the 2023 KAU and our Auditor Update training programme.
- Bring different perspectives to broaden horizons and stimulate innovation through our internal and external speaker series.
- Continue our work on Career Pathways for our auditors so that they have a meaningful, varied and challenging career within the Audit practice.
- Continue to focus on our Inclusion, Diversity and Equity action plan with a focus on achieving our targets and ensuring we have clear and tangible actions to meet these.
- Develop a robust people strategy focusing on attraction, retention, and the development of our auditors.
- Transition our culture change programme to ‘business as usual’ where it is fully embedded in the business.

* 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.

Quality control and risk management

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviours both professionally and personally.

Quality control and risk management

The UK firm has numerous policies and procedures in place to enable its 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.

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 (Our Code) 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.

Our quality control and risk management systems

Policies and procedures

KPMG International has established a quality framework across its network of member firms based on the International Standard on Quality Control 1 (ISQC1) 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.

ISQM1

We have continued working during the year, in collaboration with KPMG International ("KPMGI"), to implement the new International Standard on Quality Management (ISQM1), which supersedes ISQC1.

ISQM1 was issued by the International Auditing and Assurance Standards Board (IAASB) and became effective on 15 December 2022, together with the UK version of the standard issued by the Financial Reporting Council ("FRC"). 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 Audit Quality Framework (see here) 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.

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

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.

Our Chief Executive assumes ultimate responsibility for the UK's system of quality control, in accordance with the principles in the revised ISQC1 issued by the FRC.

Operational responsibility for the system of quality control, risk management and compliance is delegated to the Chief Risk Officer, who is responsible for setting overall professional risk management and quality control policies and for monitoring compliance for KPMG in the UK.

The Chief Risk Officer has a direct reporting line to the Chief Executive and sits on the Executive Committee of KPMG in the UK, 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 Audit Quality Framework (see here) 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 the 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 mastery that supports Our Values.
- Anticipate and respond to changes in the competitor landscape, macro-economy and clients' 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.

Risk management

The identification, evaluation, management and monitoring of 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, is the responsibility of our Board. 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 current framework was put in place at the beginning of FY22 following a comprehensive review in the prior year of how the information provided under it is used by the relevant governance bodies. The work undertaken as part of this review included:

- 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 undertaken through facilitated workshops with the Board.
- Setting of risk appetite, at firm-wide and Capability level.
- Implementation of an automated Governance Risk and Compliance (GRC) tool to support specific aspects of our risk management.
- The development of a horizon scanning tool, using input from the firm's own experts in political, economic, social, technology, legal and environmental risks.
- A review of the firm's regular risk reporting to various governance groups.

The framework established and in place throughout FY22 was further reviewed by the Board Risk Committee in September 2022 to reflect the impact of external events during the year on the firm's risk landscape, changes to our Markets structure, additional guidance issued by KPMG International and emerging best practice. A small number of changes to the firm's risk appetite were approved to reflect the current political, economic and regulatory environment and specific risks within the FY23 Business Plan.

The firm's Assurance Map, developed during the year to document the relationship between the firm's risks, its controls and compliance and assurance activities across the first, second and third line of defence, was also approved in September 2022 and objectives were set for further improvement of the framework in FY23, including the extension of the firm's risk analysis within the GRC tool and further enhancements to our ESG risk reporting.

Principal risks

The firm's principal risks are set out within the firm's four key risk 'families' of: Reputation, Regulation and Legal; Strategic; Operational; and Financial. For the year ending 30 September 2022, KPMG in the UK identified 11 principal risks across these four key risk 'families':

Reputation, Regulation and Legal
- 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.

During the year, further progress has been made in strengthening the firm's governance, with additional investment in the firm's second line of defence and regulatory compliance teams. These steps have all contributed to the mitigation of our principal risks.

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

Risk	Current risk landscape	Mitigations
Reputation, Regulation and Legal risks		
1. Trust (Trend: No change) KPMG in the UK fails to maintain the trust of external stakeholders, due to a failure to embed trust into the firm's strategy, failure to define and communicate the standards of conduct expected by the firm, and failure to develop a culture aligned to the firm's core values, resulting in negative impact on the firm's reputation at local, national and international levels.	— Continued regulator, public and colleague scrutiny of the firm in the context of both audit quality and the outcome of historic regulatory investigations. — A culture ambition centred on being Values-led, operating to the highest ethical and quality standards. — Increasing importance of, and expectations surrounding, ESG. — A need to embed and sustain improvement in our AQR results.	— A tone at the top which emphasises quality, ethics and integrity, with Ethics Champions embedded in the business. — 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. — 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 (**Our Code**) (reviewed by the Institute of Business Ethics) and set of Values, on which all colleagues receive annual mandatory training. — Appointment of a Head of Professional & Ethical Standards with appropriate scope and resources 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. Firmwide training on inclusion, diversity and social equality 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 the environment, with all UK offices certified to ISO 14001:2015. — A mandated Audit 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).

Risk	Current risk landscape	Mitigations
Reputation, Regulation and Legal risks (continued)		
2. Regulation (Trend: No change) 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.	— Continued enhanced supervisory approach as FRC transitions to ARGA. — Incoming regulatory changes affecting multiple parts of the firm, including audit reform. — FRC published updated principles and timeline for operational separation of the Audit practice.	— 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, including the impact and implementation of changes in regulatory requirements, such as Operational Separation. — Active participation in Global Governance and Committees to oversee network controls and potential reputational and other risks. — 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). — 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.

Risk	Current risk landscape	Mitigations
3. Legal (Trend: No change) 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. The UK firm fails to appropriately monitor and mitigate the impact of reputational damage arising from actions taken by other KPMG member firms.	— 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.	— 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. — 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 RCP/KQCE) in relation to contracting and legal compliance. — Specific policies, procedures and controls related to complying with sanctions.
Strategic risks		
4. Growth (Trend: No change) 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.	— Continued levels of market uncertainty in relation to the external environment: including the impacts of ongoing global conflicts, the wider political landscape, growing economic uncertainty, economic recession in the UK and the impact on specific markets of regulatory action. — Impact of operational separation of audit on our growth strategy. — Increasing importance of, and stakeholders' expectations surrounding, ESG.	— Board approved three-year planning exercise with yearly refreshers and regular review. — 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. — 'Our Impact' ESG strategy and plan, with Head of ESG supported by dedicated ESG Centre of Excellence.

Risk	Current risk landscape	Mitigations
5. Clients and audited entities (Trend: No change) 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.	— Audited entities and clients' changing business models and service needs, arising as a result of their responses to the current external and economic environment, increasing digitalisation and growth in importance of the ESG agenda. — Impact of the firm's ESG strategy on the acceptance and delivery of services to clients and audited entities.	— 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 established (as sub-committee of the Risk Executive) and mandatory annual firm-wide Conflicts of Interest training rolled out 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. — Introduction of the 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.

Risk	Current risk landscape	Mitigations
Operational risks		
6. Execution – Quality (Trend: No change) 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.	— 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.	— 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 Audit 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. — Newly established Audit Regulatory Compliance function, with 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.

Risk	Current risk landscape	Mitigations
7. Execution – Delivery (Trend: No change) 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.	— Increasingly competitive market for recruitment of talent. — Increased reliance on reliable and appropriate technology and connectivity due to hybrid working. — Increased complexity of contracting in particular in relation to multi-year framework services and work delivered for the public sector. — Increased use of third parties in engagement delivery in particular of long-term compliance projects.	— 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. — Template engagement letters and OGC/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). — Compliance programmes including Global GCR, QPR and Compliance Assurance Programme, with appropriate root cause analysis undertaken and action plans implemented and monitored.

Risk	Current risk landscape	Mitigations
Operational risks (continued)		
8. People, Talent and Culture (Trend: No change) 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.	— Intense competition for talent and skills shortage, impacting on ability to recruit at all colleague levels. Evolving expectations of employees 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. — Downturn in 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. — Increasing importance of reaching our culture ambition and maintaining an environment where poor employee or partner conduct is identified and addressed.	— 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 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. Black Lives Action Plan, Black Heritage reverse mentoring, Black Lives Allyship programme and IDE Talent programme. — 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 the views of 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 (**Our Code**) (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. — Succession plans in place for members of Executive leadership. Board succession monitored and managed through Nominations Committee.

Risk	Current risk landscape	Mitigations
Operational risks (continued)		
9. Technology and information management (Trend: No change) 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.	— 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.	— Governance/approval requirements in place for technology investment and changes: Technology Assurance Group, DMTAP (Demand Management and Technology Assurance Process) and CTO Forum. — Appointed Data Protection Officer and Chief Information Security Officer, each with specialist teams. — Range of projects ongoing to improve technology inventory and protections (Backup & Restore, Data Centre Exit, 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. — Widespread use of Information Protection Plans in engagements and introduction of Data Champions. — 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.

Risk	Current risk landscape	Mitigations
Operational risks (continued)		
10. Business operations, resilience and controls (Trend: No change) 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.	— 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, Brexit and increasing global political conflicts on the ability of third party suppliers to deliver goods and service to KPMG. — Planning for impact of operational separation of Audit. — 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.	— 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 refreshers and regular review by Operations Executive and COOs. — Operations Executive oversight of both internal and external audit quality reviews, recommendations and actions. — 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 ISO22301 (as confirmed by independent internal audit). — EPMO (Enterprise Project Management Office) to manage investment and transformational change programmes. — Supplier management centre of excellence. — Focused preparation for the implementation of ISQM1, in close coordination with KPMG International. Newly established System of Quality Management team to support the annual ISQM1 risk assessment and oversee our compliance post implementation. — Compliance programmes including Global GCR and Global RCP/KQCE, with appropriate root cause analysis undertaken and action plans implemented and monitored.

Risk	Current risk landscape	Mitigations
Financial risks		
11. Financial management (Trend: No change) 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.	— Need to continually invest in our services, people and processes to ensure that the business model is fit for the future. — Expected deterioration in external economic environment with potential 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.	— 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. — 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. — 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

On 1 July 2022 the firm appointed a dedicated Head of Internal Audit to this role. 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 and the continuing risks presented by COVID-19 pandemic. 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 the 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 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 and we 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 2022, we enhanced our programme with 984 (2021: 497) of our people subject to checks. This included approximately 20% 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 & 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 our 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 personnel with relevant training when they join the firm.

All personnel 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 of 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.

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.

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 International's policies recognise that self-interest or intimidation threats may arise if the total fees from an entity which we audit represent a large proportion of the total fees of the member firm expressing the audit opinion.

No entity to whom we provide audit services accounted for more than 10% of the total fees received by the firm in either of the last two years.

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 in 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 we meet these requirements. During 2022 we refreshed our Conflicts of Interest Policy and procedures. As part of the refresh process, we took input from an external law firm and their recommendations are reflected in the Policy and procedures which we now operate across our firm.

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 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 to support 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 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 though, the engagement is declined or terminated.

More complex conflicts require 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 this year.

All partners and client-facing personnel received mandatory training during the year on the refreshed conflicts policy and processes.

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 (Our Code) 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, to demonstrate that we are trustworthy – which I do by pro-actively living Our Values – and adhering to Our Code which includes upholding our firm's commitments to comply with our professional, ethical and quality standards at all times."

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 the systems of internal control 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, quality, compliance and culture. 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 2022, the Board has:

— Considered risk reporting under the firm's Enterprise Risk Management Framework.

— Reviewed regular reports by the Chief Operating Officer and Chief Financial Officer on the firm's financial performance and on any emerging financial risks and issues, including COVID-19.

— Reviewed regular reports from the Chair of the Risk Committee on regulatory, risk and compliance matters, including the findings and associated action plans arising from the various compliance programmes operated by the firm and external regulatory inspections and reviews.

— Considered reports to the Board made by the People, Audit, Risk Committees and the Audit Board on how each has discharged its duties in the year which included:

  - Results of internal audit work commissioned as part of the approved annual internal audit plan, and the progression on resolving weaknesses identified. In the reporting period, reviews have been completed covering key internal controls.
  - 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; and
  - Updates relating to the Audit Transformation Programme and other quality improvement programmes relating to audit quality.

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 2022.

Meeting our current reporting requirements

Introduction

KPMG in the UK's 2022 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 2022, 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 2022 Transparency Report, the 2016 Code has been applied. KPMG in the UK's response to the Provisions that require specific disclosure in a firm's Transparency Report is shown below.

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 2022.

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. The 2022 Code will therefore be applied to KPMG in the UK's 2024 Transparency 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, refer to: **Appendix 4: Board and Committees of the Board membership** 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 more information on individuals, refer to: **Appendix 4: Board and Committees of the Board membership** For information about KPMG in the UK's governance structure meeting attendance for the year ended 30 September 2022, refer to: **Appendix 2: Meeting attendance records for the year ended 30 September 2022**
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**

* This date was updated in July 2023 to correct a misprint which originally stated "2023", replacing it with "2024".

Audit Firm Governance Code (Revised 2016)

Continued

Principles and Provisions		Where information in response to each Provision can be found
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. For information about independent oversight at KPMG in the UK: — refer to: **Statement by the Independent and Audit Non-Executives** (page 4)*; and — refer to: **Appendix 4: Board and Committees of the Board membership** — refer to: **Appendix 11: Board and Bord Committee Reports of the year** — refer to: **Appendix 12: Board and Bord Committee Terms of Reference**
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 information about independent oversight at KPMG in the UK: — refer to: **Statement by the Independent and Audit Non-Executives** (page 4)*; and — refer to: **Appendix 4: Board and Committees of the Board membership** — refer to: **Appendix 11: Board and Bord Committee Reports of the year** — refer to: **Appendix 12: Board and Bord Committee Terms of Reference**
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.	For information about independent oversight at KPMG in the UK: — refer to: **Statement by the Independent and Audit Non-Executives** (page 4)*; and — refer to: **Appendix 11: Board and Bord Committee Reports of the year** — refer to: **Appendix 12: Board and Bord Committee Terms of Reference**
C.2	**Characteristics of independent non-executives principle** 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.	
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.	— refer to: **Statement by the Independent and Audit Non-Executives** (page 4)*

* 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
D	**Operations**	
D.1	**Compliance principle** 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.1.3	The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	Refer to: **Quality control and risk management** (page 35)
D.2	**Risk management principle** 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.	
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.	Refer to: **Quality control and risk management** (page 35)
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: **Quality control and risk management** (page 35)
E.3.2	The transparency report should be fair, balanced and understandable in its entirety.	The Board has considered the disclosures within the 2022 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 2023 Transparency Report.

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; 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; 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; iv. the total turnover of the members of the network identified under (ii) resulting from statutory audit work or equivalent work in EEA states or Gibraltar;	Refer to: **Appendix 1: Legal structure** KPMG also 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: **2022 Gibraltar Transparency Report**
2 (c)	A description of the governance structure of the statutory auditor, if it is a firm;	Refer to: **Appendix 4: Board and Committees of the Board membership**
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: **Quality control and risk management** (page 35)
2 (e)	An indication of when the last quality assurance review referred to in Article 26 was carried out;	Refer to: **Audit quality** (page 7)
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: **Quality control and risk management** (page 35)

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: **Audit quality** (page 7)
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: **People and culture** (page 21)
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: **Quality control and risk management** (page 35)
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: 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	

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 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
(a)	A description of the legal structure, governance and ownership of the transparency reporting local auditor;	Refer to: **Appendix 4: Board and Committees of the Board membership** 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: **Quality control and risk management** (page 35)
(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: **Quality control and risk management** (page 35)
(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: **Audit quality** (page 7)
(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: **People and culture** (page 21)

* 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.

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

Note: Appendices 11-13 were added in August 2024 in order to archive content from the KPMG UK website

Appendix 1: Legal structure

Legal structure

KPMG LLP[8] 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.

KPMG International Limited, an English private company limited by guarantee, and the KPMG member firms are not a global partnership, single firm, multi-national 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 Limited, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International Limited or any of its related entities have any such authority to obligate or bind any member firm.

Member firms are generally locally owned and managed. Each member firm is responsible for its own obligations and liabilities, and for taking responsibility for its management and the quality of its work. 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.

KPMG LLP 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.

KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It's activities are funded by an annual payment paid to it by member firms. KPMG International does not provide professional services 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.

Pursuant to their membership agreements with KPMG International, member firms are required to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes having a firm structure that ensures continuity and stability and being able to adopt global strategies, share resources (incoming and outgoing), service multi-national clients, manage risk, and deploy global methodologies and tools.

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

Further detail on the legal and governance arrangements for the KPMG global organisation can be found in section 'Governance and leadership' of the 2022 KPMG International Transparency Report.

Governance

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team. Further details on KPMG International's governance structure can be found in the 2022 KPMG International Transparency Report.

Total turnover achieved by EU/EEA audit firms resulting from the statutory audit of annual and consolidated financial statements[9]

Aggregated revenues generated by KPMG firms[10], from EU and EEA Member States resulting from the statutory audit of annual and consolidated financial statements was EUR 2.2 billion during the year ending 30 September 2022. 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 2022.

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.

8 KPMG LLP has a number of direct and indirect subsidiaries, including KPMG UK Limited, which is the primary vehicle for employing staff for use of KPMG LLP and KPMG Audit Plc, which historically provided some audit services.

9 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.

10 Does not include revenues from UK.

Appendix 2: Meeting attendance records for the year ended 30 September 2022

Key information

- The number of meetings included are regularly scheduled meetings.
- Numbers in italics relate to standing invitees of the Committees only and as such attendance is optional.

	Board	Public Interest Committee	Audit Board	Audit Committee	People Committee	Risk Committee	Nomination Committee	Executive Committee
Bina Mehta[11]	8 (8)	-	-	-	3 (3)	2 (2)	5 (5)	-
Jonathan Holt	8 (8)	-	-	-	-	-		11(11)
Annette Barker	6 (8)	-	-	-	3 (3)	5 (6)	5 (5)	-
John Bennett	-	-	-	-	-	-	-	11 (11)
Anne Bulford	*7 (8)*	4 (4)	-	*5 (6)*	-	-	-	-
Cath Burnet	-	-	-	-	-	-	-	10 (11)
Liz Claydon	-	-	-	-	-	-	-	10 (11)
Jonathan Evans	*7 (8)*	4 (4)	-	-	-	*4 (6)*	*3 (5)*	-
Jonathan Downer[12]	4 (4)	-	6 (6)	3 (3)	-	-	-	-
Melissa Geiger[13]	7 (8)	-	-	-	5 (6)	*0 (2)*	5 (5)	-
Karim Haji	-	-	-	-	-	-	-	9 (11)
John Hallsworth	6 (8)	-	-	-	6 (6)	-	4 (5)	-
Oonagh Harpur	*8 (8)*	4 (4)	*3 (3)*	-	6 (6)	-	-	-
Chris Hearld	-	-	-	-	-	-	-	10 (11)
Victoria Heard	-	-	-	-	-	-	-	10 (11)
Lisa Heneghan	-	-	-	-	-	-	-	10 (11)
Michelle Hinchliffe[14]	4 (4)	-	4 (4)	3(3)	-	-	-	-
Melanie Hind	-	1 (1)	10 (10)	-	-	-	-	-
Kevin Hogarth	-	-	-	-	-	-	-	10 (11)
Rachel Hopcroft	-	-	-	-	-	-	-	9 (11)
Claire Ighodaro	*8 (8)*	2 (2)	*10 (10)*	-	-	-	-	-
Tim Jones	8 (8)	-	-	-	-	-	-	10 (11)
Anthony Lobo	8 (8)	-	7 (10)	6 (6)	-	*6 (6)*	-	-
Linda Main	8 (8)	-	-	5 (6)	-	6 (6)	-	-
Kathleen O'Donovan	*8 (8)*	3 (4)	*10 (10)*	-	-	-	-	-
David Rowlands	-	-	-	-	-	-	-	11 (11)
Suzanne Shenton	-	-	-	-	-	-	-	11 (11)
Dan Thomas	-	-	-	-	-	-		8 (11)

11 Bina Mehta stepped down as a member of the People Committee and Risk Committee on 1 February 2022.

12 Jonathan Downer joined the Audit Committee as a member on 1 May 2022.

13 Melissa Geiger stepped down as a member of the Risk Committee on 1 February 2022.

14 Michelle Hinchliffe retired from the firm on 28 February 2022.

Appendix 3: Key performance indicators for our governance system

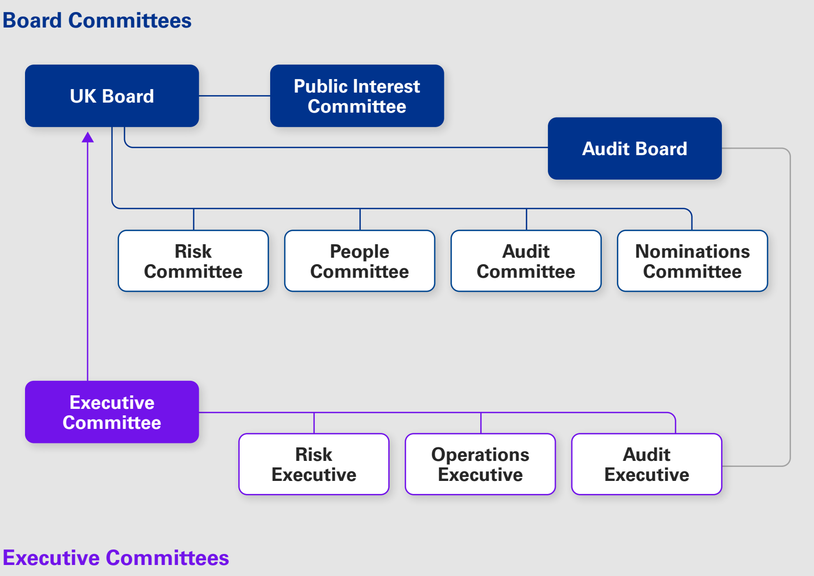
Requirement	Response
The Board should meet at least six times each year with a minimum attendance target of 80% over a 12-month rolling period.	The Board had eight business as usual meetings with members average attendance of 93%.
The gender diversity of the Board should be composed of a minimum one third women.	As at 30 September 2022 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 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. The Nominations Committee is responsible for board appointments with reference to the Board skills matrix.
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 in November where results were discussed, and action taken where appropriate.
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.	As at 30 September 2022 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 ten business as usual meetings and one special 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 explain otherwise.	The Board has considered the disclosures within the 2022 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 2023 Transparency Report.
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.	The Board evaluation was conducted in 2021 and the recommendations from that have been implemented. A follow up was conducted in 2022 and the recommendations will be implemented in the first quarter of 2023. The external review was initiated in the summer of 2022. Any recommendations that are implemented as a result of that review will be reported on in next year's Transparency Report.
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 the year and any recommendations from the 2021 review have been implemented. Part of that review will be reported on in next year's Transparency Report.
Board comprises a minimum of one practising Audit Partner.	During the year the Board membership included at least one practising auditor.
Board comprises more than 50% members who are qualified auditors (per s.1219 of the Companies Act 2006 or equivalent).	During the year the Board comprised more than 50% members who are qualified auditors.
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 Appendix 9.

Appendix 4: Board and Committees of the Board membership

UK Board

Our UK Board as of 30 September 2022 comprised the Chair, the Chief Executive, the Senior Elected Member, four other Elected Members, one Nominated Member and one other Executive Member.

Governance structure at 30 September 2022



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 one year of service as Chair).

Tim Jones
Chief Operating Officer*
Tim has been a partner since 2005 and joined the Board in June 2019 (as at the year-end, this equates to approximately three years of service as a member of the Board).

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 one year 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 three 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 three 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 two 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 one year 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 two 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 seven months of service as a member of the Board). Jonathan is a member of the Audit Committee and Audit Board and practicing auditor.

Changes close to, or after, the year end

* Tim Jones stepped down as an Executive Member of the Board with effect from 30 September 2022.

* Linda Main became a member of the People Committee on 9 November 2022.

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

Chris Heard was appointed as an Executive Member of the Board in his capacity as Chief Operating and Financial Officer with effect from 1 October 2022.

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 one year of service as Chair).

Chris Hearld
Chief Financial Officer and Head of Regions
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 three 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 one year of service as a member of the Executive Committee).

Tim Jones
Chief Operating Officer*
Tim has been a partner since 2005. Tim has been a member of the Executive Committee since June 2019 (as at the year-end, this equates to over three years of service as a member of the Executive Committee).

Lisa Heneghan
Chief Digital Officer*
Lisa has been a partner since 2011. Lisa has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over one year of service as a member of the Executive Committee).

Suzanne Shenton
Head of KBS*
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 one year of service as a member of the Executive Committee).

Dan Thomas
Head of Corporates*
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 one year 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 one year 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 one year of service as a member of the Executive Committee).

Kevin Hogarth
Chief People Officer*
Kevin has been a partner since 2020. Kevin has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over one year 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 one year 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 one year 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 one year of service as a member of the Executive Committee).

Karim Haji
Head of Financial Services*
Karim has been a partner since 2009. Karim has been a member of the Executive Committee since June 2021 (as at the year-end, this equates to over one year of service as a member of the Executive Committee).

Appendix 4: Board and Committees of the Board membership

Continued

The Executive Committee Continued

Changes close to, or after, the year end

* The Head of Regions position stopped being on the Executive Committee from 1 October 2022, principally due to the rationalisation of the Markets organisation and the Operations function. The Chief Operating Officer became Chief Operating and Financial Officer, with effect from 1 October 2022. Chris Hearld was appointed Chief Operating and Financial Officer with effect from 1 October 2022.
* Tim Jones was appointed Interim Chief People Officer with effect from 1 October 2022. Lisa Fernihough became Chief People Officer with effect from 1 January 2023.
* Lisa Heneghan stepped down from the Executive Committee with effect from 1 October 2022. The Chief Digital Officer position stopped being on the Executive Committee from 1 October 2022, principally due to the rationalisation of the Markets organisation and the Operations function.
* Suzanne Shenton, the Head of KPMG Business Services (KBS), became Head of KPMG Business Services and Transformation, with effect from 1 October 2022.
* The Head of Corporates position stopped being on the Executive Committee from 1 October 2022, principally due to the rationalisation of the Markets organisation and the Operations function. Dan Thomas was appointed Head of Markets with effect from 1 October 2022. The Head of Markets position commenced being on the Executive Committee from 1 October 2022, due to the rationalisation of the Markets organisation.
* Kevin Hogarth stepped down from the Executive Committee on 30 September 2022 upon his retirement from the Partnership.
* Karim Haji stepped down from the Executive Committee with effect from 1 October 2022. The Head of Financial Services position stopped being on the Executive Committee from 1 October 2022, principally due to the rationalisation of the Markets organisation and the Operations function.

Appendix 4: Board and Committees of the Board membership

Continued

Independent Non-Executives as at 30 September 2022

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 in March 2017 and became its Chair in October 2019. As at the year-end, this equates to over five years of service as a member of the Public Interest Committee. 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. Jonathan is currently Chair of the Committee on Standards in Public Life, a Non-Executive Director of Ark Data Centres Limited, an advisor to several small tech companies and Chairman of Kent Search and Rescue.

Claire Ighodaro CBE

Chair of the Audit Board (Audit Non-Executive)

Claire Ighodaro was appointed as Chair of the Audit Board in September 2021. As at the year-end, this equates to one year of service as Chair.

Claire Ighodaro CBE is Remuneration Committee Chair of Pennon Group PLC and a Leadership Council Member of TheCityUK. Her previous board roles include Board Chair of AXA XL – UK Entities, 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 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 President of CIMA (the Chartered Institute of Management Accountants).

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

Anne Bulford CBE OBE

Member of the Public Interest Committee

Anne joined the Public Interest Committee in May 2019. As at the year-end, this equates to over three years of service as a member of the Public Interest Committee. 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 in April 2018. As at the year-end, this equates to over four years of service as a member of the Public Interest Committee. 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.

Melanie Hind

Member of the Audit Board (Audit Non-Executive)

Melanie Hind joined the Audit Board in September 2021. As at the year-end, this equates to one year of service as a 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 is a board member and audit committee chair of Talbot Underwriting Limited (a Lloyd's managing agent that is part of the AIG group), a board member and risk sub-committee chair at OneFamily (a mutual insurer and asset manager), and is an independent trustee and Honorary Treasurer of the Disasters Emergency Committee which raises funds in the UK to provide overseas humanitarian aid in emergency situations.

Kathleen O'Donovan

Member of the Public Interest Committee and Audit Board (Audit Non-Executive)

Kathleen O'Donovan joined the Public Interest Committee in July 2019. As at the year-end, this equates to over three years of service as a member of the Public Interest Committee. Kathleen joined the Audit Board in September 2021. As at the year-end, this equates to one year of service as a member of the Audit Board. 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, DS 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 Ernst & Young.

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.	For engagement with the workforce, one or a combination of the following methods should be used: — a director appointed from the workforce; — a formal workforce advisory panel; — a designated non-executive director	The Board benefits from engagement with the workforce through KPMG's Employee Business Forum.
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 was formed during the year and reviewed 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.	A Nominations Committee was formed during the year which oversaw the process of an election of the 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.
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 2021 Board Effectiveness recommendations have been implemented and the 2022 Board Committee Effectiveness Review recommendations are currently being implemented and will be reported on in next year's Transparency Report.
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 2022.

Entity name

3i Group Plc
ABC International Bank plc
Aberdeen City Council
Aberdeen New India Investment Trust Plc
abrdn Life and Pensions Limited
abrdn Equity Income Trust Plc
abrdn European Logistics Income Plc
abrdn Japan Investment Trust Plc
abrdn Plc
abrdn UK Smaller Companies Growth Trust Plc
Affinity Sutton Capital Markets PLC
Aioi Nissay Dowa Insurance UK Limited
Alphawave IP Group Plc
AMBAC Assurance UK Limited*
Amigo Holdings Plc*
Amtrust Europe Limited
AO World Plc
Ascential Plc
Ashmore Group Plc
Aspen Insurance UK Limited*
Aspire Defence Finance Plc
Aster Treasury Plc
Auto Trader Group PLC
AVI Global Trust plc
Avon Protection Plc
B & C E Insurance Limited
B.A.T. International Finance p.l.c.
Baillie Gifford Shin Nippon Plc
Baillie Gifford US Growth Trust Plc
Balfour Beatty plc
Baltic Classifieds Group Plc
Bank Of Ireland (UK) PLC
Barclays Bank PLC
Barclays Bank UK Plc
Barclays PLC
Bazalgette Finance plc
Big Yellow Group Plc
Bloomsbury Publishing PLC*
BPHA Finance plc
BRISTOL & WEST PLC
British American Tobacco Plc
British Telecommunications plc
BT Group plc
Buckinghamshire Building Society*
Cambridge and Counties Bank Limited*
Cambridgeshire Housing Capital Plc
Capita Plc
Card Factory Plc
Cardiff University
Carr's Group PLC*
Charles Stanley Group PLC*
Chemring Group Plc
Chetwood Financial Limited
China Taiping Insurance (UK) Co Ltd
Citibank UK Limited
Clarion Funding Plc
Compass Group Plc
Computacenter plc
Connect M77/GSO Plc
Connect Plus (M25) Issuer Plc
Consort Healthcare (Birmingham) Funding Plc
Croda International Plc
CT Global Managed Portfolio Trust
Currys Plc
Devro Plc
DFS Furniture Plc
Dialight Plc
EMH Treasury Plc
Esure Insurance Limited*
Family Assurance Friendly Society Ltd*
Fidelis Underwriting Limited
Forester Life Ltd.
Games Workshop Group Plc
GLH Hotels Ltd*
Gracechurch Card Programme Funding PLC
Grainger Plc
Hampshire Trust Bank Plc
HICL Infrastructure Plc
Hollywood Bowl Group Plc
Howden Joinery Group Plc
Income Contingent Student Loans 1 (2002-2006) Plc
Income Contingent Student Loans 2 (2007-2009) Plc
Invesco Asia Trust plc
IP Group Plc
James Fisher and Sons Plc
JD Sports Fashion Plc
John Lewis Plc
John Wood Group PLC
Ladbrokes Group Finance plc
Lancashire Insurance Company (UK) Limited
Leek United Building Society
Legal & General Assurance (Pensions Management) Ltd
Legal & General Finance Plc
Legal & General Group Plc
Legal And General Assurance Society Limited
Liontrust Asset Management Plc
London & Quadrant Housing Trust
Luceco PLC
M&G Plc*
Manchester Airport Group Funding Plc*
Markel International Insurance Company Limited
Marston's Issuer plc
Marston's PLC
Masthaven Bank Limited
Mercantile Indemnity Co Ltd*
Micro Focus International Plc
Midland Heart Capital plc
Mitchells & Butlers plc
Moneysupermarket.com Group PLC
Motability Operations Group Plc
Motors Insurance Company Limited
Myriad Capital PLC
National Casualty Company of America Ltd
National Counties Building Society
NCC Group PLC
Network International Holdings Plc
NewDay Partnership Funding 2017-1 Plc
Ninety One plc*

* UK PIEs we have resigned from but the last year-end and signing date falls with KPMG's FY 2022.

Appendix 6: UK Public Interest Entities

Continued

North of England Protecting and Indemnity Association Limited*
Odyssean Investment Trust plc
Orbit Capital plc
Oxford BioMedica Plc
Paragon Bank PLC
Paragon Banking Group Plc
Paragon Mortgages (No.12) Plc
Paragon Mortgages (No.25) Plc
Paragon Mortgages (No.26) Plc
Paragon Treasury Plc
PayPoint plc
Peabody Capital No 2 Plc
Peabody Capital Plc
Pendragon Plc
Pension Insurance Corporation plc
Pets at Home Group PLC
Places for People Capital Markets plc*
Places for People Finance plc*
Places for People Homes Limited*
Places for People Treasury plc*
PMGR Securities 2025 Plc
Polar Capital Technology Trust Plc
Premier Foods Plc*
PREMIER MITON GLOBAL RENEWABLES TRUST PLC
Prudential plc
Prudential Pensions Limited*
PureTech Health plc
Quadrant Housing Finance Limited
Reckitt Benckiser Group plc
Reckitt Benckiser Treasury Services Plc
Redrow PLC
Redwood Bank Limited*
Ricardo PLC
Rightmove Plc*
Rio Tinto plc
Road Management Services (A13) plc
Rombalds Run-off Limited*
Rothschild & Co Continuation Finance PLC
Royal & Sun Alliance Insurance Limited
Royal & Sun Alliance Reinsurance Ltd
Royal Mail PLC
RSA Insurance Group Limited
Saga Plc
Samsung Fire & Marine Insurance Company of Europe Limited
Sanctuary Capital Plc
Sanctuary Housing Association
Sanlam Life & Pensions UK Ltd*
Schroder UK Mid Cap Fund Plc
Scottish Power UK Plc
Senior PLC
Serco Group plc
Severfield Plc
Shawbrook Bank Limited
SMBC Bank International PLC
Smith & Nephew plc
Smiths Group plc
Sovereign Housing Capital plc
SP Distribution PLC
SP Manweb plc
SP Transmission PLC
SPEEDY HIRE PLC*
SSP Group Plc
Starling Bank Limited
Strategic Equity Capital Plc
TCHG Capital Plc
Telecom Plus Plc
The Baillie Gifford Japan Trust PLC
The Bank of New York Mellon (International) Limited
The Berkeley Group Holdings plc
The Excelsior Insurance Company Limited
The Marine Insurance Company Limited
The Prudential Assurance Company Limited*
The Scottish American Investment Co PLC*
The University Of Oxford*
TheWorks.co.uk Plc
TR Property Investment Trust Plc
Travis Perkins plc
Tritax Eurobox Plc
TSB Bank Plc
TSB Banking Group Plc
Unilever PLC
United Utilities Group plc
United Utilities PLC
United Utilities Water Finance Plc
United Utilities Water Limited
Utilico Emerging Markets Trust Plc
Vitality Health Limited
Wheatley Group Capital plc
Wickes Group Plc
Workspace Group plc
Zegona Communications PLC

* UK PIEs we have resigned from but the last year-end and signing date falls with KPMG's FY 2022.

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.

	2022 £m	2021 £m
Statutory audits and directly related services for entities we audit:		
UK public interest entities and their subsidiaries (see Appendix 6)*	221	225
Major local audits (see Appendix 8)	3	3
Other entities	485	418
Statutory audit and directly related services for audit clients	709	646
Non-audit services for audit clients	98	150
Non-audit services for non-audit clients	1,916	1,637
Total UK Firm Revenue	**2,723**	**2,433**

	2022 £m	2021 £m
Statutory audit and directly related services for audit clients:		
Revenue	709	646
Operating profit	98	73

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

The organisations below are those which a) constitutes 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 b) for which KPMG LLP signed an audit report on its annual financial statements during year ended 30 September 2022.

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. All our engagement leaders for local audit work have been accredited as 'Key Audit Partners' by the ICAEW. As a national Public Sector team, we will roll out a series of specific, tailored and targeted technical accounting training sessions to all our team members to ensure that they are all sufficiently trained in undertaking these audits. In addition, all our audit teams on these audits have an individual RI appointed from our national pool of KAP accredited RIs. Further information on training delivered in Audit, and our training accreditation and assignment process are included on page 7 (Audit quality) and Appendix 9 (Our Audit Quality Framework).

In addition, we are subject to external inspection by the AQR (for Major Local Audits) and the QAD (for other local audits). See Section 4 for our AQR results which include a minimum of one Local Audit each year and our QAD results which include a selection. Local Audits are also included within the scope of our QPR process described on page 7 – Audit quality.

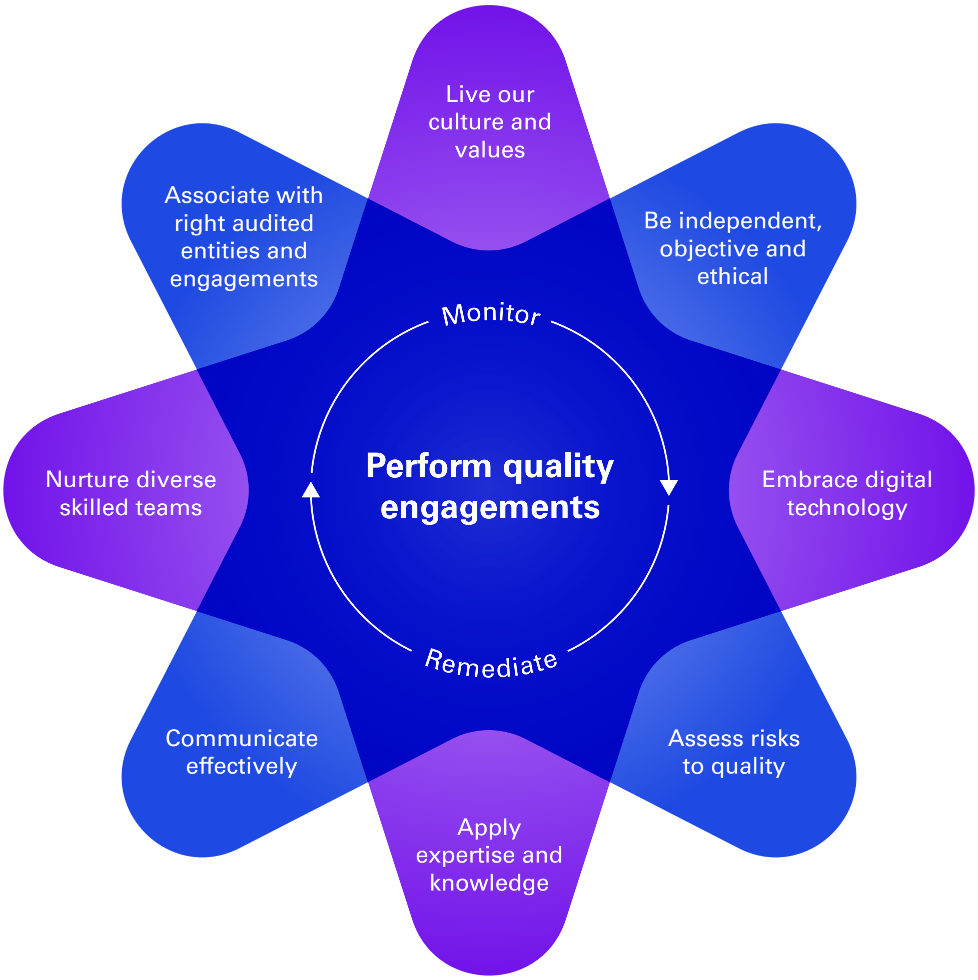
Entity name

- Epsom & St Helier Hospitals NHS Trust
- London North West Healthcare NHS Trust
- Nottingham University Hospitals NHS Trust
- The Royal Wolverhampton Hospitals NHS Trust
- University Hospitals Coventry and Warwickshire NHS Trust
- Shrewsbury and Telford Hospital NHS Trust
- NHS Surrey Heartlands CCG
- NHS North East London CCG
- NHS Frimley CCG
- NHS Mid Essex CCG
- NHS West Essex CCG
- NHS North Central London CCG
- NHS South East London CCG
- NHS Kirklees CCG
- NHS Wakefield CCG
- NHS Stockport CCG
- NHS Bolton CCG
- NHS Morecambe Bay CCG
- NHS Blackpool CCG
- NHS Bradford District and Craven CCG
- NHS Leeds CCG
- NHS Barnsley CCG
- NHS Rotherham CCG
- NHS Sheffield CCG
- NHS Dorset CCG
- NHS Derby and Derbyshire CCG
- NHS Nottingham Clinical Commissioning Group
- NHS Doncaster CCG

Appendix 9: Our Audit Quality Framework

Our Audit Quality Framework describes how our commitment to integrity and quality lie at the heart of the way we do things at KPMG, serving the public interest. KPMG's refreshed Quality Framework provides a common language across our global network to describe what we believe drives quality.

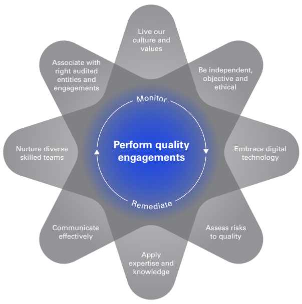
The commitment to 'perform quality engagements' sits at the core of our audit quality drivers. Our approach to audit quality relies on exceptional people having access to the right knowledge at the right time, and harnessing industry leading technology on every engagement. Our global commitment to continually monitor and remediate to fulfil these drivers is central to our approach to quality.



Appendix 9: Our Audit Quality Framework

Continued

1. Perform quality engagements



- 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.
- Monitor engagement milestones.
- Consult when necessary.

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.

Appendix 9: Our Audit Quality Framework

Continued

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

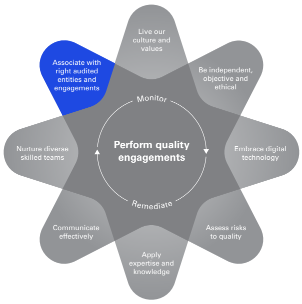
Audit documentation records the audit procedures performed, evidence obtained, and conclusions reached on significant matters on each audit engagement. Our policies require review of documentation by more experienced engagement team members.

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

Appendix 9: Our Audit Quality Framework

Continued

2. Associate with the right audited entities and engagements



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

Rigorous engagement acceptance and continuance policies and processes are vitally important to our ability to provide quality audits, as well as to protect KPMG's reputation and support our brand.

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.

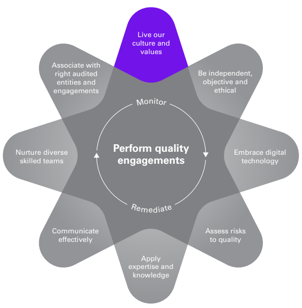
A second partner, as well as the evaluating partner, approves the prospective audited entity evaluation. Where the audited entity is considered to be 'high risk', the Risk Management Partner is involved in approving it. Each prospective engagement is also evaluated. The engagement leader evaluates this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

3. Live our culture and values



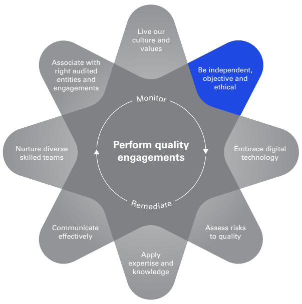
- Foster the right culture, starting with tone at the top.
- Clearly articulate strategy focused on quality, consistency, trust and growth.
- Define accountabilities, roles and responsibilities, including for leadership.
- Oversee using robust governance structures.

Page 21, 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.

Appendix 9: Our Audit Quality Framework

Continued

4. Be independent, objective and ethical



— 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.

As described in Quality control and risk management (page 35), 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.

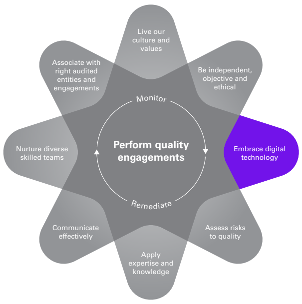
Further information on KPMG International anti-bribery and corruption policies can be found on the anti-bribery and corruption site.

Refer to: Quality control and risk management on page 35.

Appendix 9: Our Audit Quality Framework

Continued

5. Embrace digital technology



- Audits delivered through KPMG Clara.
- Intelligent, standards-driven audit workflows.
- Digital data and emerging technologies.

We recognise that in order to deliver quality audits, we need to continually evolve and develop our technology solutions to keep pace with today's digital world. That is why we have embarked on a process of reimagining our audit technology platform and methodology to embed digital working into business-as-usual, provide enhanced consistency and support to our audit teams, deliver more detailed insights, and future-proof our systems for the expected continued development of new technologies such as robotic process automation and machine learning. The continuation of this process has seen new workflows and revised audit methodologies embedded into our smart audit platform, KPMG Clara.

Limited deployment of the KPMG Clara workflows took place in the UK during 2019 and 2020. Full deployment started in 2021 and is expected to be completed by the summer of 2023. The release of the KPMG Clara workflows and the new and enhanced audit methodology is an important milestone in KPMG's journey to innovate, digitalise and transform the audit experience for our people. It is a significant investment that underlines our commitment to audit quality, consistency and innovation.

Our refreshed methodology is easy to understand and is aligned to the language of the International Standards on Auditing (ISA), delivering the requirements of these standards. Improved risk identification and assessment is at the at the core of the audit approach, embedding the principles of ISA 315 (Revised). This enables improved tailoring of our audit response to the risks identified. Incremental UK standards and policy requirements are delivered alongside the KPMG Clara workflows to support consistent and effective execution of quality audits.

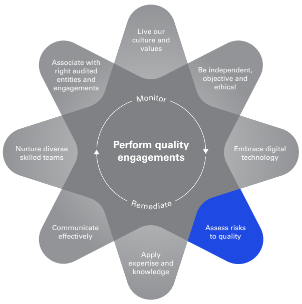
The KPMG Clara workflows give a foundation for use of existing data and analytics capabilities on our audits today and facilitates the continued transformation of the way we execute our audit work.

To learn more about KPMG Clara and our other technology-based tools, refer to Audit quality (page 7).

Appendix 9: Our Audit Quality Framework

Continued

6. Assess risks to quality



— Identify and understand risks to delivering quality engagements and implement effective mitigating controls.

KPMG in the UK has a number of quality processes and controls that are designed to identify and understand the risks to delivering quality engagements at both the practice and individual engagement level. With the issue of the new quality management standard (ISQM 1), which was approved by the FRC in July 2021 and became effective as of 15 December 2022, a number of the quality control processes have been refined.

Key quality control processes include:

— Annual portfolio reviews: Individual partner and director portfolios are monitored and reviewed on an annual basis.

— Accreditation process: Only partners and employees with the appropriate training and experience are assigned to engagements and are appropriately licensed where necessary.

— Audit Risk Panels: High risk audit engagements have two panels (one at planning and one at completion) that challenge the audit team on the key audit judgements.

— Second Line of Defence: A dedicated team reviews the audit documentation of the significant audit areas on the majority of our listed audits prior to the audit report being signed.

— Pre-issuance review of financial statements: An independent review is carried out by DPP Accounting & Reporting of all listed financial statements prior to the audit report being signed.

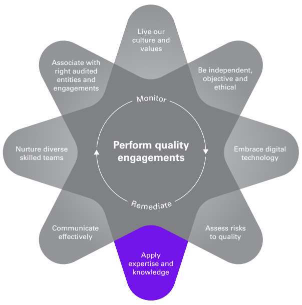
— The 'Emerging Issues' process: This identifies, in real time, recurring themes arising from our external inspections, internal Quality Performance Reviews and other quality processes, and recommends actions that are ratified by our Audit Quality Council.

— Root Cause Analysis: An independent root cause analysis is undertaken on all key findings raised by external inspections together with the findings from our internal monitoring processes. This informs the remedial actions we take to respond to these findings.

Appendix 9: Our Audit Quality Framework

Continued

7. Apply expertise and knowledge



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

A UK lens on our global methodology and standardising our approach

The transition to KPMG Clara workflows bring with it an opportunity to introduce our new global methodology which is delivered to teams through KPMG's Audit Execution Guide. The methodology is based on the requirements of the International Standards on Auditing (ISAs) and all member firms are required to follow it. This includes additional requirements that go beyond the ISAs and which KPMG believes enhance the quality and value of our audits. KPMG in the UK also adds local requirements and guidance to comply with additional professional, legal or regulatory requirements specific to the UK and our own internal policies.

Our new methodology is clear and easy to understand with a real focus on the risk continuum so that our audit teams can execute consistently against our quality standards.

Our increased focus on audit quality in the UK means we welcome these enhancements which are being introduced globally. As ever, in the UK we will continue to develop our audit methodology to remain in step with changes in laws and regulations.

Standardised workpapers and guidance assist our audit teams in bringing greater consistency to our audits.

Ensuring our people have the right technical expertise and knowledge

We are committed to ensuring that audit professionals working on engagements 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 technical learning curriculum provides a core training programme for all colleagues and differs by grade, role and experience level. To read more about the training for our audit professionals, refer to Audit quality (page 7).

Developing business understanding and industry knowledge

A key part of engagement quality is having a detailed understanding of the audited entity's business and industry. For significant industries, global audit sector leads are appointed to support the development of relevant industry information, which is made available to audit professionals. This knowledge comprises examples of industry audit procedures and other information (such as typical risks and accounting processes).

KPMG Clara provides our audit teams with access to industry knowledge with libraries embedded within the tool. This allows for a consistent approach, tailored by industry, and focused on key industry audit risks.

Risk management and consultation requirements

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, DPP Accounting & Reporting, DPP Audit and Audit Risk Management.

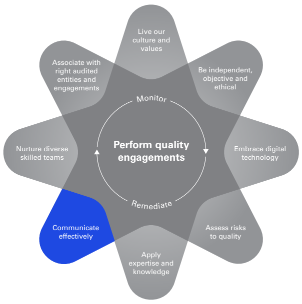
Our policies include mandatory consultation requirements on certain matters such as audited entity integrity. We have also established Risk Panels led by an audit quality or audit risk management partner to enable direct challenge of the approach to the key audit issues on our highest risk audits. In light of the war in Ukraine and the impact on the UK and global economies, we continue to require going concern consultations on a substantial number of issued opinions.

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, or our US Accounting and Reporting group based in London.

Appendix 9: Our Audit Quality Framework

Continued

8. Communicate effectively



- Provide insights and maintain open and honest two-way communication.
- Actively manage information flows within firms and between firms, regions and our global headquarters.
- Conduct and follow up on the Global People Survey.
- Issue external communications, including Transparency Reports.

Clear and insightful audit reports

In preparing audit reports, engagement leaders have access to extensive reporting guidance and technical support especially where there are significant matters to be reported to users.

Auditing standards and the Companies Act 2006 or similar legislative requirements largely dictate the format and content of the audit report that includes an opinion on the fair presentation of the entity's financial statements in all material respects. The existing requirement to include key audit matters in the auditor's report for entities that are required, or choose voluntarily, to report on how they have applied the UK Corporate Governance Code also includes PIEs and listed entities.

In response to the reviews on our profession and feedback from investors, we continue to take action ahead of legislation and offer 'graduated findings' in our audit reports – where the auditor provides an independent view of the relative caution or optimism of management's key judgements, rather than presenting merely a binary conclusion on the acceptability of them.

Insightful, open and honest two-way communication with those charged with governance

Two-way communication with those charged with governance is key to audit quality. We stress the importance of keeping those charged with governance informed of issues arising throughout the audit and providing robust challenge. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with members of the audit committee.

We deliver insights such as the appropriateness of accounting policies, the design and operation of financial reporting systems and controls, key accounting judgements and matters where we may disagree with management's view and any uncorrected audit misstatements. We ensure the content of these reports meets the requirements of auditing standards and we share our industry experience to encourage discussion and debate with those charged with governance.

Effectiveness of group audits and managing information flows

Our audit methodology stresses the importance of effective two-way communication between the group engagement team and the component auditors, which is key to audit quality. The group audit engagement leader evaluates the competence of component auditors, whether or not they are KPMG member firms, as part of the engagement acceptance process.

Our guidance and training focus on a range of aspects, including: the quality of group audit instructions; the oversight of component auditor team structures; communication between group and component audit teams; the scoping of component audit teams' work; review and evaluation of the component audit teams' work and clearly evidencing this; the involvement of the EQCR with group and component auditors; and the conclusions reached by the group team on the group file.

Appendix 9: Our Audit Quality Framework

Continued

Confidentiality, information security and data privacy

We are committed to providing a secure and safe environment for the personal data and confidential information we hold, as well as protecting the privacy of our audited entities, service providers and other third parties. The importance of maintaining audited entity confidentiality is emphasised through a variety of mechanisms including regular communications on the topic, our Code of Conduct, ongoing training, and the annual independence/confirmation process, which all staff who are involved in delivering professional services engagements are required to complete.

Our information protection requirements are set out in the Global Information Security Policy published by KPMG International. Compliance monitoring against these standards and policies is carried out through our internal information security audit programme and is supplemented by annual checks by the Global Information Protection Group.

In addition, KPMG LLP is certified to ISO27001, the international standard for Information Security Management. The scope of our certification includes our IT processes, IT business assets, audited entity data in core systems, offices and physical locations. The Information Governance Oversight Committee oversees and steers all aspects of information governance within the UK firm including the setting of policies and procedures, monitoring the effectiveness of key information protection controls, and providing strategic direction on the information protection programme.

People Survey

We conduct regular surveys to find out how people feel about KPMG and their working environment. The 2022 People Survey results for UK Audit are shown within the People and culture seccition on page 21.

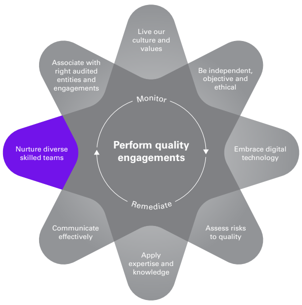
External communications

We undertake regular external communications with our stakeholders, such as investors.

Appendix 9: Our Audit Quality Framework

Continued

9. Nurture diverse skilled teams



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

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.

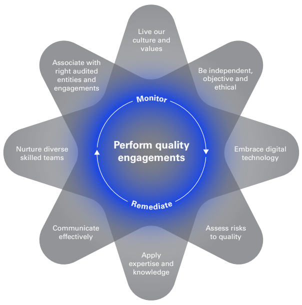
One of the key drivers of quality is making sure we assign people with the right level of skills and experience to the right engagements. This requires a focus on recruitment, development, promotion and retention of our people and the development of robust capacity, accreditation and resource management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

You can read more about our People strategy on page 21 – People and culture.

Appendix 9: Our Audit Quality Framework

Continued

10. Monitor and remediate



- Rigorously monitor and measure quality at the local and global level – e.g. QPR.
- Obtain, evaluate and act on stakeholder feedback.
- Anticipate opportunities to improve quality.
- Perform root cause analysis.

We focus on ensuring our work continues to meet the needs of participants in the capital markets. To achieve this goal, we employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for continuous improvement:

- Internal monitoring which includes the Quality Performance Review and Root Cause Analysis processes.
- Quality Control Reviews which are performed after planning and completion to cover all managers.
- External monitoring which includes the findings from Audit Quality Reviews, the Quality Assurance Department and the PCAOB.
- Regulatory investigations and sanctions.
- Audited entity feedback to better understand expectations and where we can do better. Senior leadership has visibility of all feedback to identify trends and ensure appropriate response.
- Monitoring of complaints received relating to the quality of our work. These procedures are detailed on our website and are also included in our general terms of business. All formal complaints are investigated under the authority of the Chief Risk Officer.

Milestone monitoring and Audit Quality Indicators

We have commenced a project to monitor a suite of engagement level Audit Quality Indicators across a number of audit engagements. The indicators cover a range of factors, both internal and external, in areas such as personnel measures, standards and tools, technical excellence and delivery, efficiency and effectiveness, and continuous improvement. As we move forward, our audit technology platform, KPMG Clara, will facilitate more effective milestone monitoring.

FRC Thematic Reviews

The FRC Supervisory division also undertakes thematic reviews to supplement their annual programme of audit inspections of individual firms. In a thematic review, firms' policies and procedures in respect of a specific aspect of auditing, and their application in practice, are reviewed. We find these thematic review reports helpful in identifying areas of good practice as well as opportunities to improve.

Following thematic reviews performed during the year, the FRC issued a publication entitled 'What Makes a Good Environment for Auditor Scepticism and Challenge' and a public letter to Heads of Audit on the 'Role of the auditor in considering climate related risk'. Other thematic reviews have resulted in private reports to audit firms. We have considered the findings and examples of best practice within each of these reports and determined actions where appropriate.

Interaction with regulators

At a global level, KPMG International has regular two-way communications with the International Forum of Independent Audit Regulators (IFIAR) to discuss issues identified and actions taken. In the UK, the Head of Audit and Head of Audit Quality participate in global meetings to ensure alignment across the network.

Following the restructure of the FRC's Supervisory Division in late 2021, we developed a stakeholder management map, aligning our internal leaders to the FRC's three supervisory teams being Audit Firm Supervision, Audit Market Supervision and Audit Quality Review. We have regular meetings and ongoing dialogue with relevant individuals at the FRC, including KPMG's assigned Supervisor.

We are also required to be registered with the Jersey, Guernsey and Isle of Man Financial Services Commissions in respect of Crown Dependency registered Market Traded Companies. As part of this registration, the AQR performs periodic inspections of the audit engagements meeting these criteria.

Our firm is also registered with the US PCAOB and a number of other overseas regulators, namely: the Canadian Public Accountability Board (CPAB); the Dutch Authority for the Financial Markets (AFM); the French Haut Conseil du Commissariat aux Comptes (H3C); the Hong Kong Accounting and Financial Reporting Council (AFRC); the Japanese Financial Services Authority (JFSA); the Irish Auditing and Accounting Supervisory Authority (IAASA); the Italian Commissione Nazionale per le Società e la Borsa (CONSOB); the Luxembourg Commission de Surveillance du Secteur Financier (CSSF); the Norwegian Finanstilsynet; and the Swedish Inspectorate of Auditors (SIA). We will seek further registrations as required.

Appendix 10: Communication with partners as members of KPMG LLP

The Chair and Chief Executive, together with members of the Executive Committee, have primary responsibility for communication with Partners in the UK. They use different channels to do this, including face-to-face meetings and roundtables, emails as required on internal, external and operational matters, and calls/webinars. The Chair also writes formally twice a year to Partners to update them on the focus of the Board and its Committees (Audit, People and Risk).

There are bi-monthly calls held with the firm's Partners, ensuring a timely briefing on key issues and providing the opportunity for two-way feedback. Where there is an immediate need to communicate matters, an all-partner email is used or, exceptionally, conference calls are convened.

In addition, all members are invited to an annual Partner conference and annual Partner meeting to discuss a range of topics including the firm's results and business planning. There is also a Partner intranet portal containing resources and communications.

Appendix 11: Board and Board Committee Reports of the year

Report on the Audit Board's activities during the year

30 September 2022

Our role

The Audit Board oversees and monitors the Audit practice, and the interaction of the Audit practice with the rest of the firm, under powers and delegations vested in it by the Board, providing independent judgement through the inclusion of external members in its composition.

Areas of oversight

The Audit Board (including through its Remuneration Committee where relevant) has overseen, monitored and provided independent challenge to the Audit practice on its key priorities, including:

Audit Quality

— The appropriateness of the firm's policies and processes to support audit quality, including the adequacy and quality of resourcing in the Audit practice to deliver high-quality audits in the public interest.

— The firm's performance in relation to internal and external regulatory reviews and root cause analyses and lessons learned arising from inspections, reviews and investigations.

— The firm's progress against its Audit Quality Plan, including the Banking Audit Quality Improvement Plan.

— The continued application of the 'High Challenge, High Support' culture within Audit.

Conflict of Interest and Independence

— Updates from the Ethics Partner in respect of ethics and independence matters.

— The firm's arrangements for managing actual, potential or perceived conflicts of interest or independence.

Strategy and Investments

— The Audit practice's strategy and budget to ensure it is designed to maintain and achieve appropriate levels of audit quality, including investment in people and technology, as well as understanding the global network's priorities and impact on the UK member firm.

Risk Management and Regulation

— The implementation and embedding of the Principles for Operational Separation.

— Reporting on risk management processes, including emerging issues and relevant mitigating actions.

— The firm's implementation of the International Standard on Quality Management (ISQM1).

— The implementation of KcW.

Audit Board in numbers

Five members, comprising:

— Three independent Audit Non-Executives (ANEs), including its Chair.

— One Elected Board Member.

— One Nominated Board Member (being a practising auditor).

There were seven regular meetings and two ad hoc meetings.

Partner Remuneration and Partner & RI Promotions

The Audit Board Remuneration Committee has overseen:

— The process and controls in place for audit partner remuneration to ensure their consistency with regulatory objectives and requirements, as well as their effectiveness in supporting audit quality.

— The criteria and selection processes for both Audit partner promotion and designation of Responsible Individual status.

Our priorities for 2023

— Oversee the firm's continuous improvement of audit quality, measuring the effectiveness of actions taken to address root cause findings, the embedding of the Audit Quality Plan and actions from the Banking Audit Quality Improvement Plan, as well as the implementation of the Single Quality Plan.

— Monitor the degree to which ISQM1 processes and controls have been embedded.

— Monitor the firm's implementation of the revised 2022 Audit Firm Governance Code, where it relates to the Audit practice.

— Monitor the Audit practice's ability to attract and retain talent, while building a workforce that reflects diversity across a broad range of characteristics at all levels.

Appendix 11: Board and Board Committee Reports of the year

Continued

Report on the Audit Committee's activities during the year

30 September 2022

Areas of oversight

The Audit Committee has maintained oversight of the following key priorities:

— **Financial reporting**: Oversaw the approval of the year-end accounts and reports, impairment reviews/judgements provisions and the financial reporting implications of operational separation.

— **External audit and financial control**: Approved the re-appointment of the external auditors and the terms of their appointment and reported on the effectiveness of internal controls for FY22.

— **Internal audit**: Reviewed processes and controls via regular updates from the Head of Internal Audit on internal audits and management responses.

— **ESG**: Oversaw and approved the ESG disclosures made in the Financial Statements, Transparency Report, Planet Impact Report and Community Impact Report.

— **ISQM1**: Monitored and assessed the effectiveness of the implementation of the ISQM1 project to address audit quality issues.

Our priorities for 2023

— Continue to oversee the firm's financial reporting.

— Monitor the embedding of ISQM1 process and controls.

— Continue to exercise governance over internal controls to comply with the requirements of the revised 2022 Audit Firm Governance Code, where it relates to the Audit practice.

— Oversee the firm's activities and performance related to ESG matters.

— Oversee and review the work of KPMG's Internal Audit function.

— Consider the methodology and key judgements proposed by management in producing the operational separation disclosures required in any external reporting.

Audit Committee in numbers

— Three members.

— One INE in attendance.

— Four meetings and one ad hoc meeting.

Appendix 11: Board and Board Committee Reports of the year

Continued

Report on the Board's activities during the year

30 September 2022

Areas of oversight

The main areas of focus for the Board this year have been the continued oversight of audit quality and the integration of the newly constituted Audit Board into the firm's governance for operational separation, oversight of the firm's people and culture programmes and how embedded they are, and the firm's commitment to ethical leadership including the introduction of an ethical decision-making framework and ESG-based initiatives.

In more detail, the Board's activities have included:

- Focusing on Audit Quality, in particular the execution of the Banking Audit Quality Improvement Plan.
- Overseeing the firm's Inclusion, Diversity and Equity (IDE) strategy.
- Monitoring the firm's people and culture programmes as set out in the Culture Ambition which support our Trust and Growth strategy.
- Overseeing and approving the revised code of conduct (Our Code) and Ethical Decision-Making Framework.
- Commissioning external Board and Board Committee effectiveness reviews.
- Overseeing ESG strategy, commitments and initiatives across the business.
- Overseeing the firm's financial and investment performance including the approval of a three-year business plan.
- Monitoring the firm's Enterprise-Wide Risk Management (ERM) Framework and the consideration of the effectiveness of internal controls.
- Approving material decisions in the firm's response to regulatory matters.

UK Board in numbers

- Chair, Chief Executive, Senior Elected Member, four other Elected Members, one Nominated Member and one other Executive Member.
- There were eight meetings in 2022.

Our priorities for 2023

Ensuring the strategy is delivered:

- Through growth in our multidisciplinary capabilities and reflecting on market demands and client voice, including ESG.
- 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 in the face of economic and geo-political headwinds.
- Investing wisely with good stewardship for the partnership.

Setting the tone and direction for meaningful cultural progress through:

- The approved Culture Ambition.
- Achieving our inclusion and diversity targets.
- Effective people risk management.

Monitoring executive performance through:

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

Appendix 11: Board and Board Committee Reports of the year

Continued

Report on the Nomination Committee's activities during the year

30 September 2022

Areas of oversight

The Nominations Committee has overseen a number of election and extension processes, namely:

— The election process of a new Board member (Louise Kirby) who will start her term on 1 October 2023.

— The extension of the terms of two existing Board members (Linda Main and Melissa Geiger).

The Committee also considered the induction materials for new Board members as well as ongoing training for existing members.

Our priorities for 2023

— Oversee elections and appointments as necessary.

— Give further consideration to ongoing training for Board members, linked to the Board's objectives that were agreed in November 2022.

Nominations Committee in numbers

— Four members, chaired by the Board Chair (Bina Mehta). Linda Main appointed as a member of the People Committee and the Nominations Committee on 9 November 2022.

— Six meetings in 2022 since its establishment in May.

Appendix 11: Board and Board Committee Reports of the year

Continued

Report on the People Committee's activities during the year

30 September 2022

Areas of oversight

The People Committee has had a number of areas of focus, which include recruitment and retention at the broadest level, culture and behaviours across the firm, the Inclusion, Diversity and Equity (IDE) strategy and the Global People Survey action plan. In addition, the Executive Committee's, Chair's and Chief Executive's goals and objectives, Partner performance and remuneration, IDE for the partnership and succession planning are all areas the Committee has considered.

Particular time has also been given to:

— Culture and how it connects with recruitment, retention and attrition.

— ESG strategy, especially around the social pillar and how the firm can bring a positive social impact.

Our priorities for 2023

— Ensure alignment of the firm's People Strategy and culture with its growth plan.

— Further develop the employee value proposition (Our KPMG).

— Continue to consider issues around leadership and succession, wellbeing and workforce planning.

— Continue to analyse partner performance and behaviours.

— Monitor and consider the implications of the geopolitical landscape relevant to social issues.

People Committee in numbers

— Three members[1].

— One INE in attendance.

— Six scheduled meetings.

— Nine ad hoc meetings.

1 Linda Main was appointed as a member on 9 November 2022 following the Board Committee Effectiveness Review.

Appendix 11: Board and Board Committee Reports of the year

Continued

Report on the Public Interest Committee's activities during the year

30 September 2022

Our role

The purpose of the Public Interest Committee (PIC) is to provide independent oversight of the firm's policies and processes for the core objectives defined within the AFGC:

— Promoting audit quality.

— Helping the firm secure its reputation more broadly, including in its non-audit businesses.

— Reducing the risk of firm failure.

Areas of oversight

The PIC 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 the firm's 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 the Audit practice'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 (Our Code). This includes regular private updates from the Ethics Partner, 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 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, including insight into the impact on the global network following the invasion of Ukraine by Russia. KPMG's Global Chairman, Bill Thomas, attended the December 2021 PIC to discuss global regulatory engagement, his views on network risk and the global firm's commitment to support the UK practice in delivering its trust and growth agendas.

Public Interest Committee in numbers

— Four members.

— Four formal meetings held during FY22.

— Regular attendance from the Chair of the UK Board, Chief Risk Officer, Head of Regulatory Affairs and Oversight, Head of Audit, Ethics Partner and the General Counsel.

— The Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief People Officer, KPMG's Ombudsman, Audit Board Chair, and the Head of Audit Quality have attended when required to discuss specific matters. Our Global Chair and CEO also joined one meeting.

Our priorities for 2023

— 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.

— Oversee the firm's implementation of the revised 2022 Audit Firm Governance Code and the Principles of Operational Separation.

— Monitor the degree to which ISQM1 processes and controls have been embedded.

— Engage with the global network and continue to inform the UK firm's consideration of network risk.

Appendix 11: Board and Board Committee Reports of the year

Continued

Report on the Risk Committee's activities during the year

30 September 2022

Areas of oversight

The Risk Committee has had a number of key focus areas:

— Developed and reviewed the Enterprise-Wide Risk Management (ERM) Framework, working closely with the Chief Risk Officer.

— Monitored the effectiveness of the ERM Framework over the year.

— Analysed culture and ESG as they relate to risk, including addressing the root causes of legacy quality issues.

Other areas of work have been ethics and independence, regulatory engagement, Risk Compliance Programme, assurance mapping, risk appetite, and Suspicious Activity Reports.

Our priorities for 2023

— Monitor and oversee the effectiveness of the ERM Framework, including continuing to receive quarterly ERM reports.

— Oversee the development of the firm's risk appetite and the controls in place to ensure the business is operating within it.

— Monitor the firm's relationship with its regulators, working with the regulatory engagement team.

— Oversee the firm's ethics and independence reports.

— Monitor the risk around attrition and retention in the workforce.

Risk Committee in numbers

— Three members. John Hallsworth was appointed as a member on 9 November 2022 following the Board Committee Effectiveness Review.

— One INE in attendance.

— Six scheduled meetings.

Appendix 12: Board and Board Committee Terms of Reference

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 including being a magnet for talent, development and retention of that talent and the firm's culture incorporating inclusion, diversity and ethical health.

1.2 On behalf of the Board ensure that policies and practices associated with the People strategy are consistent with the firm's values and prescribed culture and support its long-term sustainable success through:

- Ensuring that the Board and the Executive Board retain an appropriate structure, size and balance of skills to support the strategic objectives and values of the firm;
- Overseeing arrangements for senior appointments (including election processes) and succession planning (in coordination with the Audit Board as regards senior appointments and succession planning in the Audit business);
- Overseeing the Executive Board development and delivery of the People strategy to include leadership and management, culture, knowledge and skills development, performance management and reward;
- Considering policies designed to enable the recruitment, wellbeing, motivation and retention of partners and colleagues;
- Monitoring key metrics and dashboards to support an assessment of the effectiveness and adequacy of the ethical policy framework, the overall ethical health of the firm, compliance with professional and ethical standards and the extent to which the firm's values have been successfully embedded; and
- Monitoring culture and culture change (and ensuring linkage with the associated levers such as talent planning and remuneration and other matters within the scope of the 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 Board.

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 co-opt an Independent Non-Executive member of the Public Interest Committee ("PIC") onto any meeting determining the performance evaluation and remuneration of the Chair of the Board or the Chief Executive and such co-opted member will Chair that part of the meeting 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.

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:

- Two Elected or Nominated Board members;

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 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 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 Secretary

3.4.1 The Board Secretary or their nominee shall act as Secretary to the Committee and attend all meetings.

Appendix 12: Board and Board Committee Terms of Reference

continued

People Committee – Terms of Reference (continued)

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, provided at least one Elected Member is in attendance.

4.2.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.2.3 In the event of difficulty in forming a quorum, Elected or Nominated Board members who are not members of the Committee may be co-opted as members for individual meetings.

4.2.4 The members of the Committee may participate in a meeting of the Committee from separate locations by means of conference technology or other communication equipment which allows those participating to hear each other and be heard and shall be entitled to vote and/or be counted in the quorum accordingly.

4.3 Attendees

4.3.1 Only the members of the Committee and other Elected and Nominated members of the Board and Independent Non-Executives have the right to attend Committee meetings.

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

a) Head of People

b) Head of Partner Matters

c) Ethics Partner

d) General Counsel (or their delegate)

e) Board Secretary.

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.

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:

7.1 Leadership and management

7.1.1 Oversee and support a formal, rigorous and transparent approach to senior appointments in the firm, including considering and making recommendations regarding appointments to leadership roles, as defined by the Board but including Nominated Board members, as proposed by the Chair, and Vice Chairs and Executive Leadership Team members, as proposed by the Chief Executive.

7.1.2 Consider and recommend for Board approval, the size, structure and composition of the Board;

7.1.3 Review and recommend for Board approval, Executive appointments to the Board, following nomination by the Chief Executive in consultation with the Chair;

7.1.4 Consider and recommend for Board approval candidates for promotion to Partner, following a recommendation from the Executive Committee;

7.1.5 Consider and make recommendations for Board approval regarding potential Independent Non-Executive appointments to the PIC and potential independent Audit Non-Executive appointments to the Audit Board;

7.1.6 Advise the Chief Executive (who shall consult with the Committee) in relation to other leadership or market-facing appointments, which are high profile or involve potential concerns that could have a material impact on the reputation of the firm, or as defined by the Board;

Appendix 12: Board and Board Committee Terms of Reference

continued

People Committee – Terms of Reference (continued)

7.1.7 Oversee the maintenance of an effective framework for succession planning including reviewing and commenting on Executive Board proposals for succession planning for senior leadership roles (and taking input from the Audit Board as regards succession planning in the Audit business);

7.1.8 In conjunction with the Independent Non-Executive PIC members determine the criteria for candidacy for Partners' election as Elected Members of the Board;

7.1.9 Determine and oversee, in coordination with the Chair, Senior Elected Member and General Counsel, the election processes for Elected Members and shortlist nominees as candidates for election;

7.1.10 Recommend to the Board, for its approval, an Extended Nomination Committee, with additional co-opted members, attended by at least one Independent Non- Executive PIC member and chaired by the Senior Elected Member or the Chair of the Committee to determine and oversee the Chair and Chief Executive election process in coordination with the General Counsel and to shortlist nominees as candidates.

7.2 Evaluation and Reward

7.2.1 Review and approve the remuneration policies for all partners which are designed both to recognise in-year performance and to support the long term business strategy and values of KPMG, as well as promote effective risk management and culture change (taking input from the Audit Board as regards such policies with respect to Audit Partners);

7.2.2 Maintain oversight of the effective implementation of remuneration policies for partners by the Executive Committee;

7.2.3 Establish a framework and determine criteria for the balanced scorecard and KPIs of the Chair by which their performance is measured which shall include performance in relation to the goal of being the most trusted and trustworthy;

7.2.4 Establish a framework and determine criteria for the balanced scorecard and KPIs of the Chief Executive by which their performance is measured which shall include performance in relation to the goal of being the most trusted and trustworthy;

7.2.5 In coordination with the Chair) and Senior Elected Member, approve the process for the evaluation of Independent Non-Executive PIC members in accordance with the Audit Firm Governance Code requirements;

7.2.6 In coordination with the Chair approve the process for the evaluation of other Board members;

7.2.7 In coordination with the Chair of the Audit Board approve the process for the evaluation of independent Audit Non-Executive members of the Audit Board;

7.2.8 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);

7.2.9 Approve the remuneration of the Chief Executive taking into account the evidence and feedback on their performance presented by the Chair;

7.2.10 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, and, in the case of the Head of Audit, incorporating the input on their performance by the Audit Board;

7.2.11 Review remuneration and benefits arrangements for Partners (including AuditPartners), and approve any material exceptions to policy, or material payments or guarantees outside the normal remuneration model;

7.2.12 Oversee the implementation of the pay appeals process approved by the Board and determine appeals submitted to the Committee by partners in respect of their remuneration, as related to their[banding and/or base units];

7.2.13 Review and 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, culture and values of the firm.

7.3 Magnet for 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 Review and comment on policies and actions to promote Inclusion and Diversity to meet Board approved targets;

7.3.5 Monitor, oversee and challenge actions being taken to support the wellbeing of Partners and staff.

7.4 Culture and LLP's Overall Ethical Health

7.4.1 Provide oversight of the firm's culture and monitor the "tone at the top" as set by the Board and led across the firm by the Chief Executive and the Executive Committee; .

Appendix 12: Board and Board Committee Terms of Reference

continued

People Committee – Terms of Reference (continued)

7.4.2 Consider and challenge the sufficiency of the ongoing measures being adopted by the firm to ensure that an appropriate culture, underpinned by the firm's values, prevails within the firm (including the adequacy of the firm's Code of Conduct and the annual ethics programme proposed for the firm);

7.4.3 Monitor the adequacy of measures (including the adequacy of training programmes in ethics) taken to ensure there is an effective and embedded Speak Up culture that facilitates the reporting of any issues of concern;

7.4.4 Consider what the key metrics, including whistleblowing reports, disciplinary and grievances, member behavioural issues, employee feedback and other relevant metrics so defined from time to time indicate about the firm's overall ethical health and culture and consider the sufficiency of the firm's response to trends and features indicated by the key performance indicators;

7.4.5 Monitor, oversee and challenge the actions taken (including potential sanctions and/or other interventions) in individual cases where serious Partner behavioural issues related to ethics or values have been identified to ensure that behaviours accord to the goal of being most trusted and trustworthy;

7.4.6 Ensure that there is an effective communications strategy for the ethics programme reinforcing ethical values and good practice in the firm and censuring unacceptable practice;

7.4.7 Consider the evidence to support compliance with the Code of Conduct bi-annually;

7.4.8 Recommend amendments to the Code of Conduct to the Board, ensuring that lessons learnt from internal and external sources are integrated as required; and

7.4.9 Review and 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.

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 and reputation implications of its decisions (liaising where relevant with other committees).

9.4 In order to ensure the integrity of its decision making, where the Committee is considering any proposal related to either the appointment to a leadership position, or the remuneration, of a partner who: (i) is a member of the Committee; or (ii) was within the previous 12 months a member of the Extended Nomination Committee for 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 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 7 June 2021

Appendix 12: Board and Board Committee Terms of Reference

continued

Nominations Committee – Terms of Reference

1 Purpose

1.1 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
- The other member(s) of the People Committee, provided they are Elected or Nominated Members of the Board.

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 12: Board and Board Committee Terms of Reference

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:

a) General Counsel

b) Chief People Officer

c) Chair of the Public Interest Committee (or their delegate, who must be another Independent Non-Executive)

d) 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 Review and recommend for Board approval, the appointment of Executive Members, following nomination by the Chief Executive in consultation with the Chair;

7.1.6 Oversee the maintenance of an effective framework for succession planning for the Board with reference to the Board Skills Matrix;

7.1.7 Approve the process for the evaluation of Board members as proposed by the Chair and Senior Elected Member;

7.1.8 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

7.1.9 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.

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

Appendix 12: Board and Board Committee Terms of Reference

continued

Nominations Committee – Terms of Reference (continued)

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 26 May 2022

Appendix 12: Board and Board Committee Terms of Reference

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 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.

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);
- Upholding the integrity, brand and reputation of KPMG; and
- Planning the firm's future development.

1.3. In fulfilling its responsibilities (set out in section 5) the Executive Committee ensures that the firm discharges its public interest responsibilities, in particular, prioritising (in coordination with the Audit Executive) Audit Quality 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 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 Officer ("COO");
- Chief Risk Officer ("CRO");
- Chief Digital Officer ("CDO");
- Chief Financial Officer ("CFO")
- Head of Audit;
- Head of Consulting;
- Head of Corporates;
- Head of Corporate Affairs;
- Head of Deal Advisory;
- Head of Financial Services;
- Head of KPMG Business Services (KBS);
- Chief People Officer (CPO);
- Head of Regions; and
- Head of Tax and Legal.

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.

Appendix 12: Board and Board Committee Terms of Reference

continued

Executive Committee – Terms of Reference (continued)

3.3 Duration of appointments

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 Financial Officer;
- 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 electronical 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.

5. Conflicts of interest of individual Executive Committee members

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.

6. Scope of Responsibilities and Oversight

The detailed responsibilities of the Executive Committee include, but are not limited to, the following:

6.1. 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.

6.2. Values, integrity and diversity

The Executive Committee is responsible for:

6.2.1. Actively promoting the LLP's culture and values;

6.2.2. Operationalising the firm's values and ensuring these are widely understood and consistently adhered to;

6.2.3. 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 12: Board and Board Committee Terms of Reference

continued

Executive Committee – Terms of Reference (continued)

6.2.4. Driving inclusion and diversity and ensuring the composition of the LLP's workforce (partners, employees and contractors) is representative of wider society; and

6.2.5. Developing and proposing Inclusion and Diversity targets and recommending to the Board for approval.

6.3 Strategy

The Executive Committee is responsible for:

6.3.1 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;

6.3.2 Informing the strategy, laying the foundations and designing the process for the strategy development;

6.3.3 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;

6.3.4 The development and implementation of financial and operational plans, policies, procedures and budgets to execute the strategy; and

6.3.5 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.

6.3.6 Ensuring the alignment between the strategy for the audit business, as developed by the Audit Executive, and the strategy for the LLP.

6.4 Performance and Operations

The Executive Committee is responsible for:

6.4.1 Developing and preparing the firm's budgets, forecasts, annual budget plan and UK Business Plan and recommending to the Board for approval;

6.4.2 Achieving the approved budgets, and annual budget plan;

6.4.3 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;

6.4.4 Optimising the calibration, allocation, prioritisation and adequacy of the firm's resources;

6.4.5 Holding leaders within the business to account through an effective organisational, performance and accountability structure taking action where required; and

6.4.6 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.

6.5 Partner promotion, performance cycle and remuneration

The Executive Committee is responsible for:

6.5.1 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;

6.5.2 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;

6.5.3 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

6.5.4 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.

6.6 Investments

The Executive Committee is responsible for:

6.6.1 Developing an investment framework (for approval by the Board) (including processes, portfolio allocation, evaluation criteria and governance) and implementing it effectively;

6.6.2 Reviewing proposed investment business cases (including assessing strategic and financial merits as well as risk profile) and, in the case of investments with a value or aggregate commitments of up to £5million, approving them if appropriate, or, in the case of investments of value or aggregate commitments greater than £5million, making recommendations to the Board for its deliberation and approval;

Appendix 12: Board and Board Committee Terms of Reference

continued

Executive Committee – Terms of Reference (continued)

6.6.3 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;

6.6.4 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; and

6.6.5 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.

6.7 Risk Management and Internal Controls

The Executive Committee is responsible for:

6.7.1 Owning the overall responsibility for 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;

6.7.2 Ensuring the risk principles approved by the Board are respected and embedded in the business;

6.7.3 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;

6.7.4 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);

6.7.5 Identifying on a timely basis breaches of Risk Appetite, escalating them and developing mitigating actions;

6.7.6 Monitoring compliance with the Board approved Risk Appetite, including overseeing and managing portfolio risks and risk reward profiles of different parts of the business;

6.7.7 Ensuring that risk considerations are incorporated within the strategic planning and budgeting processes;

6.7.8 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 developing 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);

6.7.9 Receiving regular reports on risk issues from the CRO in their risk oversight (2nd line of defence) capacity;

6.7.10 Receiving and acting upon findings and recommendations of the Head of Internal Audit in their risk assurance (3rd line of defence) capacity;

6.7.11 Ensuring compliance with relevant policies, legislation and regulations;

6.7.12 Ensuring the adequacy and compliance with internal controls within the Executive Committee members' respective business areas through active monitoring and management; and

6.7.13 Safeguarding the integrity and adequacy of management information and financial reporting systems.

7. Reporting and Duty to Keep Board Informed

7.1 Minutes of each Executive Committee meeting will be disclosed at the next meeting of the Board following their approval.

7.2 The Executive Committee reports to the Board and the Chief Executive shall report to each Board meeting on matters within their duties and responsibilities.

7.3 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.

8 Executive Committee Sub-Groups and Delegations

8.1 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;
- [Investments 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.

8.2 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.

8.3 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).

Appendix 12: Board and Board Committee Terms of Reference

continued

Executive Committee – Terms of Reference (continued)

9 Governance and Resources

9.1 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.

9.2 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.

9.3 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).

9.4 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.

10 Review and Terms of Reference

10.1 The Executive Committee shall annually review its Terms of Reference and may recommend to the Board for approval any amendments.

10.2 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 UK Board on 24 March 2022

Appendix 12: Board and Board Committee Terms of Reference

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 and the financial reporting systems and internal controls;

1.2 Monitor, on behalf of the Board, the effectiveness and objectivity of internal and external auditors;

1.3 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
- Quality

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 recent and relevant audit financial experience.

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 12: Board and Board Committee Terms of Reference

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:

a) Chief Financial Officer

b) Chief Risk Officer

c) Chief Operating Officer

d) General Counsel (or delegate)

e) Head of Internal Audit

f) External Audit representative

g) 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.

5. Conflicts of Interest

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 Committee 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

7.1 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:

7.1.1 The application of significant accounting policies and any changes to them;

7.1.2 The methods used to account for significant or unusual transactions where different approaches are possible;

7.1.3 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;

7.1.4 Whether the firm has respected applicable regulatory requirements with respect to the financial reporting related to the Audit Practice; and

7.2 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.

7.3 Capital Adequacy and Treasury Matters

7.3.1 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 be 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 12: Board and Board Committee Terms of Reference

continued

Audit Committee – Terms of Reference (continued)

7.4 External Audit

The Committee shall:

7.4.1 Consider the appointment, re-appointment or removal of the external auditor and oversee the selection process for a new auditor where required.

7.4.2 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required;

7.4.3 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;

7.4.4 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;

7.4.5 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;

7.4.6 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;

7.4.7 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 process and reviewing their quality control procedures and steps taken to respond to regulatory, professional and other changes;

7.4.8 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;

7.4.9 Approve the nature, scope and plan of the audit with the external auditor, including the factors that could affect audit quality, before the audit commences;

7.4.10 Review the findings of the audit 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;
- the auditor's explanation of how the risks to audit quality were addressed;
- key accounting and audit judgements;
- the auditor's view of their interactions with senior management; and
- levels of errors identified during the audit;

7.4.11 Review management representation letters in relation to financial reporting requested by the external auditor prior to signature by the Executives;

7.4.12 Monitor the effectiveness of the relationship between the external and internal auditors;

7.4.13 Review management's response to findings of the audit and resolving disagreements between management and the external auditor regarding financial reporting; and

7.4.14 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.

7.5 Internal Controls

The Committee shall:

7.5.1 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); and

7.5.2 Review and recommend for Board approval the statements to be included in the annual report concerning internal control, risk management[1] and the going concern statement.

7.5.3 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);

7.5.4 Review the firm's control framework across key control areas including:

- Conflicts, ethics and independence
- Financial and financial crime prevention
- Operational risk
- Compliance
- Quality

and its linkage to the Enterprise-wide Risk Management Framework and assurance planning.

1 Subject to confirmation of the Risk Committee.

Appendix 12: Board and Board Committee Terms of Reference

continued

Audit Committee – Terms of Reference (continued)

7.6 Internal Audit

The Head of Internal Audit and the firm's Internal Audit function shall report to the Committee. The Committee shall:

7.6.1 Approve the remuneration, appointment or termination of the appointment of the Head of Internal Audit;

7.6.2 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;

7.6.3 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;

7.6.4 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;

7.6.5 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;

7.6.6 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.

7.6.7 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.

8 Reporting

8.1 Minutes of each Committee meeting will be disclosed at the next meeting of the Board.

8.2 The Chair of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.3 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.

8.4 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.

8.5 The Committee shall work and liaise as necessary with other Committees of the Board and with the Audit Board.

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 and reputation implications of its decisions (liaising where relevant with other Committees).

9.4 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.

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 26 May 2022

Appendix 12: Board and Board Committee Terms of Reference

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: Board and Board Committee Terms of Reference

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;

d) Head of Regulatory Affairs;

e) Head of Internal Audit;

f) Head of Corporate Affairs; and

g) Board Secretary or their nominee

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

4.3.5 Any Partner, officer or employee of the LLP may attend at the invitation of the Chair of the Committee and they may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.

5 Resolutions

5.1 The Committee shall reach decisions by a simple majority of those voting on the issue in question. If the numbers of votes for and against a certain proposal are equal, the Committee Chair shall have a casting vote.

5.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Committee as would have been necessary to pass such resolution had all members of the Committee been present at a meeting to consider such resolution, shall be valid and effective as if it had been passed at a meeting of the Committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Committee.

6 Responsibilities

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

6.1 Advise the Board and (with respect to the Audit business) the Audit Board in relation to the determination of overall risk appetite, tolerance and strategy, taking account of

a) the LLP's values and public interest purpose, as well as the current and prospective regulatory, macroeconomic, technological, environmental and social developments and trends that may be relevant for the LLP's risk policies; and

b) relevant policies, guidance and determinations of KPMG International and its global risk management steering group.

6.2 Oversee and advise the Board and (with respect to the Audit business) the Audit Board on the current risk exposures of the LLP, appropriate determination of risk appetite and future risk strategy, including as regards the following families of risk: strategic, operational, financial and compliance, conduct and reputation risks;

6.3 Provide advice and assurance to the Board by adopting a holistic and enterprise-wide view of the firm and the key risks that it is exposed to, assessing the adequacy and effectiveness of the firm's adoption of the Enterprise-Wide Risk Management Framework;

6.4 Undertake horizon-scanning of the risk landscape, including material risks, reputational and franchise impacts arising from the Global network and undertake deep-dive reviews into significant risks at the request of the Board or where, in the Committee's view, further scrutiny is required;

6.5 Using internal and external sources of assurance monitor the robustness of the firm's risk management policies and processes, including the firm's Enterprise-Wide Risk Management Framework and their fitness for purpose when tested against the Board approved Risk Appetite (including the Audit practice's appetite framework and mitigations for accepting higher risk audits as approved by the Audit Board) and the LLP's strategy;

Appendix 12: Board and Board Committee Terms of Reference

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 Keep under review the LLP's overall risk assessment processes that inform the Board's and the Audit Board's decision making, ensuring both qualitative and quantitative metrics are used;

6.7.2 Review regularly and approve the parameters used in these measures and the methodology adopted; and

6.7.3 Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.

6.8 Review the firm's capability to identify and manage new risk types;

6.9 Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the LLP, and taking independent external advice where appropriate and available;

6.10 Review reports on any material breaches of risk limits and the adequacy of proposed action;

6.11 Review and approve the statements to be included in the annual report concerning risk management;

6.12 Consider and approve the remit of all risk and assurance functions and ensure they have adequate resources and appropriate access to information to enable them to perform their respective functions in first, second and third lines of defence effectively and in accordance with the relevant professional standards. The Committee shall also ensure these functions have adequate independence, as applicable, and are free from inappropriate management and other restrictions;

6.13 Recommend to the Board the appointment and/or removal of the Chief Risk Officer (the "CRO") and provide input to the evaluation of the CRO's performance;

6.14 Review promptly all reports on the LLP from the CRO;

6.15 Review and monitor management's responsiveness to the findings and recommendations of the CRO;

6.16 Consider the major findings of any relevant internal investigations into fraud or misconduct and management's response (in the absence of management where necessary);

6.17 Consider the major findings of any relevant Internal Audit reviews and investigations which are identified as Enterprise-Wide Risks and any other Internal Audit investigations deemed appropriate by the Audit Committee Chair in consultation with the Chair of the Committee (it being noted that the Audit Committee has primary responsibility for Internal Audit) and management's response (in the absence of management where necessary).

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

7 Reporting

7.1 The Chair of the Committee shall report to the Board after each meeting on matters within its duties and responsibilities.

7.2 The Committee shall produce a report of its activities and the firm's risk management and strategy to be in included in the annual report.

7.3 The Chair of the Committee shall report to the Audit Board, Audit Committee and People Committee after each meeting on relevant matters within its duties and responsibilities.

7.4 The Committee shall work and liaise as necessary with other Committees of the Board and the Audit Board.

8 Governance and Resources

8.1 The Committee shall, via the Secretary to the Committee, make available to new members of the Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Committee.

8.2 The Committee shall conduct an annual self-assessment of its activities under these Terms of Reference and report any conclusions and recommendations to the Board and, as part of this assessment, shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual plan of work is manageable.

8.3 The Committee shall in its decision making, give due regard to any relevant legal or regulatory requirements, and associated best practice guidance, as well as to the risk and reputation implications of its decisions (liaising where relevant with other Committees).

8.4 The Committee shall have access to sufficient resources in order to carry out its duties and have the power to engage independent counsel and other professional advisers and to invite them to attend meetings.

9 Compliance, Whistleblowing and Fraud

The Committee shall:

9.1 Review the firm's procedures for detecting fraud;

9.2 Review the firm's systems and controls for the prevention of bribery and receive reports on non-compliance;

9.3 Review reports from the firm's Money Laundering Reporting Officer and the adequacy and effectiveness of the firm's anti-money laundering systems and controls; and

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

Appendix 12: Board and Board Committee Terms of Reference

continued

Risk Committee – Terms of Reference (continued)

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 26 May 2022

Appendix 12: Board and Board Committee Terms of Reference

continued

Public Interest Committee – Terms of Reference

1. Background and Purpose

1.1 The Revised 2016 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 ("PIC") aims to provide an effective and efficient mechanism for the discharge of some of the responsibilities of the Independent Non- Executives 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 Through the involvement of Independent Non-Executives, the PIC 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;
- Reducing the risk of firm failure.

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.

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.

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 12: Board and Board Committee Terms of Reference

continued

Public Interest Committee – Terms of Reference (continued)

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) Chair

b) Chief Executive

c) Chief Operating Officer

d) Chief Financial Officer

e) Chief People Officer

f) 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 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 capital and insurance arrangements;
- 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, remuneration, 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;
- 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 In relation to each of the matters set out in paragraph 6.2, insofar as they relate to the Audit Practice, the PIC will liaise with the Audit Board which has primary responsibility in the firm (and on which the PIC may reasonably rely) for the oversight of the Audit Practice and its satisfaction of regulatory objectives related to Audit Quality and the auditing profession. In this context, the Chair of the PIC will liaise with the Chair of the Audit Board regarding relevant and appropriate exchanges 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.

6.4 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.[3] In this context, the INEs will meet at least once a year with representatives of the FRC.

6.5 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.

2 See Appendix to this section – relevant sections from Audit Firm Governance Code.

3 NOTE: ICAEW Code of Ethics 100.1 says: "Acting in the public interest involves having regard to the legitimate interests of clients, government, financial institutions, employers, employees, investors, the business and financial community and others who rely upon the objectivity and integrity of the accounting profession to support the propriety and orderly functioning of commerce."

Appendix 12: Board and Board Committee Terms of Reference

continued

Public Interest Committee – Terms of Reference (continued)

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.

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.

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 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 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

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 24 March 2022

Appendix 12: Board and Board Committee Terms of Reference

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

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.

Responsibility

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 12: Board and Board Committee Terms of Reference

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.

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 12: Board and Board Committee Terms of Reference

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 future.

The focus of the Board is:

- Ensuring that the Firm's has an appropriate strategy that is consistent with the public interest and overseeing delivery of the strategy by the Executive Committee;
- Overseeing good financial 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, 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 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 them[1]:

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 be a 'Magnet for Talent' 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 "Generation Y/Z" 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

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 12: Board and Board Committee Terms of Reference

continued

Board Charter and Board – Terms of Reference (continued)

(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)

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 supervisory/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) Seeks to uphold us as being a beacon for successful, sustainable, ethical business

(iii) Leads fair and trusted business relationships with all suppliers/contractors/clients

5 How the Board works

In providing constructive challenge to the Chief Executive and Executive Committee, the Board examines issues and solutions through different lenses to confirm that decisions made are in the long term interests of the Firm.

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 and risk and reward

The Board considers the public interest, economic and strategic value of each option, within an appetite for risk 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.

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".

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 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

Appendix 12: Board and Board Committee Terms of Reference

continued

Board Charter and Board – Terms of Reference (continued)

two year period (or as otherwise determined by the Board). 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.

6.4 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.

6.5 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, with the option for this to be renewed for additional two or three year term, to a maximum five years in aggregate, subject to approval by Members.

6.6 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.

6.7 Independent Non-Executive Members of the Public Interest Committee may attend any and all Board meetings as attendees (including annual Board strategy meetings and Board away days).

6.8 The Chair of the Audit Board may at the discretion of the Chair attend all scheduled Board meetings as an attendee (including annual Board strategy meetings and Board away days) and adhoc Board meetings.

6.9 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.

6.10 Other members of the Executive Committee, Members or staff can be invited to attend Board meetings, as required by the Chair.

7 Chair of the Board

7.1 The Board Chair shall be a Partner of the firm.

7.2 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).

7.3 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 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 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.

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 12: Board and Board Committee Terms of Reference

continued

Board Charter and Board – Terms of Reference (continued)

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, Policies and People

13.1.1 Approval of the LLP's Values.

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

13.1.3 Approval of Inclusion and Diversity targets (developed and proposed by the Executive 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 Committee[3]) and long-term objectives, and oversight of delivery of the strategy.

13.2.2 Approval of the annual budget and UK Business Plan (developed and proposed by the Executive Committee), including operating budget and capital expenditure, and oversight of performance against plan.

13.2.3 Approval of the Firm's Environment, Social and Governance (ESG) strategy and the communication of this strategy.

13.2.4 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).

13.2.5 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).

13.2.6 Approval of acquisitions, disposals, funding arrangements and any other transactions or matters with a value in excess of £5 million or where there is a material impact on the LLP from a financial, operational, strategic or reputational perspective and in any event up to a maximum of £75 million in accordance with the LLP Agreement (subject to any such material transactions or arrangements within the Audit business shall have been reviewed and recommended by the Audit Board prior to such approval by the Board).

13.2.7 Approval of an investment framework (developed and proposed by the Executive Committee and, where relevant to Audit, by the Audit Executive, taking into account any recommendations of the Audit Board).

13.3 Structure and capital

13.3.1 Approval of changes relating to the LLP's capital structure.

13.3.2 Approval of material changes in the LLP's capital and liquidity positions.

13.3.3 Any changes to the LLP's status as a Limited Liability Partnership or major changes to the corporate structure.

13.4 Financial reporting and controls

In connection with year-end matters approval of:

13.4.1 The statement of internal control and independence and compliance with the Audit Firm Governance Code (on recommendation from the Audit Committee);

13.4.2 The going concern statement (on recommendation from the Audit Committee);

13.4.3 The profit distribution;

13.4.4 The letter of representation to the external auditors;

13.4.5 The Annual Report and Transparency Report (developed and proposed by the Executive Committee);

13.4.6 The Financial Statements with a recommendation to the LLP Members for their approval by way of an Ordinary Majority;

13.4.7 Approval of any significant changes in accounting policies or practices (on the recommendation of the Audit Committee);

13.4.8 Approval of the removal of the external auditors (on the recommendation of the Audit Committee).

13.5 Internal controls

13.5.1 Reviewing the effectiveness of sound risk management and internal control systems to manage cultural, ethical, risk and reputation matters and comply with laws, regulations and global practices and policies relevant to the LLP's business.

13.6 Contracts and Agreements

13.6.1 Approval of contracts which 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).

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 12: Board and Board Committee Terms of Reference

continued

Board Charter and Board – Terms of Reference (continued)

13.7 Board and other appointments

13.7.1 Approval of changes to the structure, size and composition of the Board (including on recommendation from the Nominations Committee[4]).

13.7.2 Appointments to the Board to fill a casual vacancy (on the recommendation of the Nominations Committee).

13.7.3 Appointments of Independent Non-Executives and external non-executive members of the Audit Board (on the recommendation of the Nominations Committee).

13.8 Remuneration

13.8.1 The establishment or cessation of KPMG pension schemes and material changes to the rules, funding or management arrangements of any such pension schemes.

13.8.2 Approval of Equity Partner promotions (developed and proposed by the Executive Committee) and recommended by the People Committee.

13.8.3 Approval of design of remuneration policies and principles partner remuneration policies and framework (developed and proposed by the Executive Committee) and recommended by the People Committee and (as concerns Audit Partners only) the Audit Board.

13.9 Delegation of authority

13.9.1 Approval of the establishment of Board Committees and the Audit Board and their terms of reference.

13.9.2 Determining and approving the responsibilities of the Chair and the Chief Executive which should be in writing.

13.9.3 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.

13.9.4 Holding the relevant Board Committee, Audit Board or the Executive Committee to account for anything delegated to them.

13.10 Risk Management

13.10.1 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, 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).

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

13.10.3 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 £5 million (except in the case of claims brought by employees or former employees, in which case over £1 million), likely to attract public interest or 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.

13.11 Other

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

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

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

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

14 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:

14.1 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;

14.2 implementation of the:

14.2.1 LLP's Strategy approved by the Board; and

14.2.2 (Through the Audit Executive) Audit Strategy as approved by the Board and the Audit Board;

14.3 Monitoring and maintaining operating and financial performance against budget;

14.4 Prioritisation and allocation of resources;

4 Formerly known as the Nomination Committee

Appendix 12: Board and Board Committee Terms of Reference

continued

Board Charter and Board – Terms of Reference (continued)

14.5 Managing the risk profile and internal controls of the Firm within the Board approved Risk Appetite and Risk Management Framework (including major claims and reputational issues);

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

14.7 Crisis management;

14.8 Audit Quality and Performance;

14.9 Significant Global matters;

14.10 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.

15 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.

16 Documentation, Communication and Reporting

16.1 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).

16.2 Minutes of the Board are to be kept and filed by the Board Secretary and held at the registered office of the LLP.

16.3 Board members will receive a copy of the minutes of the Board and access to relevant minutes of the Board Committees.

16.4 A summary of Board meetings will also be available to all Members.

Terms of Reference approved by the Board on 26 May 2022

Appendix 13: 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.

Appendix 13: Our approach to transparent political engagement in the UK

Continued

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.

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 our Transparency Report and on our Leadership and Governance webpage.

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 13: 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 though 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.

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