



KPMG LLP

UK Board Charter and Terms of Reference

These Terms of Reference of the Board are those referred to in the Limited Liability Partnership Agreement of KPMG LLP (“the LLPA”). In these Terms of Reference, capitalised words and expressions shall, unless the context otherwise requires, have the meanings assigned to them in the LLPA and the Operating Provisions.

In these Terms of Reference, the “Group” shall have the same meaning assigned to it as outlined in the LLPA as follows: “Group” means Holding LLP and its subsidiaries from time to time.

UK BOARD CHARTER

1 Role of the UK Board

The role of the UK Board is to oversee the stewardship, accountability and leadership of KPMG LLP (“the Firm” or “the LLP”) in the context of the Group.

In doing so the Board seeks to balance the interests of the various stakeholders to whom it is responsible in order for the Firm to have a successful and sustainable long- term future.

The focus of the Board is ensuring that the Firm’s strategy, being aligned with the Group strategy, is consistent with the public interest (having due regard to the views of the Firm’s Public Interest Committee). The Board also ensures compliance with the Firm’s regulatory and legal obligations, particularly the Audit Firm Governance Code.

2 Stewardship and Accountability

The Board is:

- (i) Accountable to the Members of the LLP, including the UK Partner group as a whole, who are the Individual Members of the LLP;
- (ii) Responsible, in coordination with the Group Board, for holding both the CEO and the Management Committee (also known as the Executive Committee) accountable for the execution of the Group strategy in the UK through the approved UK business plan; and
- (iii) Responsible for the financial stability of the LLP and its effective risk management, in coordination with the Group Board and Executive.

The Board’s accountability (on behalf of partners) is for effective execution of the Group strategy in the UK and for the proper running of the Firm by the Management Committee. This is achieved by providing clear support and constructive challenge to help the CEO and the Management Committee to perform effectively.

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The Board ensures that there is effective two-way communication on its role, work and remit with partners and other stakeholders so this accountability is clearly understood and is seen in action.

3 Ethical Leadership

Members of the Board are exemplars of the Firm's Values, acting with integrity, fairness and in the interest of the Firm. They maintain the Firm's focus on building inclusion, enrichment and trust for the benefit of people, stakeholders and communities.

The Board collectively embodies and promotes ethical leadership by asking the right questions and challenging to ensure that poor behaviour is sanctioned. The Board oversees cultural governance including setting the tone from the top on conduct and ethics.

4 Our Stakeholders

In carrying out its role the Board seeks to balance the interests of various stakeholders to whom it is responsible so the Firm has a successful and sustainable long-term future, true to its Purpose and Values.

The LLP's (and therefore the Board's) key stakeholders in the UK are as follows, noting that the consideration of these categories of stakeholders is, at the same time, extended across the whole Group:

- Clients and Investors (in audited entities) – present and future
- Partners – present and future
- Colleagues – past, present and future
- Regulators and Government
- Global Network

With respect to the following stakeholders, the Board's responsibilities include the following:

Management Committee

- (i) Gives supportive and constructive challenge to the Management Committee
- (ii) Recognises that the Management Committee is responsible for delivering the Firm's output, distinctive from the Board's oversight role

Audit Board

- (i) Supports the Audit Board in its purpose to oversee the Audit practice and its delivery of Audit Quality, in accordance with the Audit Board's responsibility under the FRC's principles of Operational Separation
- (ii) Assumes responsibility for the objective to avoid persistent material structural cross-subsidy between the Audit practice and the rest of the Firm, in accordance with the FRC's principles of Operational Separation

Wider Community

- (i) Ensures that the Firm's strategy, actions and decisions in the UK uphold public interest obligations, build public trust and reinforce our reputation as a responsible

business that reflects and supports the community and profession in which we operate

- (ii) Demonstrates its commitment to the public interest through pursuit of the purpose of the Audit Firm Governance Code and regular dialogue with the Firm's Independent Non-Executives and Audit Non-Executives
- (iii) Seeks to uphold the Firm as being a beacon for successful, sustainable, ethical business

5 How the Board works

In providing constructive challenge to the CEO and Management 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 Group's strategic goals, the Board balances economic value with risk and reward; Values and value; and competing stakeholder interests. It then applies judgement to balance these factors in the particular circumstances of each issue.

Economic value, public interest and risk and reward

The Board considers the public interest, economic and strategic value of each decision, within an appetite for risk in the UK (including risk to reputation) that the Board approves, using available data and knowledge of the competitive markets in which the Firm operates in order to decide if the risks and rewards justify proceeding. The Board takes account of any relevant legal or regulatory requirements.

Values and value

The Board takes the ethical and reputational aspects of each issue under consideration and challenges whether the proposed course of action is in accordance with the Values and standards of the Firm. This is the most important of the three lenses: the Board does not pursue commercial value at the expense of our Values; it is prepared to accept negative consequences if it's the right thing to do.

Balancing competing interests

The decisions that the Board takes have different, sometimes competing or even opposite, consequences for the different stakeholders. The Board seeks to identify the impact of its decisions on all stakeholders and balance their interests impartially and equitably.

TERMS OF REFERENCE

6 Composition and membership of the Board

6.1 The Board shall comprise:

- (i) The Chair of the Board;
- (ii) The Chief Executive Officer ("CEO");
- (iii) One Executive member nominated by the CEO; and

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(iv) Up to three Members, who are Individual Members of the LLP, elected by the UK Partners as Individual Members (together with the Chair, “Elected Board Members”).

- 6.2** The Elected Board Members shall always make up the majority of the Board.
- 6.3** 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 shall be a practising auditor in the UK.
- 6.4** At all times a majority of the members of the Board shall legally reside in the United Kingdom and be British citizens.
- 6.5** The Elected Board Members shall not have significant management responsibilities within the Group; those with “significant management responsibilities” includes members of the Management Committee and their direct reports and members of the Group Executive Committee and their direct reports.
- 6.6** The Elected Board Members shall be appointed for a three year term, with the option for this to be renewed for an additional 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.
- 6.7** Independent Non-Executive Members of the Public Interest Committee and the Chair of the Audit Board shall be entitled to attend any and all Board meetings as attendees (including annual Board strategy meetings and Board away days), save only with respect to discussions and deliberations on specific client engagements or legally privileged matters, in either case upon the determination of the Chair or the recusal decision of any such independent non-executive.
- 6.8** The Board will meet a minimum of six times a year and the Chair may call further meetings at other times in the year as considered appropriate.
- 6.9** Other members of the Management Committee, Individual Members, members of the Group Board or Group Executive Committee or colleagues may be invited to attend Board meetings, as requested by the Chair.

7 Chair of the Board

- 7.1** The Chair of the Board shall be a Partner of the LLP.
- 7.2** If the Chair is not present or so chooses then 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 of the Board declares a conflict of interest, or the Board decides that they have a conflict of interest, then another Elected Board Member (selected for this purpose by the Board) 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 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 chair of the meeting if not the Chair, has the casting vote.¹

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 CEO) 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 Board Members, 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 Management Committee); (iii) of the performance of the Management Committee and its members (including the CEO); and (iv) any other session as determined by the Chair or a majority of the Elected Board Members.

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 where appropriate recuse themselves from any deliberations or votes of the Board concerning the relevant subject-matter.

12 Board Objectives

The Board will agree objectives annually that are specific and measurable and will regularly review its progress in meeting and delivering the objectives.

13 Board Reserved Matters

Specific matters that are reserved for the Board (and cannot be delegated) are the following:

13.1 Values, Culture and Policies

¹ 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.

- 13.1.1 Monitoring of the Firm's culture to include a regular review of the effectiveness of the Firm's systems (including the Code of Conduct) for the promotion and embedding of an appropriate culture aligned with the Group's Purpose and Values, that: (a) supports the consistent performance of high quality engagements, the Firm's role in serving the public interest and the long-term sustainability of the Firm in the UK; and (b) encourages people to consult, challenge, contribute ideas and share problems, knowledge and experience; such monitoring to include receiving reports on conduct and ethical matters as appropriate.
- 13.1.2 Approval and oversight of key UK policies (including the Code of Conduct) and their implementation, related to people (including recruitment, wellbeing, motivation and remuneration), risk, culture, values, independence and ethics, to be aligned with relevant Group and Global policies.
- 13.1.3 Approval of Inclusion and Diversity targets for the UK Firm (developed and proposed by the Management Committee in coordination with the Group Executive Committee) and monitoring of pay gap data for the UK Firm.

13.2 Strategy and management

- 13.2.1 Adoption of the Group strategy for purposes of its implementation in the UK, having provided input and made recommendations to the Group Executive Committee and Board with respect to its development² (following consultation with the Public Interest Committee) and oversight of delivery of the strategy in the UK.
- 13.2.2 Oversight of the Management Committee's delivery of the Group People strategy within the UK, to include leadership, knowledge and skills development, performance management and reward.
- 13.2.3 Approval of the annual budget and UK Business Plan, (developed and proposed by the Management Committee in coordination with the Group Executive Committee), including an assessment that the Firm has sufficient human, intellectual and technological resources for the next three years to support audit quality and the effectiveness of controls and processes required by ISQM1.
- 13.2.4 Oversight of performance of the annual budget and UK Business Plan.
- 13.2.5 Any decision to change the operating model in a significant way or any decision to cease to operate all or any material part of the LLP's business (developed and proposed by the Management Committee, or in the case of the Audit business, developed by the Audit Executive and recommended by the Audit Board).
- 13.2.6 Any major decision in relation to the 'future of the profession in the UK' (developed and proposed by the Management Committee and taking account of recommendations of the Audit Board).

13.3 Investments

- 13.3.1 Approval of any UK specific aspects or delegations of the Group Investment Framework (developed and proposed by the Management Committee and, where relevant to Audit, by the Audit Executive, having regard to any recommendations of the Audit Board).

² It is noted that the UK Audit strategy is developed by the Audit Executive and must be approved by the Audit Board prior to approval by the UK Board.

- 13.3.2** Approval (where required under the Group Investment Framework) of inorganic investments such as acquisitions and joint venture investments and business disposals with a transaction or enterprise value in excess of £25 million (including value of any debt assumed and deferred consideration; and transaction costs), subject to 13.3.5.
- 13.3.3** Approval (where required under the Group Investment Framework) of organic and ordinary course investments (including multi-year commitments) with cash or FTE commitments in excess of £50 million (including business builds, technology investments and property leases), subject to 13.3.5.
- 13.3.4** Approval of any such matters likely to have a significant material impact on KPMG from a financial, operational, strategic, resilience or reputational perspective, subject to 13.3.5.
- 13.3.5** Approvals under this paragraph 13.3 shall be subject to the following:
- (i) applicable approvals by the Group Board or Group Executive Committee under the Group Investment Framework;
 - (ii) approvals of transactions or investments by the Board for financial amounts or value shall, unless otherwise specified, be deemed to include additional amounts or value that arise through unanticipated overspend up to the greater of £10m or 10% and are approved by the Management Committee;
 - (iii) the Board may call in for scrutiny, review and modification any transactions or investments previously approved by the Board or the Management Committee, in relation to which concerns have been identified (or evidenced in the management information provided on the portfolio of investments); and
 - (iv) approvals of transactions or investments by the Board shall have due regard to any views of the Public Interest Committee and (where they relate to the Audit Business) the Audit Board.

13.4 Structure and capital

- 13.4.1** Approval of changes relating to the LLP's capital structure.
- 13.4.2** Approval of material changes in the LLP's capital and liquidity positions.
- 13.4.3** Any changes to the LLP's status as a Limited Liability Partnership or major changes to the corporate structure.

13.5 Financial reporting and controls

In connection with year-end matters, approval of:

- 13.5.1** the statement of internal control and independence and compliance with the Audit Firm Governance Code (on recommendation from the Audit Committee);
- 13.5.2** the going concern statement (on recommendation from the Audit Committee);
- 13.5.3** the profit distribution, aligned with the Group Board's approvals for distribution of Group Aggregate Profits;
- 13.5.4** the letter of representation to the external auditors;

- 13.5.5 the Annual Report and Transparency Report (developed and proposed by the Management Committee);
- 13.5.6 the Financial Statements with a recommendation to the LLP Members for their approval by way of an Ordinary Majority;
- 13.5.7 any significant changes in accounting policies or practices (on the recommendation of the Audit Committee); and
- 13.5.8 the removal of the external auditors (on the recommendation of the Audit Committee).

13.6 Internal controls

Approval of any Board level certifications (including in the annual Transparency Report) as to the effectiveness of sound risk management and internal control systems on a Firmwide basis, to manage cultural, ethical, risk and reputation matters and to ensure compliance with laws, regulations and global practices and policies relevant to the LLP's business.

13.7 Board and other appointments

- 13.7.1 Approval of changes to the structure, size and composition of the Board.
- 13.7.2 Appointments to the Board to fill a casual vacancy (on the recommendation of the Group Nominations Committee).
- 13.7.3 Appointments of Independent Non-Executives and Audit Non-Executives (on the recommendation of the Chair of the Board)
- 13.7.4 Where the appointment concerns the Chair of the Public Interest Committee (on recommendation of the Chair of the Board) this will be in consultation with the Group Chair.

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 design of UK specific remuneration policies and principles and partner remuneration policies, principles and framework (developed and proposed by the Management Committee, at all times aligned with relevant Group policies, principles and frameworks, taking into account (as concerns Audit Partners only) any recommendations or observations of the Audit Board's Remuneration Committee).

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 Approval of the terms of reference for all Board Committees, the Audit Board and the Management Committee and determining which matters are delegated to such committees and boards and which matters are reserved for the Board.
- 13.9.3 Holding the relevant Board Committee, Audit Board or the Management Committee to account for anything delegated to them.

13.10 Risk Management

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- 13.10.1 Approval of the Firm's Risk Appetite and Statement annually (on the recommendation of the Audit & Risk Committee, and as regards Audit Risk Appetite, the Audit Board, and in coordination with the Group Board's Risk Committee) 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 With respect to material matters related to regulation and regulatory supervision being considered by the Board, the Board will consult with, and have due regard to the views of the Public Interest Committee and/or the Audit Board as relevant.

13.11 Other

- 13.11.1 Approval of the overall levels of insurance for the Firm including directors' and 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, resilience 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 Individual Members as a whole.
- 13.11.4 Approval of any relevant deeds, documents or other matters as required by the LLP Agreement.

14 Operational Separation

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

15 Governance

- 15.1 The Head of Governance (or, with the agreement of the Board Chair, their nominee) shall act as the Board Secretary and attend all meetings.
- 15.2 The Board Secretary shall record the proceedings and decisions of the Board meetings and the minutes shall be circulated to all members and attendees, as appropriate, taking into account any conflicts of interest that may exist.
- 15.3 The Board shall ensure that any matters relating to the purpose of the Audit Firm Governance Code and the Firm's role in respecting that purpose are given due consideration.
- 15.4 The Board shall have due regard to any recommendations or other input provided to it by the Audit Board, including with respect to any proposal for the Head of Audit to be removed from that leadership role.
- 15.5 The Board shall conduct an annual self-assessment of its activities under these Terms of Reference and triennially shall conduct an externally facilitated Board evaluation. The Chair,

supported by the Board Secretary, shall be responsible for acting on the results of the self-assessment and embedding the recommendations from the externally facilitated evaluation.

16 Matters delegated by the Board to the Management Committee

Subject to the matters reserved for the Board and in addition to the matters that the Management Committee develops and proposes for Board approval set out in Clause 13 above, the Board delegates, while maintaining oversight, the following to the Management Committee, each activity to be done in coordination with the Group Executive Committee:

- 16.1** formation and execution of the UK Business Plan;
- 16.2** implementation of both the LLP's Strategy in the UK as approved by the Board, aligned with the Group Strategy; and (through the Audit Executive) the Audit Strategy as approved by the Board ;
- 16.3** implementation of Operation Separation of the Audit Practice in accordance with the applicable regulatory principles;
- 16.4** monitoring and maintaining operating and financial performance against budget;
- 16.5** prioritisation and allocation of resources;
- 16.6** managing the risk profile of the Firm within the Board approved Risk Appetite and the Group Risk Management Framework (including major claims and reputational issues);
- 16.7** managing the System of Quality Management and associated internal controls and processes of the Firm in accordance with ISQM1 and Group and Global policies and procedures;
- 16.8** achieving the Management Committee's goals in relation to (i) strategic goals; (ii) operational excellence, (iii) financial performance and (iv) regulatory, compliance and legal, each consistent with, or established by reference to, the respective goals of the Group Executive Committee; and
- 16.9** crisis management;
- 16.10** Audit Quality and Performance;
- 16.11** significant matters related to KPMG International and the Global network; and
- 16.12** managing the day to day activities of the LLP and its subsidiaries.

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

17 Notice of meetings

The Board meeting agenda and papers in relation to the Board meeting shall, ideally, be circulated at least five working days prior to the Board meeting.

18 Documentation, Communication and Reporting

- 18.1** The CEO or COFO, together with the Management Committee Members, shall report to the Board at each Board meeting on relevant matters within the Management Committee's responsibility delegated by the Board.

- 18.2** Minutes of the Board are to be kept and filed by the Head of Governance and held at the registered office of the LLP.
- 18.3** Board members and the Independent Non-Executives will have access to a copy of the minutes of the Board and relevant minutes of the Board Committees.