



KPMG LLP

Executive Committee – Terms of Reference

These Terms of Reference of this Executive Committee 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, the Operating Provisions and the Terms of Reference of the Board.

1. Purpose

1.1. The purpose of the Executive Committee (“**the Committee**”) is to develop and implement the strategy and policies of KPMG LLP (“**the LLP**” or “**the UK Firm**”) and its subsidiaries and to manage the LLP’s business, in each case in liaison with the executive committee of KPMG Holding LLP (“**the Group Executive Committee**”), in order for the UK Firm to have a successful and sustainable long-term future.

1.2. In fulfilling its purpose the Committee shall give due consideration to:

- the LLP’s obligations and commitments as a firm within the KPMG Network;
- balancing the interests of various stakeholders (employees, partners and clients of the Group, regulators and the public at large);
- the Group’s purpose and values; and
- upholding the integrity, brand and reputation of KPMG.

1.3. In fulfilling its responsibilities the Committee ensures that the UK Firm discharges its public interest responsibilities through its pursuit of the purpose of the Audit Firm Governance Code and regular dialogue with the Independent Non-Executives, in particular, prioritising Audit Quality (in coordination with the Audit Executive and regular dialogue with the Audit Non-Executives) and the application of Ethical Standards and the ICAEW’s Code of Ethics.

2. Authority and Delegation

2.1 The Committee is a committee of the LLP and the individual members of the Committee have duly delegated authority to carry out its responsibilities as set out in these Terms of Reference, any other matters relating to the purpose of the Audit Firm Governance Code and as set out from time to time in their respective role mandates approved by the Chief Executive Officer of the UK Firm (“**the UK CEO**”) (and, in the case of the UK Head of Audit’s role mandate,

subject to consultation with the Audit Board).

- 2.2** The Committee may exercise all the powers of the LLP, subject to the LLPA and the LLP's Constitutional Documents and to any directions given by the UK Board. In addition, the Committee shall at all times act in accordance with Group policies and any decision matrix as approved from time to time by the board of KPMG Holding LLP ("**the Group Board**").
- 2.3** The Committee is accountable to the UK CEO and the UK Board, provided that as regards implementation of the Group strategy and performance against the Group's business plans, the Committee is also accountable to the Group Executive Committee.

3. Constitution

3.1 Chair

- 3.1.1 The chair of the Committee ("**the Committee Chair**") is the UK CEO.
- 3.1.2 In the absence of the Committee Chair or if the Committee Chair so chooses another member of the Committee shall act as Committee Chair.
- 3.1.3 The Committee Chair has a casting vote.
- 3.1.4 In the event that the Committee Chair declares a conflict of interest, or the Committee decides that such individual has a conflict of interest, then the members of the 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 Committee comprises those senior executives as the UK CEO may determine as ratified by the Nominations Committee of the Group Board. At the date of these Terms of Reference, such senior executives are the following:

- UK CEO
- UK Chief Operating and Financial Officer ("**COFO**");
- UK Chief Risk Officer ("**CRO**");
- UK Head of Audit;
- UK Head of Advisory;
- UK Head of Tax and Legal;
- UK Head of Markets & Growth;
- UK Chief People Officer;
- UK Head of Corporate Affairs.

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3.2.2 The Committee members' roles, duties, responsibilities, goals, delegations and key accountabilities shall be set by the UK CEO (in liaison as appropriate with the relevant members of the Group Executive Committee) 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 Committee.

3.3 Duration of appointments

Unless otherwise determined by the Group Nominations Committee, the duration of appointments will be for a continuous term at the discretion of the UK CEO.

3.4 Secretary

3.4.1 The Head of Governance or (with the consent of the Committee Chair) their nominee shall act as Secretary to the Committee and attend all meetings.

3.4.2 The Head of Governance (or nominee) 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 4 times a year and otherwise as required.

4.1.2 Meetings of the Committee may be called by the Committee Chair 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 Committee shall be two-thirds of its members (or members' delegates appointed under paragraph 4.3.2 below).

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 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 The UK General Counsel has the right to attend meetings of the Committee in addition to its members.

4.3.2 Any member of the Committee who is unable to attend a meeting may be represented by a

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delegate for such meeting, subject to prior notification of such representation to the Committee Chair.

4.3.3 In addition to the UK General Counsel and the Secretary to the Committee, regular attendees at meetings of the Committee include the following (at the discretion of the Committee Chair):

- Executive Lead support to the Committee;

4.3.4 Any Partner, officer, employee or member of the Group or other potential attendees may attend all or part of a Committee meeting at the invitation of the Committee Chair 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 Committee Chair.

4.4 Resolutions

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

4.4.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the 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.

4.5 Conflicts of interest of individual Committee members

If a member of the Committee has a conflict of interest, they shall immediately disclose this to the Committee Chair and where appropriate recuse themselves from any deliberations or votes of the Committee concerning the relevant subject-matter.

5. Responsibilities

The responsibilities of the Committee include, but are not limited to, the following, which shall all be fulfilled in alignment with the strategy and policies of the Group and in liaison with the Group Executive Committee and its members:

5.1. Values, integrity and diversity

5.1.1. Actively promoting the UK Firm's culture and the diversity, inclusion and equity among its people;

5.2. Strategy

5.2.1. Providing input, in liaison with the UK Board, to the Group Executive Committee with respect to its development of the Group's strategy and business plans;

5.2.2. Ensuring the effective implementation in the UK of the Group strategy, in alignment with the

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regulatory and public interest responsibilities of the UK Firm;

- 5.2.3. Providing input to the Group Executive with respect to its development of the Group's go-to-market strategy;
- 5.2.4. Developing and determining the UK national markets strategy, the UK's regional portfolio strategy (including the strategy for KPMG Private Enterprise), UK client segmentation and UK target accounts;
- 5.2.5. Ensuring delivery of the successful execution and implementation of the approved strategy of the UK Firm (being aligned with the Group strategy), including considering, and ensuring the effective management of, actual and emerging risks that may impact achievement of the strategy;

5.3. LLP Matters

- 5.3.1. Providing input and making recommendations to the UK Board with respect to any material changes to the LLP's limited liability partnership status, capital structure or capital adequacy;
- 5.3.2. Providing input and making recommendations to the UK Board with respect to any material changes to the operating model of the UK Firm that impacts its viability or compliance with laws and regulations;

5.4. Performance and Operations

- 5.4.1. Overseeing the development of initial proposals for the annual and three year business plans, within the Group's planning cycle and providing advice and recommendations to the Group Executive Committee from a UK country perspective on the final proposals for such plans prior to their approval by the Group Executive Committee and Group Board;
- 5.4.2. Making recommendations to the UK Board with respect to the UK Firm's adoption of business plans within the annual and three year Group level business plans;
- 5.4.3. Achieving the approved business plans, including the UK Firm's annual budget;
- 5.4.4. Ensuring the active management and monitoring of the operational and financial performance of the UK Firm against targets, objectives and key performance indicators (set by the Group Executive Committee) including oversight of delivery of these targets and in the case of the Audit business, taking into account any targets, objectives and key performance indicators recommended by the Audit Board;
- 5.4.5. Ensuring the FRC's Principles of Operational Separation are respected as regards the operations of the UK Firm, including the Audit Practice;
- 5.4.6. Holding leaders within the UK business to account through an effective organisational, performance and accountability structure taking action where required;
- 5.4.7. Ensuring the identification of issues and acting on early warnings and deviations from the business plan and monitoring the effectiveness of remedial actions;

5.5. Partner matters

- 5.5.1. Developing policies and legal provisions applicable within the UK Firm to equity and salaried Partners and recommending them to the UK Board for approval;

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- 5.5.2. Making recommendations to the Group Executive Committee concerning the design of relevant remuneration and incentivisation policies and principles for salaried and equity Partners; and in so doing, 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;
- 5.5.3. Making recommendations to the Group Executive Committee concerning the design of the performance cycle for salaried and equity Partners, taking account of relevant recommendations of the Audit Board as concerns Audit Partners;
- 5.5.4. Identifying for consideration for ratification by the Group Board, suitable candidates for promotion to equity Partner, in alignment with the Group's 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 equity Audit Partners;
- 5.5.5. Identifying, considering and approving suitable candidates for promotion to salaried Partner, in alignment with the Group's 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 salaried Audit Partners;
- 5.5.6. Implementing the performance management cycle, remuneration policies and principles, including taking account of recommendations as the case may be by the UK Board and/or the Audit Board, in their oversight roles;

5.6. People

- 5.6.1. Developing and implementing the UK Firm's people strategy and assisting the UK Board in its oversight of the effective execution of such strategy by reference to key metrics;
- 5.6.2. Developing and approving, performance, remuneration and incentivisation policies and principles for members of staff, ensuring alignment with the Firm's cultural ambition and values; and in so doing, taking account of relevant recommendations of the Audit Board and the Remuneration Committee of the Audit Board, as such policies and principles concern Audit staff;
- 5.6.3. Ensuring the development and implementation of the UK Firm's strategy for knowledge and skills development and oversee its effective execution;
- 5.6.4. Ensuring the development and implementation of workplace policies and, where appropriate, recommending them to the UK Board for approval;
- 5.6.5. Approving staff terms of employment, disciplinary policies and procedures, as well as policies relating to expenses, hospitality, car leases and similar UK operational matters;
- 5.6.6. Determining targets for the UK Firm with regard to inclusion, diversity and equity ("**IDE**"), in alignment with equivalent targets determined by the Group Board, and ensuring appropriate actions are taken within the UK Firm to promote and achieve them;

5.7. Investments

- 5.7.1. Providing input to the Group Executive Committee with respect to the Group's Investment Framework and implementing it effectively as it relates to investments by the UK Firm;
- 5.7.2. Ensuring the review of proposed investment business cases as they relate to investments by the UK Firm and, in the case of organic investments with FTE commitments with a value of up

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to £5 million, approving them if appropriate;

- 5.7.3. Ensuring the review of investments in office locations in the UK (and closures of offices) and approving those with a value (including multi-year commitments) of up to £5 million if appropriate; assisting and inputting to consideration and approvals by the Group Executive Committee and Group Board as regards any such investments or closures with a value greater than £5 million;
- 5.7.4. Assisting and inputting to consideration and approvals (as required by the Group Investment Framework) by the UK Board, the Group Executive Committee and Group Board as regards any proposed trade investments, divestments and major capital expenditures by the UK Firm (taking into consideration, the view of the Public Interest Committee or, if relevant to the Audit Practice, the view of the Audit Board);
- 5.7.5. Reviewing, in liaison with the Group Investment Committee, the performance of investments by the UK Firm in terms of both effectiveness of integration, management of risks and return on investment, each as set out in the given investment's approved business case;

5.8. Risk Management and Internal Controls

- 5.8.1. Managing the UK Firm's risk (including ensuring that the Group's enterprise-wide risk management framework is operative and effective within the UK Firm) and protecting the KPMG brand;
- 5.8.2. Developing risk appetite proposals for the UK Firm, including at the sector and client levels within the UK (in liaison with the UK Audit Executive) for consideration and approval by the Group Executive Committee and Group Board (or, as the case may be, the Group Audit & Risk Committee);
- 5.8.3. Ensuring approved risk appetite parameters are fully embedded in the UK business;
- 5.8.4. Providing input to the Group Executive Committee with respect to its development of the Group's risk management policies and procedures;
- 5.8.5. Ensuring the development of UK risk management policies and procedures, in alignment with those issued by the KPMG International, the Group Executive Committee and the Group Board, and with respect to relevant material policies, making recommendations to the UK Board for their approval;
- 5.8.6. Ensuring resources and processes are in place to support the approved risk appetite of the Group or of the UK Firm (including the Audit practice's appetite and mitigations for accepting higher risk audits as recommended by the Audit Board);
- 5.8.7. Monitoring compliance with the approved risk appetite of the Group or of the UK Firm, including identifying on a timely basis any circumstances which could give rise to their breach or compromise, escalating them and developing mitigating actions;
- 5.8.8. Reviewing and recommending for UK Board approval relevant material insurance policies in the name of the UK Firm;
- 5.8.9. Ensuring compliance by the UK Firm with applicable policies, legislation and regulations;
- 5.8.10. Ensuring the adequacy and compliance with internal controls within the Committee members' respective business areas through active monitoring and management and in

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particular the implementation of controls and processes within the applicable ISQM1 requirements;

- 5.8.11. Assisting the UK Board and the UK Audit & Risk Committee with respect to their responsibilities regarding all matters relevant to engagement quality and the SoQM, including the oversight of compliance with ISQM1 and other similar regulations;
- 5.8.12. Receiving and acting upon findings and recommendations of the UK Head of Internal Audit, or as the case may be, the Group Head of Internal Audit, in their risk assurance (3rd line of defence) capacities;
- 5.8.13. Ensuring the safeguarding of the integrity and adequacy of management information and financial reporting systems;

5.9. Financial and non-financial reporting

In connection with year-end matters, developing and, where applicable, recommending for UK Board approval, the LLP's Financial Statements, Annual Members Report, Transparency Report and other relevant Environmental, Social and Governance public reporting; and

5.10. Board alignment and escalation

Identifying matters required or appropriate for escalation to the UK Board (including those that may be so material as to warrant being the subject of a vote of the Members of the LLP under the LLPA) and reviewing and making recommendations on relevant items prior to such escalation (noting that this responsibility is in addition to the right for the UK Board or any of its committees to request or require escalation to them of any defined matters or categories of matter).

6. Reporting

- 6.1. Minutes of each Committee meeting will be disclosed at the next meeting of the UK Board following their approval.
- 6.2. The Committee reports to the Group Executive Committee and the UK Board.
- 6.3. The 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 Committee's duties and responsibilities.

7. Committee sub-committees, sub-groups and delegations

- 7.1. The Committee may establish executive sub-committees or sub-groups to support the fulfilment of responsibilities outlined in section 5 and to delegate to them the making of decisions within the scope of these Terms of Reference.
- 7.2. All duties and powers of such sub-committees and sub-groups are subject to the limitations of authority stated in their terms of reference which are subject to approval by the Committee.

8. Governance and Resources

- 8.1. The Committee shall, via the UK CEO's office, 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.

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- 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 Group Executive Committee and to the UK 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, public interest and reputation implications of its decisions (liaising where relevant with the Group Executive Committee and the UK Board, its committees and the Audit Board).
- 8.4. The Committee shall have access to sufficient resources in order to carry out its duties. In consultation with the UK General Counsel, it shall have the power to engage independent counsel and other professional advisers.

9 Review and Terms of Reference

- 9.1 The Committee shall annually review its Terms of Reference and may recommend to the UK Board for approval any amendments.
- 9.2 The Committee shall conduct an annual assessment of its activities under these Terms of Reference and report any conclusions or recommendations to the Group Executive Committee and the UK Board.

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