



KPMG HOLDING LLP

Remuneration Committee – Terms of Reference

*These Terms of Reference of a committee of the Board are those referred to in the Limited Liability Partnership Agreement of KPMG Holding 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.*

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.

1. Purpose

The purpose of the Remuneration Committee (“**the Committee**”) is to:

- 1.1 Support the Board in fulfilling its responsibilities with respect to the appropriate compensation for the performance of the executive leadership of the Firm, in particular members of the Executive Committee, together with the Board, including the Board Chair and the CEO.
- 1.2 Support the Board in fulfilling its responsibilities with respect to the approval, ratification and oversight of policies and processes regarding Partner remuneration, together with oversight of their proper implementation.

2. Authority

- 2.1 The Remuneration 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.
- 2.3 The Committee has authority to investigate any matter within these 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 Committee (“**the Committee Chair**”) will be a Non-Executive Member of the Board appointed by the Board Chair and ratified by the Board.
- 3.1.2 In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.
- 3.1.3 In the event that the Committee Chair declares a conflict of interest, or the Committee

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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 Committee Chair the membership comprises two other Non-Executive Members of the Board, provided that at least one of the members of the Committee shall be a Swiss Non-Executive Member of the Board.
- 3.2.2 Members of the Committee shall be appointed by the Board on the recommendation of the Board Chair in consultation with the Senior Non-Executive Member.
- 3.2.3 Members can be co-opted onto the Committee for defined periods as the need arises to help fulfil the duties and obligations of the Committee. Depending on the specific nomination process and the reason for their being co-opted, such co-opted members may or may not be granted the right to vote on the Committee, as shall be deemed appropriate and specified in their respective appointments. These appointments shall be made by the Board on the recommendation of the Committee Chair.
- 3.2.4 Non-Executive 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 members of the Committee 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 Secretariat

- 3.4.1 The Head of Governance (or, with the concurrence of the Committee Chair, their nominee) shall act as Committee Secretary to the Committee and attend all meetings.
- 3.4.2 The Committee 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 twice a year and otherwise as required.

4.2 Notice of Meetings

- 4.2.1 Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chair.
- 4.2.2 The Committee meeting agenda and papers in relation to the meeting shall, ideally, be circulated to all members at least five working days prior to the meeting.

4.3 Quorum

- 4.3.1 Any two members of the Committee may form a quorum, provided (i) at least one Non-Executive Member is in attendance and (ii) at least one Swiss Non-Executive Member is in attendance for matters related to Switzerland.
- 4.3.2 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.
- 4.3.3 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.

4.4 **Attendees**

- 4.4.1 Only the members of the Committee and other Non-Executive Members of the Board have the right to attend Committee meetings.
- 4.4.2 The following will be expected to attend Committee meetings on a regular basis (by invitation):
 - a) Chief People Officer
 - b) Head of Partnership Office
 - c) Ethics Partner
 - d) General Counsel or their delegate.
- 4.4.3 The Board Chair, CEO and Group Managing Partner will attend meetings from time to time as appropriate.
- 4.4.4 An Independent-Non Executive shall be invited to attend meetings where the discussion relates to performance or remuneration policies or frameworks.
- 4.4.5 Any Partner, officer or employee of the Partnership may attend at the invitation of the Committee Chair and they may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Committee Chair.

5. **Conflicts of Interest**

- 5.1 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. In such circumstance (including as contemplated in paragraph 3.1.3), the Committee, without the presence and vote of such conflicted member, shall determine the appropriate measures to ensure the integrity of the decisions made at such meeting.

6. **Confidentiality**

The meetings of the Committee shall have confidential status. The Committee shall reach agreement at meetings concerning key points and communication arrangements.

7. **Resolutions**

- 7.1 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.

7.2 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.

8. **Responsibilities**

The Committee shall, on behalf of the Board or, where appropriate, in support of the Board in fulfilling its responsibilities:

8.1 Review design of staff and Partner performance and remuneration policies and principles and frameworks and make recommendations to the Board accordingly.

8.2 Ratify the unit allocation split for each LLP subsidiary as recommended by the Executive Committee.

8.3 Approve the Executive Committee's recommendations regarding the end-of-year Unit Value, Salary Partner bonus, and employee bonus allocation with a focus on the distribution between these three categories.

8.4 Oversee the effective implementation of remuneration policies for Partners by the Executive Committee and management committees of subsidiaries of the LLP and approve any material exceptions to policy, or material payments or guarantees outside the normal remuneration model;

8.5 Ratify the remuneration of the members of the Executive Committee and Executive Leadership taking into account the assessment of their performance by the CEO and their respective first and second line reviewer (their "dual pens"), having taken account of the inputs from relevant leaders and governance bodies at both the Group's subsidiary level as well as from relevant leaders in KPMG's Global organisation, such details being set out in Appendix one to these terms of reference

8.6 Approve remuneration for salaried partners where the total compensation is £500,000 or more. In these cases, notification should be sent to the Committee Chair, who will decide if a Committee meeting is required or if approval may be granted by the Chair on behalf of the Committee.

8.7 Ratify the remuneration of the members of the management committees of subsidiaries of the LLP, upon the recommendation of the relevant subsidiary's CEO;

8.8 Ratify remuneration of members of the relevant subsidiary's Board, taking into account their performance presented by the subsidiary Board Chair;

8.9 Approve a framework and determine criteria for the balanced scorecard and KPIs of the CEO by which their performance is measured;

8.10 Approve a framework and determine criteria for the balanced scorecard and KPIs of the Board Chair by which their performance is measured;

8.11 Approve a framework and determine criteria for the balanced scorecard and KPIs of the

relevant subsidiary Board Chair by which their performance is measured;

- 8.12 Approve the remuneration of the CEO taking into account the evidence and feedback on their performance presented by the Board Chair;
- 8.13 Upon their appointment or extension, approve the remuneration of Independent Non-Executives and Audit Non-Executives;
- 8.14 Approve the remuneration of the Board Chair, taking into account the evidence and feedback on their performance presented by the Senior Non-Executive Member of the Board.
- 8.15 Approve the remuneration of the relevant subsidiary's Board Chair, taking into account evidence on their performance presented by the Board Chair;
- 8.16 Oversee the approach and application of out of cycle pay changes as approved by the Executive Committee.
- 8.17 Oversee the implementation of any pay appeals process approved by the Board and in relation to such process, establish appeal panels to determine appeals submitted to the Committee by Partners in respect of their remuneration, as related to their banding and/or base units.

9. Reporting

- 9.1 The Committee Chair shall report to the Board after each meeting on matters within its duties and responsibilities.
- 9.2 The Committee shall work and liaise as necessary with other committees of the Board as well as relevant governance bodies of subsidiaries of the LLP.

10. Governance and Resources

- 10.1 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.
- 10.2 The Committee shall in its decision making, give due regard to any relevant legal or regulatory requirements of the LLP and its subsidiaries, and associated best practice guidance, as well as to the risk and reputation implications of its decisions to the LLP and its subsidiaries (liaising where relevant with other committees).
- 10.3 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.

11. Terms of Reference

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

Appendix One - Performance and Remuneration of Executive Leadership

“Executive Leadership” means all leaders who report directly to the CEO (including all members of the Executive Committee), together with respective Local CEOs and members of the management committee of a member firm in the Group who report to them (e.g. UK, Switzerland).

- In the case of the following ExCo members, the Remuneration Committee will consider input from Global Leadership as follows:
 - i. CSP – from Global Chairman or delegate
 - ii. Member Firm HoA – from Global Head of Audit or delegate
 - iii. Member Firm QRMP – from Global Head of Quality & Risk Management or delegate
- The Remuneration Committee will also incorporate input from the UK Audit Board in the case of the UK Head of Audit.