



## KPMG LLP

### UK Management Committee – Terms of Reference

[These Terms of Reference of this Management 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 UK Executive Committee. These Terms of Reference should be read in conjunction with the Terms of Reference of the UK Executive Committee.

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

**1.1.** The purpose of the management committee (“**the UKMC**”) is to support the UK Executive Committee (“**UK Exco**”) in its implementation of the strategy and policies of KPMG LLP (“**the LLP**” or “**the UK Firm**”) and its subsidiaries and to manage the day-to-day operations of the LLP’s business, in each case in liaison with the UK Exco and, where appropriate, 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 UKMC shall give due consideration to:

- the UK Exco’s responsibilities;
- 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.

#### 2. Authority and Delegation

**2.1** The UKMC is a committee of the UK Exco and the individual members of the UKMC have duly delegated authority to carry out its responsibilities as set out in these Terms of Reference and as delegated to it, from time to time, by the UK Exco.

**2.2** The UKMC may exercise such powers as duly vested in it by the UK Exco. In addition, the UKMC 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 UKMC is accountable to the UK Exco.

#### 3. Constitution

##### 3.1 Chair

- 3.1.1 The chair of the UKMC ("the UKMC Chair") is the Group Managing Partner.
- 3.1.2 In the absence of the UKMC Chair or if the UKMC Chair so chooses another member of the UKMC shall act as UKMC Chair.
- 3.1.3 In the event that the UKMC Chair declares a conflict of interest, or the UKMC decides that such individual has a conflict of interest, then the members of the UKMC 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 UKMC comprises those senior executives as the Group Managing Partner may determine as ratified by the UK Exco. At the date of these Terms of Reference, such senior executives are the following:
  - Group Managing Partner ("GMP");
  - UK Chief Risk Officer ("CRO");
  - UK Chief Operating Officer - Audit;
  - UK Chief Operating Officer – Advisory, Trusted and Technology
  - UK Chief Operating Officer – Advisory, Transactions and Transformation
  - UK Chief Operating Officer - Tax and Legal;
  - UK Chief People Officer;
  - UK Chief Financial Officer;
  - UK Chief Digital Officer;
  - Head of Group Corporate Services Transformation
  - UK Head of Markets & Growth and Head of Regions

### **3.3 Duration of appointments**

Unless otherwise determined by the UK Exco, the duration of appointments will be for a continuous term at the discretion of the Group Managing Partner.

### **3.4 Secretary**

- 3.4.1 The Head of Governance's nominee shall act as Secretary to the UKMC and attend all meetings.
- 3.4.2 The Head of Governance's nominee shall record the proceedings and decisions of the UKMC 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 UKMC shall meet monthly and otherwise as required.

4.1.2 Meetings of the UKMC may be called by the UKMC 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 UKMC 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 UKMC 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 UKMC.

4.2.3 The members of the UKMC may participate in a meeting of the UKMC 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 UKMC in addition to its members.

4.3.2 Any member of the UKMC who is unable to attend a meeting may be represented by a delegate for such meeting, subject to prior notification of such representation to the UKMC Chair.

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

- Chief Operating Officer of the Swiss Firm;
- Head of Corporate Affairs
- Operations Lead support to the UKMC.

4.3.4 Any Partner, officer, employee of members of the Group or other potential attendees may attend all or part of a UKMC meeting at the invitation of the UKMC Chair and they may collectively or individually be requested to withdraw from meetings of the UKMC at any time if required to do so by the UKMC Chair.

### **4.4 Resolutions**

4.4.1 The UKMC 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 UKMC 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 UKMC as would have been necessary to pass such resolution had all members of the UKMC 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 UKMC

duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the UKMC.

#### **4.5 Conflicts of interest of individual UKMC members**

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

### **5. Responsibilities**

The detailed responsibilities of the UKMC 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 UK Exco and its members, as well as with the Group Executive Committee and its members where appropriate:

#### **5.1. Values, integrity and diversity**

- 5.1.1. Actively promoting the UK Firm's culture and operationalising the Group's values, ensuring these are widely understood and consistently adhered to by Partners and employees;
- 5.1.2. Driving inclusion and diversity and ensuring the composition of the UK Firm's workforce (Partners, employees and contractors) is representative of wider society;
- 5.1.3. Providing input to the UK Exco with respect to the setting of the Group's inclusion and diversity targets;

#### **5.2. Strategy**

- 5.2.1. Assisting the UK Exco with respect to its providing input to the development of the Group's strategy and business plans;
- 5.2.2. Implementing the Group strategy in the UK, in alignment with the regulatory and public interest responsibilities of the UK Firm;
- 5.2.3. Assisting the UK Exco both in developing the UK regional and portfolio strategy (including the strategy for KPMG Private Enterprise), and in determining UK client segmentation and UK target accounts;
- 5.2.4. Considering and ensuring the effective management of, actual and emerging risks that may impact achievement of the strategy.

#### **5.3. Performance and Operations**

- 5.3.1. Developing initial proposals for the annual and three year business plans, within the Group's planning cycle and providing advice and recommendations to the UK Exco from a UK country perspective on the final proposals for such plans prior to their approval by the Group Executive Committee and Group Board;
- 5.3.2. Driving the achievement of the approved business plans, including the UK Firm's annual budget;
- 5.3.3. Actively managing and monitoring the operational and financial performance of the UK Firm against targets, objectives and key performance indicators (set by the Group Executive Committee) including, in the case of the Audit business, taking into account any targets, objectives and key performance indicators recommended by the Audit Board;
- 5.3.4. Optimising the calibration, allocation, prioritisation and adequacy of the UK Firm's

resources;

- 5.3.5. Respecting the FRC's Principles of Operational Separation as regards the operations of the UK Firm, including the Audit Practice;
- 5.3.6. 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;

#### **5.4. People**

- 5.4.1 Assisting the UK Exco in developing performance, remuneration and incentivisation policies and principles for members of staff for subsequent review by the Public Interest Committee, Group Remuneration Committee and, where the changes impact audit, the Audit Board Remuneration Committee;
- 5.4.2 Ensuring appropriate and effective implementation of the performance management cycle for members of staff;
- 5.4.3 Developing, in liaison with the UK Exco, and implement the UK Firm's strategy for knowledge and skills development and oversee its effective execution;
- 5.4.4 Developing, in liaison with the UK Exco, workplace policies, for subsequent approval, where appropriate, by the UK Board or, as the case may be, the UK Exco;
- 5.4.5 Developing (for approval by the UK Exco) staff terms of employment, disciplinary policies and procedures, as well as policies relating to expenses, hospitality, car leases and similar UK operational matters;
- 5.4.6 Taking appropriate actions within the UK Firm to promote and achieve the UK Firm's targets relating to inclusion, diversity and equity;

#### **5.5. Investments**

- 5.5.1 Implementing the Group's Investment Framework effectively as it relates to investments by the UK Firm;
- 5.5.2 Reviewing investments in office locations in the UK (and closures of offices) and making recommendations to UK Exco with respect to them;
- 5.5.3 Assisting the UK Exco in its preparation and review of any proposed trade investments, divestments and major capital expenditures by the UK Firm, within the Group Investment Framework;

#### **5.6. Risk Management and Internal Controls**

- 5.6.1 Assisting the UK Exco in its responsibilities to manage 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 in general and for each individual UKMC member's area of responsibility;
- 5.6.2 Assisting the UK Exco in its development of risk appetite proposals for the UK Firm;
- 5.6.3 Embed the approved risk appetite parameters in the UK business;
- 5.6.4 Supporting the UK Exco in its providing input to the Group Executive Committee with respect to its development of the Group's risk management policies and procedures;
- 5.6.5 Developing UK risk management policies and procedures, in alignment with those issued by KPMG International, the Group Executive Committee and the Group Board, and with

respect to relevant material policies, assisting the UK Exco in making any recommendations to the UK Board;

- 5.6.6 Deploying resources and processes to support the approved risk appetites of the UK Firm and the Group (including the UK Audit Practice's appetite and mitigations for accepting higher risk audits as recommended by the Audit Board);
- 5.6.7 On behalf of the UK Exco, monitoring compliance with the approved risk appetites of the UK Firm and the Group, including identifying on a timely basis any circumstances which could give rise to their breach or compromise, escalating them and developing mitigating actions;
- 5.6.8 On request by the UK Exco, reviewing and recommending for UK Board approval, in liaison with the Group Executive Committee, relevant material insurance policies in the name of the UK Firm;
- 5.6.9 Ensuring each individual UKMC member manages the strategic risk, operational risk, financial risk and regulatory, compliance and legal risk in their area of responsibility (and, in the case of the Chief Operating Officer - Audit's area of responsibility, taking account of any applicable recommendations of the Audit Board);
- 5.6.10 Ensuring operational compliance by the UK Firm with relevant policies, legislation and regulations;
- 5.6.11 Ensuring the adequacy and compliance with internal controls within the UKMC members' respective business areas through active monitoring and management and in particular the implementation of controls and processes within the applicable ISQM1 requirements;
- 5.6.12 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;
- 5.6.13 Safeguarding the integrity and adequacy of management information and financial reporting systems;

## **6. Reporting**

- 6.1. Minutes of each UKMC meeting will be disclosed at the next meeting of the UK Exco following their approval.
- 6.2. The UKMC reports to the UK Exco.
- 6.3. The UKMC shall provide relevant operational reports to the UK Audit Executive in support of its responsibilities and reporting to the UK Audit Board, on matters relating to or impacting the Audit business that are within the UKMC's duties and responsibilities.

## **7. Governance and Resources**

- 7.1. The UKMC shall, via the Group Managing Partner's office, make available to new members of the UKMC a suitable induction process and, for existing members, ongoing training as appropriate.
- 7.2. The UKMC shall in its decision-making, give due regard to any relevant legal or regulatory requirements, associated best practice guidance, the Group's requirements and policies as well as to the risk, public interest and reputation implications of its decisions (liaising where relevant with other committees within the UK Firm and the Group).
- 7.3. The UKMC shall have access to sufficient resources in order to carry out its duties.

## **8. Review and Terms of Reference**

8.1 The UKMC shall annually review its Terms of Reference and may recommend to the UK Exco for approval any amendments.

8.2 The UKMC shall conduct an annual assessment of its activities under these Terms of Reference and report any conclusions or recommendations to the UK Exco.