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

For the year ended 30 September 2025

KPMG. Make the Difference.

Globally it has been a volatile year, economically and politically. Despite this, the firm has successfully completed its first year following its merger with KPMG Switzerland, achieved strong audit quality results, and is evolving with the significant technology opportunities and challenges ahead.

We, the Independent Non-Executives (INEs) and Audit Non-Executives (ANEs) play an important role, providing oversight at both the firm-wide and audit levels, utilising our expertise, challenging but supporting the firm in its decision making with a particular focus on audit quality and the wider public interest.

Improving audit quality

Promoting audit quality is a core principle of the Audit Firm Governance Code (AFGC) and is at the heart of the Audit business's strategy. It has, and will continue to be, one of the top matters for us non-executives. The firm's external audit quality results have continued to strengthen. The FRC has recognised the firm's strong commitment to audit quality, with an established system of quality management and sustained high quality results on audit file inspections. The Institute of Chartered Accountants in England and Wales (ICAEW) classified all audit file inspections as "good" or "generally acceptable" and recognised good practice in nearly all files reviewed. Notably, enhancements were observed in the root cause analysis process this year.

These consistently positive results reflect the significant investment and ongoing commitment by the firm's leadership, partners and employees. We welcome these outcomes and will continue encouraging the firm to prioritise audit quality in its audit strategy.

Merger with KPMG Switzerland

At the start of the year, KPMG UK and KPMG Switzerland merged to become a combined group entity. Last year, we recognised that the merger's impact would be a key focus for us, particularly its effects on the UK firm's governance, operations and resilience. We have had oversight of changes to the firm's governance arrangements resulting from the merger, as well as ongoing evaluation of how these structures support the firm in fulfilling its obligations under the AFGC, both currently and in the long term.

In addition, the Chair of the Public Interest Committee (PIC) has attended, as a non voting member, the Group Board, Group Audit and Risk Committee, the Group Nomination Committee and the Group Remuneration Committee.

Complexity of the regulatory environment in a volatile geopolitical environment

The regulatory environment in which global audit firms operate is increasingly complex, and we have therefore sought reassurance from leadership on how they continue to monitor and implement their continuously changing regulatory obligations and expectations.

During the year, the FRC commenced reviews into its approach to supervision and enforcement activities. We have actively participated in discussions of these reviews. We are supportive of proposals to focus supervision on the firm's system of quality management and are interested to see the how public reporting on audit firms will evolve under the new regime.

Other regulatory developments impacted by political changes and timeframes have remained of interest, including the UK's audit and corporate governance reforms, potential reforms from the Public Company Accounting Oversight Body (PCAOB) in the US, and future audit reforms in Europe.

Throughout the year, both the PIC and Audit Board received regular updates on regulatory developments, inspections and interactions and consistently assessed the embeddedness of past lessons into current actions.

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Financial and operational resilience

We have received regular updates regarding overall business performance and that of individual service lines, including Audit. This involved reviewing the firm's budget, and understanding how the business strategy has been incorporated, as well as maintaining ongoing discussions with leadership about the firm's capital and liquidity positions.

We also focused on how emerging technologies, especially AI, are affecting the firm's operations, clients and audited entities, and what the immediate and future necessary actions are. The PIC and the Audit Board also received updates on the changing technology used for audit and non-audit work, and its potential impact on workforce, costs and pricing models. As part of this, the Audit Board held a special session at the firm's Ignition Centre, a collaborative space, to demonstrate current and future IT audit tools including AI-based solutions. Both committees will continue prioritising this topic in the years ahead.

People and Culture

We take interest in how the firm has ensured that its values are integrated into daily business activity, within different teams and different regions, to support the delivery of high-quality audits. The Audit Board and PIC allocate a substantial proportion of their agendas to reviewing the firm's culture programme. This year, we also continued our oversight of the embeddedness of the partner balanced scorecard, which influences partners' performance assessments and remuneration. For audit partners, this includes audit quality targets.

We were pleased to see recognition of the firm's Ethics programme in the FRC Public report.

Our programme of engagement internally and externally has continued this year. These activities are carried out by both individual INEs and ANEs as well as collectively. We engaged with partners and employees across the UK firm to understand how Board decisions impact teams, assess workplace culture and discuss any daily operational challenges, allowing us to "test the temperature" on the ground. Our external engagement provides insights into industry trends, benchmarks the firm's external reputation, and informs the ongoing evaluation and improvement of our roles.

This year, our firm-wide outreach programme also included:

- A bilateral programme with Board members, Executives, and Audit Executives involving over 136 meetings, including the CEO and Chair of KPMG UK and KPMG Group.
- Roundtables with Forensic Partners and with the Audit Evolution Board, which represents employees across a range of audit roles and grades. The latter roundtable included participants in the Swiss/UK exchange program to gather feedback regarding their experiences after the merger of the UK and Swiss firms.
- Site visits, including to the Newcastle office, which included meetings with more than 40 employees and partners, among them leadership, Shadow Board members, ethics champions, and staff across all grades.
- An introduction session at the KPMG Ignition Centre to understand and discuss current and future IT audit tools.
- Meetings with Global Executive team members (including the Global CEO, Global Head of Audit and Global Chief Risk Officer), who have attended the Audit Board and/or the Public Interest Committee to share international developments relevant to the UK firm.
- Discussions between the PIC Chair and Audit Board Chair with several Swiss executives to discuss the progress of integration with KPMG UK.

Engagements with external parties, including the FRC, were as follows:

- Attendance at FRC-hosted events focused on Private Equity investment in Audit firms and the Future of Audit Supervision Strategy (FASS) project.
- Bi-annual supervisory meetings with the FRC, as well as separate meetings conducted throughout the year for newly appointed ANEs and INEs.
- The FRC CEO and ICAEW Chair separately attended the PIC to discuss their organisations' roles, strategies, and priorities, as well as sharing views on public interest and the profession's future.
- The Chairs of the PIC and Audit Board met with the Chair and CEO of the Federal Audit Oversight Authority (FAOA), Switzerland's audit regulator, to discuss strategic priorities regarding KPMG Switzerland's quality performance.
- Attendance at the launch event of the Centre of Public Interest Audit (CPIA).
- The Chair of the Audit Board met with the CPIA to discuss the organisation's mission, plans, and potential collaboration between ANEs, INEs, and CPIA.
- Participation in a variety of events with investors and audit committee chairs organised by KPMG, including sessions on the Annual Corporate Reporting review and the Future of Audit.

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Governance

The key committees of which we are members are the Public Interest Committee (PIC) and the Audit Board, which have distinct but complementary agendas.

- The 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 AFGC, particularly how the firm takes public interest into account when its making decisions and how it manages it operational and financial resilience. See here for the PIC report, including membership.
- The Audit Board takes a direct role in overseeing the Audit practice, and in particular measures to raise and continuously improve audit quality. See here for the Audit Board report, including membership.

We have also attended UK Board and UK Audit and Risk Committee meetings. The Chair of the PIC is a non-voting member of the Group Board, Group Audit and Risk, Group Nomination Committee and Group Remuneration Committee, and has provided regular updates to other INEs and ANEs. Attendance can be seen [here]. While we do not carry votes on the UK Board, Group Board or their other Committees, we have had access and opportunity to question and challenge KPMG leadership in the UK and at Group level at these meetings.

Conclusion

The AFGC requires the INEs and ANEs to form their own view of where the public interest lies. Through our engagement with the firm, and understanding of its operations and activities, we are satisfied with the firm's commitment to the Public Interest and to the delivery of consistent high-quality audits. The firm's leadership has embraced the input and challenge from the INEs and ANEs during the year.

Anne Bulford and Kathleen O'Donovan retired from their roles as Independent and Audit Non-Executive and Public Interest Committee and Audit Board members effective from 30 September 2025. We would like to thank Anne and Kathleen for their significant commitment and contribution to our work as independent non-executives, and the valuable insight they have provided over the years.

If you would like to get in touch with questions or concerns, please contact: ukfmkpmgnonexe@kpmg.co.uk

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Appointment and Independence of the INEs and ANEs

As at 30 September 2025, KPMG has eight[1] independent non-executives (30 September 2024: five). Six are INEs and four are ANEs; one of the independent non-executives are both an INE and ANE.

Our INEs and ANEs are chosen to provide specific insights considered to be relevant to the activities of the Public Interest Committee (PIC) and/or the Audit Board and the development of the firm, including expertise in financial and corporate matters, governance, culture and investor needs. They remain in a position of independence from the leadership decision making of the firm and outside its chain of command.

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 ANEs. 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 INEs or ANEs 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.

- 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 INE or ANE became a partner (or equivalent) of KPMG UK, they would no longer be eligible to hold their role.
- The INEs and ANEs are also required to notify KPMG if an immediate or close family member becomes an employee of the firm. 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 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 UK Chair, recommends the appointment of the Independent Non-Executives (INEs) and Audit Non-Executives (ANEs) which are approved by the Board. 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.these meetings.

Support

To support the INEs and ANEs in discharging their role, the firm provides them with:

- An Executive Lead to help them in navigating the business and discharging 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.

Remuneration

The annual remuneration of each Non-Executive is £110,000, plus an annual fee of £10,000 per Board Committee they attend as a designated Non-Executive. INEs who also serve as ANEs receive an additional £20,000. The Chair of the PIC and the Chair of the Audit Board receive an additional amount of £40,000 in respect of chairing duties. The Chair of the PIC also receives an additional fee of £125,000 based on Group Board and Group Board Committee attendance.

1 Anne Bulford and Kathleen O'Donovan who retired from their roles effective from 30 September 2025.

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Changes effective close of business 30 September 2025 are as follows:

- Anne Bulford retired as a member of the Public Interest Committee on 30 September 2025.
- Kathleen O'Donovan retired as a member of the Audit Board and the Public Interest Committee on 30 September 2025.

Changes throughout 2025:

- Louise Kirby stepped down as a member of the UK Board on 30 November 2024.
- Rachel Hopcroft stepped down as a member of the UK Executive Committee and Management Committee and left the Firm on 31 December 2024.
- Appointment of Robin Walduck as an Elected Member of the UK Board on 1 January 2025.
- Appointment of Brian McBride as a Member of the Public Interest Committee on 1 March 2025.
- Annette Barker stepped down as a member of the UK Board on 30 May 2025.
- Appointment of Suvro Dutta as an Elected Member of the UK Board on 2 June 2025.
- Appointment of Katie Clinton as an Elected Member of the UK Board on 2 June 2025.
- John Bennett stepped down as UK and Group Chief Risk Officer and a member of the UK Executive Committee, UK Management Committee, Audit Executive and Risk Executive on 1 April 2025.
- Appointment of Richard Faulkner as UK and Group Chief Risk Officer and member of the UK Management Committee, Audit Executive and Risk Executive on 1 April 2025.
- Appointment of Susan Gilchrist as a Member of the Public Interest Committee on 1 August 2025.
- Appointment of Ian Tyler as a Member of the Public Interest Committee and Audit Board on 1 September 2025.

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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