



## **Executive Committee – Terms of Reference**

### **1 Purpose**

- 1.1. The purpose of the Executive Committee is to manage the day-to-day activities of the LLP's business through:
  - Developing and implementing strategy, operational plans, policies, procedures and budgets;
  - Driving and monitoring operating and financial performance;
  - Assessing and controlling risk;
  - Prioritising and allocating resources.
- 1.2. In fulfilling its purpose the Executive Committee shall give due consideration to:
  - Balancing the interests of various stakeholders (employees, partners, clients, regulators and the public at large);
  - Upholding the integrity, brand and reputation of KPMG; and
  - Planning the firm's future development.
- 1.3. In fulfilling its responsibilities (set out in section 5) the Executive Committee ensures that the firm discharges its public interest responsibilities, in particular, prioritising Audit Quality and the application of Ethical Standards and the ICAEW's Code of Ethics.

### **2 Authority**

- 2.1 The Executive Committee is a Committee of the LLP.
- 2.2 Subject to the LLP Agreement and the firm's other constitutional documents and to any directions given by the Board, the Executive Committee may exercise all the powers of the LLP provided that the Executive Committee shall not exercise any power reserved to the Board or to the Members.
- 2.3 The Executive Committee shall remain accountable to the Senior Partner and to the Board, and may at its own discretion or at the request of the Board, promptly give or make available to the Board such information, reports and other documents to enable the Board to carry out its duties.

### **3 Constitution**

#### **3.1 Chairperson**

- 3.1.1 The Chair of the Committee is the Managing Partner.
- 3.1.2 In the absence of the Chair of the Committee the Chief Finance Officer shall act as Chair.
- 3.1.3 The Committee Chair has a casting vote.

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## **3.2 Membership**

### **3.2.1 The Committee comprises:**

- Managing Partner (Chair)
- Chief Finance Officer
- Head of Quality and Risk Management
- General Counsel
- Head of Digital Transformation
- Heads of the Capability Groups, at present:
  - Head of Audit
  - Head of Tax, Pensions and Legal
  - Head of Consulting
  - Head of Deal Advisory
- Heads of Coverage Groups, at present:
  - Head of Financial Services
  - Head of Corporates
  - Head of National Markets
- Head of Market Development & International
- Head of People

### **3.2.2 Committee Members' roles, responsibilities and goals shall be set by the Managing Partner.**

### **3.2.3 The Senior Partner attends meetings of the Executive Committee in order to fulfil his/her role in leading the firm and holding the Executive Committee to account.**

## **3.3 Duration of appointments**

### **3.3.1 Unless otherwise determined by the Board, the duration of appointments will be for a continuous term.**

## **3.4 Secretary**

### **3.4.1 The Board Secretary or their nominee shall act as Secretary to the Committee and attend all meetings.**

### **3.4.2 The 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 monthly and otherwise as required.**

#### **4.1.2 Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.**

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## **4.2 Quorum**

4.2.1 The quorum for any meeting of the Executive Committee shall be two-thirds of its members.

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.

## **4.3 Attendees**

4.3.1 Only the members of the Committee have the right to attend Committee meetings.

4.3.2 Any Partner, officer, employee of the LLP or other potential attendees may attend at the invitation of the Chair of the Committee and they may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.

## **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 Executive Committee as would have been necessary to pass such resolution had all members of the Executive Committee been present at a meeting 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 Executive Committee.

## **5. Responsibilities**

The Executive Committee is responsible for:

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

5.1.1. Operationalising the firm's values and ensuring these are widely understood and consistently adhered to;

5.1.2. Ensuring the firm, its partners and employees act with high integrity, which is aligned to and promotes the KPMG vision of becoming the most trusted professional services firm;

5.1.3. Driving inclusion and diversity and ensuring the composition of the LLP's workforce (partners, employees and contractors) is representative of wider society.

### **5.2. Strategy**

5.2.1. ExCo and Board will work jointly on the development of the strategy for the LLP (for approval by the Board) having regard to the interests of its members, clients, employees and other stakeholders;

5.2.2. ExCo will be responsible for informing the strategy, laying the foundations and designing the process for the strategy development. ExCo will also be responsible for the execution and implementation of the approved strategy;

5.2.3. Development and implementation of financial and operational plans, policies, procedures and budgets to execute the strategy;

5.2.4. Ensuring the active liaison, co-ordination and co-operation between different parts of the business to support execution of the strategy and business plans.

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

- 5.3.1. The presentation of the firm's budgets, forecasts and annual plan to the Board and, following their adoption, the achievement of these budgets, forecasts and plans;
- 5.3.2. Actively managing and monitoring the operational and financial performance of the business against targets, objectives and key performance indicators;
- 5.3.3. Optimising the calibration, allocation, prioritisation and adequacy of the firm's resources;
- 5.3.4. Holding the business to account through an effective organisational, performance and accountability structure;
- 5.3.5. 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. Partner promotion, performance cycle and remuneration**

- 5.4.1. The design (for approval by the Remuneration Committee and Board as appropriate) of the performance cycle for Partners, including balanced score cards, goals, mid-year reviews, year-end reviews, partner 360 evaluation and dual pens;
- 5.4.2. Developing the partner promotion framework and process (for approval by the Remuneration Committee and Board as appropriate), identifying suitable candidates for partner promotion and approving the quantum of promotions and individual candidates in alignment with the business plan, inclusion and diversity targets and KPMG values;
- 5.4.3. The design (for approval by the Remuneration Committee and Board as appropriate) of relevant remuneration policies and principles for Partners;
- 5.4.4. Implementation of the performance cycle, remuneration policies and principles through the annual distribution of profits to Partners.

### **5.5. Investments**

- 5.5.1. Developing and implementing an investment framework (for approval by the Board) processes and governance;
- 5.5.2. Reviewing and approving investments with a value between £1m- £5m<sup>1</sup>;
- 5.5.3. ExCo members have responsibility for executing and delivering investments in accordance with approved business plans in their business area;
- 5.5.4. Examining all trade investments, divestments and major capital expenditure proposals and the associated recommendation to the Board of those which are material either by nature or cost.

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

- 5.6.1. Owning the overall responsibility for managing the firm's risk and protecting the KPMG brand in general and for each ExCo member's area of responsibility;
- 5.6.2. Developing and implementing a risk management framework;
- 5.6.3. Ensuring compliance with relevant policies, legislation and regulations;
- 5.6.4. Ensuring the adequacy and compliance with internal controls within their business areas through active monitoring and management;
- 5.6.5. Safeguarding the integrity and adequacy of management information and financial reporting systems.

## **6 Reporting and Duty to Keep Board Informed**

- 6.1 Minutes of each Executive Committee meeting will be disclosed at the next meeting of the Board following their approval.

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<sup>1</sup> Revised Investment Framework approved on 8 May 2018  
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- 6.2 The Executive Committee reports to the Board and the Managing Partner shall report to each Board meeting on matters within its duties and responsibilities.

## **7 Executive Committee Sub-Groups**

- 7.1 The following Sub-Groups have been established by the Executive Committee to support the fulfilment of responsibilities outlined in section 5.
- Investment Review Board
  - KBS Steering Group
  - ExCo Operations Group
  - Conflicts Panel
- 7.2 All duties and powers of such Sub-Groups are subject to the limitations of authority stated in their terms of reference which are subject to approval by the Executive Committee.
- 7.3 Sub-Groups shall routinely and regularly report to the Executive Committee on the exercise of their delegated duties and powers.

## **8 Governance and Resources**

- 8.1 The Executive Committee shall, via the Managing Partner, 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.
- 8.2 The Executive 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.
- 8.3 The Executive 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 and reputation implications of its decisions (liaising where relevant with the Board and its committees).
- 8.4 The Executive Committee shall have access to sufficient resources in order to carry out its duties. In consultation with the Managing Partner, it shall have the power to engage independent counsel and other professional advisers.

## **9 Terms of Reference**

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

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