



Executive Board – Terms of Reference

1. Purpose

- 1.1.** The purpose of the Executive Board 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 Board shall give due consideration to:
- The LLP's obligations and commitments as a member firm of the KPMG global network;
 - 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 Board ensures that the firm discharges its public interest responsibilities, in particular, prioritising (in coordination with the Audit Executive) Audit Quality and the application of Ethical Standards and the ICAEW's Code of Ethics.

2. Authority and Delegation

- 2.1** The Executive Board is a committee of the LLP and the individual members of the Executive Board have duly delegated authority to carry out the responsibilities in section 5 below and as set out from time to time in their respective role mandates approved by the Senior Partner (and, in the case of the Head of Audit, by the Audit Board).
- 2.2** These terms of reference should be read in conjunction with any delegated authorities or decisions matrix approved by the Senior Partner.
- 2.3** Subject to the LLP Agreement and the firm's other constitutional documents and to any directions given by the Board, the Executive Board may exercise all the powers of the LLP provided that the Executive Board shall not exercise any power reserved to the Board (as set out in the LLP Agreement, Board Charter and Terms of Reference, or notified by the Board from time to time) or reserved to the Audit Board (as determined by the Board), or reserved to the Members (as set out in the LLP Agreement).
- 2.4** The Executive Board may delegate any of the powers it is authorised to exercise to an Executive subgroup of the Executive Board but shall continue to remain accountable for any management undertaken or any decisions made by any of those Executive subgroups.
- 2.5** The Executive Board 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 Chair

3.1.1 The Chair of the Executive Board is the Senior Partner.

3.1.2 In the absence of the Chair of the Executive Board or if the Chair so chooses another member of the Executive Board or the Deputy Chair of the Board shall act as Chair.

3.1.3 The Chair of the Committee has a casting vote other than if the Chair is the Deputy Chair of the Board.

3.1.4 In the event that the Chair of the Executive Board declares a conflict of interest, or the Executive Board decides that such individual has a conflict of interest, then the Deputy Chair of the Board shall chair the Executive Board or the relevant part of the meeting. If the Deputy Chair of the Board is also not available to chair the Executive Board, then the members of the Executive Board 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 Executive Board comprises those senior executives as the Senior Partner may determine as ratified by the Board (and who shall be appointed with the endorsement of the People Committee). At the date of these Terms of Reference, such senior executives are the following:

- Senior Partner (Chair);
- Heads of Clients & Markets;
- Chief Operating Officer ("COO");
- Chief Risk & Legal Officer ("CR&LO");
- Head of Audit;
- Head of Regions; and
- Head of People

3.2.2 Executive Board Members' roles, duties, responsibilities, goals, delegations and key accountabilities shall be set by the Senior Partner 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 Executive Board.

3.3 Duration of appointments

Unless otherwise determined by the Board, the duration of appointments will be for a continuous term at the discretion of the Senior Partner.

3.4 Secretary

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

3.4.2 The Board Secretary (or nominee) shall record the proceedings and decisions of the Executive Board 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 Executive Board shall meet monthly and otherwise as required.

4.1.2 Meetings of the Executive Board may be called by the Chair of the Executive Board 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 Executive Board shall be two-thirds of its members.

4.2.2 A duly convened meeting of the Executive Board 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 Executive Board.

4.2.3 The members of the Executive Board may participate in a meeting of the Executive Board 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 Only the members of the Executive Board, and the Head of Corporate Affairs, have the right to attend all Executive Board meetings.

4.3.2 Any Partner, officer, employee of the LLP or other potential attendees may attend all or part of an Executive Board meeting at the invitation of the Chair of the Executive Board 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 Chair of the Executive Board.

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 Board as would have been necessary to pass such resolution had all members of the Executive Board 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 Executive Board duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Executive Board.

5. Conflicts of interest of individual Executive Board members

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

6. Scope of Responsibilities and Oversight

The detailed responsibilities of the Executive Board include, but are not limited to, the following:

6.1. Board Alignment and Escalation

The Executive Board has a responsibility to identify matters required or appropriate for escalation to the Board or the appropriate Board Committee and to review, debate and form recommendations on relevant items prior to such escalation. This responsibility is in addition to the right for the Board or any Board Committee to request or require escalation to them of any defined matters or categories of matter.

6.2. Values, integrity and diversity

The Executive Board is responsible for:

- 6.2.1. Actively promoting the LLP's culture and values;
- 6.2.2. Operationalising the firm's values and ensuring these are widely understood and consistently adhered to;
- 6.2.3. 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;
- 6.2.4. Driving inclusion and diversity and ensuring the composition of the LLP's workforce (partners, employees and contractors) is representative of wider society; and
- 6.2.5. Developing and proposing Inclusion and Diversity targets and recommending to the Board for approval.

6.3 Strategy

The Executive Board is responsible for:

- 6.3.1 Working jointly with the Board on the development of the strategy for the LLP (for recommendation and approval by the Board) having regard to:
 - the interests of its members, clients, employees, regulators and other stakeholders; and
 - the appropriate appetite for associated risks;
- 6.3.2 Informing the strategy, laying the foundations and designing the process for the strategy development.
- 6.3.3 The delivery, successful execution and implementation of the approved strategy including considering and managing actual and emerging risks that may impact achievement of the strategy;
- 6.3.4 The development and implementation of financial and operational plans, policies, procedures and budgets to execute the strategy; and
- 6.3.5 Ensuring the active liaison, co-ordination and co-operation between different parts of the business to support execution of the strategy and business plans and fulfilment of its other responsibilities.
- 6.3.6 Ensuring the alignment between the strategy for the audit business, as developed by the Audit Executive, and the strategy for the LLP.

6.4 Performance and Operations

The Executive Board is responsible for:

- 6.4.1 Developing and preparing the firm's budgets, forecasts, annual budget plan and UK Business Plan and recommending to the Board for approval;
- 6.4.2 Achieving the approved budgets, and annual budget plan;
- 6.4.3 Actively managing and monitoring the operational and financial performance of the LLP against targets, objectives and key performance indicators (set by the Board or the Executive Board where appropriate) including oversight of delivery of these targets, objectives and performance indicators by individual Executive Board members in line with their individual accountabilities, and in the case of the Audit business and the Head of Audit, by reference also to any targets, objectives and key performance indicators set by the Audit Board;
- 6.4.4 Optimising the calibration, allocation, prioritisation and adequacy of the firm's resources;
- 6.4.5 Holding leaders within the business to account through an effective organisational, performance and accountability structure taking action where required; and
- 6.4.6 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.

6.5 Partner promotion, performance cycle and remuneration

The Executive Board is responsible for:

- 6.5.1 The design (for recommendation and approval by the People Committee, Audit Board (as concerns Audit Partners only) 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;
- 6.5.2 Developing the partner promotion framework and process (for recommendation and approval by the People Committee, Audit Board (as concerns Audit Partners only) 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;
- 6.5.3 The design (for recommendation and approval by the People Committee, Audit Board (as concerns Audit Partners only) and Board as appropriate) of relevant remuneration policies and principles for Partners; and
- 6.5.4 Implementation of the performance cycle, remuneration policies and principles through the annual distribution of profits to Partners within the parameters established by the Board, including as recommended as the case may be by the People Committee and/or the Audit Board, and set out in the LLP Partnership Agreement.

6.6 Investments

The Executive Board is responsible for:

- 6.6.1 Developing an investment framework (for approval by the Board) (including processes, portfolio allocation, evaluation criteria and governance) and implementing it effectively;
- 6.6.2 Reviewing proposed investment business cases (including assessing strategic and financial merits as well as risk profile) and, in the case of investments with a value or aggregate commitments of up to £5million, approving them if appropriate, or, in the case of investments of value or aggregate commitments greater than £5million, making recommendations to the Board for its deliberation and approval;
- 6.6.3 Ensuring that the relevant members of the Executive Board and Executive subgroups execute and deliver all approved investments in accordance with the relevant approved business plans in their business area;
- 6.6.4 Examining all trade investments, divestments and major capital expenditure proposals and recommending to the Board and (where relevant to Audit) the Audit Board, for approval, those which are material either by nature or cost; and
- 6.6.5 Reviewing the performance of investments 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.

6.7 Risk Management and Internal Controls

The Executive Board is responsible for:

- 6.7.1 Owning the overall responsibility for managing the firm's risk (including ensuring that the Enterprise-Wide Risk Management Framework is operative and effective) and protecting the KPMG brand in general and for each individual Executive Board member's area of responsibility;
- 6.7.2 Ensuring the risk principles approved by the Board are respected and embedded in the business;
- 6.7.3 Ensuring that the Risk Appetite is developed in collaboration with the CR&LO and COO and once approved by the Board is fully embedded in the business, including across strategy, planning, decision-making processes and partner remuneration;
- 6.7.4 Ensuring resources and processes are in place to support the Risk Appetite framework

(including the Audit practice's appetite and mitigations for accepting higher risk audits as approved by the Audit Board);

- 6.7.5 Identifying on a timely basis breaches of Risk Appetite, escalating them and developing mitigating actions;
- 6.7.6 Monitoring compliance with the Board approved Risk Appetite, including overseeing and managing portfolio risks and risk reward profiles of different parts of the business;
- 6.7.7 Ensuring that risk considerations are incorporated within the strategic planning and budgeting processes;
- 6.7.8 Ensuring each individual Executive Board member manages the strategic risk, operational risk, financial risk and regulatory, compliance and legal risk in their area of responsibility, including the embedding of the risk principles and developing their respective risk appetite statements (reflecting, in the case of the Head of Audit's area of responsibility, any applicable resolutions or policies of the Audit Board);
- 6.7.9 Receiving regular reports on risk issues from the CR&LO in their risk oversight (2nd line of defence) capacities;
- 6.7.10 Receiving and acting upon findings and recommendations of the Head of Internal Audit in his/her risk assurance (3rd line of defence) capacity;
- 6.7.11 Ensuring compliance with relevant policies, legislation and regulations;
- 6.7.12 Ensuring the adequacy and compliance with internal controls within the Executive Board members' respective business areas through active monitoring and management; and
- 6.7.13 Safeguarding the integrity and adequacy of management information and financial reporting systems.

7. Reporting and Duty to Keep Board Informed

- 7.1** Minutes of each Executive Board meeting will be disclosed at the next meeting of the Board following their approval.
- 7.2** The Executive Board reports to the Board and the Head of Clients & Markets and Chief Operating Officer shall report to each Board meeting on matters within its duties and responsibilities.
- 7.3** The Executive Board 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 Executive Board's duties and responsibilities.

8 Executive Board Sub-Groups and Delegations

- 8.1** The Executive Board may establish Executive sub-groups to support the fulfilment of responsibilities outlined in section 5. At the date of these terms of reference the following are in operation:
 - Clients & Markets Executive;
 - Operations Executive;
 - Risk Executive; and
 - Audit Executive.

All duties and powers of such Executive sub-groups are subject to the limitations of authority stated in their terms of reference which are subject to approval by the Executive Board and, in the case of the Audit Executive, also by the Audit Board.

- 8.2** Executive Board Sub-Groups shall routinely and regularly report to the Executive Board, Board, Audit Board (in the case of the Audit Executive) and/or Board Committee (as relevant) on the exercise of their delegated duties and powers.
- 8.3** The Executive sub-groups shall work closely with the other Executive sub-groups to share information, be efficient and timely and prevent overlap (unless required).

9 Governance and Resources

- 9.1** The Executive Board shall, via the Senior Partner's office, make available to new members of the Executive Board a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Executive Board.
- 9.2** The Executive Board 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.
- 9.3** The Executive Board 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 Board, its committees and the Audit Board).
- 9.4** The Executive Board shall have access to sufficient resources in order to carry out its duties. In consultation with the Senior Partner and/or General Counsel, it shall have the power to engage independent counsel and other professional advisers.

10 Review and Terms of Reference

- 10.1** The Executive Board shall annually review its Terms of Reference and may recommend to the Board for approval any amendments.
- 10.2** The Executive Board shall conduct an annual assessment of its activities under these terms of reference and report any conclusions or recommendations to the Board.