



## Ethics Committee – Terms of Reference

### 1 Purpose

- 1.1 The purpose of the Ethics Committee is to assist the Board in the establishment, embedding and oversight of values, the ethical policy framework and ensuring and monitoring the overall ethical health of the firm and compliance with professional and ethical standards.
- 1.2 The Committee is responsible for keeping key relevant risks under review and monitoring mitigation activities and controls.

### 2 Authority

- 2.1 The Ethics Committee is a Committee of the Board of KPMG LLP ("the Board") from which it derives its authority and to which it regularly 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 its Terms of Reference and to obtain such information as it may require from any Partner, officer or employee.

### 3 Delegation

- 3.1 When required the Committee delegates the following matters to a panel comprising a minimum of two members of the Ethics Committee plus the Ethics Partner (the Head of Quality and Risk Management).
  - 3.2 Acting as a proxy for an objective, reasonable and informed third party the panel shall consider:
    - 3.2.1 Any proposed contingent fee arrangement for an audit client which exceeds £1m;
    - 3.2.2 Any instance where the ratio of non-audit fees to audit fees for a listed audit client exceeded certain limits as defined in the firm's policies in place to consider whether or not the LLP should provide the services and/or should continue as auditor; and
    - 3.2.3 Any proposed engagement where vendor due diligence (for audit clients other than AIM listed audit clients) is proposed alongside the corporate finance contingent fee mandate where the combined fees for both services are anticipated to exceed £1m.
  - 3.3 Consideration of any external appointments that former LLP Members wish to accept to Board or senior management positions at listed entities/Public Interest Entities within three years of retiring as Members.
  - 3.4 The Committee delegates authority to the Head of Ethics and Independence and Ethics Partner to jointly determine individual financial sanctions for breaches of the requirements

of both the FRC revised Ethical Standard and any other relevant independence regulations.

3.5 Matters referred to in 3.2 shall be escalated to the Committee on an exceptions basis only.

## 4 Constitution

### 4.1 Chairperson

- 4.1.1 The Chair of the Committee will be an at-large Non-Executive Board member appointed by the Senior Partner.
- 4.1.2 In the absence of the Chair of the Committee or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 4.1.3 The Committee Chair has a casting vote.

### 4.2 Membership

4.2.1 The Committee will comprise

- A minimum of two Non-Executive Board members
- The Ethics Partner (the Head of Quality and Risk Management)
- One Independent Non-Executive
- Three Co-opted at-large Partners from each of Tax, Consulting and Deal advisory, and Audit

4.2.2 Members of the Committee shall be appointed by the Board on the recommendation of the Senior Non-Executive Board Member; in the case of co-opted members, appointments shall be made by the Board on recommendation of the Chair of the Committee.

4.2.3 Members may be removed from the Committee at any time by the Board.

### 4.3 Duration of appointments

4.3.1 Unless otherwise determined by the Board, the duration of appointments of Non-Executive members of the Committee and of co-opted members shall be for a period of up to three years which may be extended by the Board for an additional period of two years.

### 4.4 Secretary

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

4.4.2 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.

## 5 Proceedings of Meetings

### 5.1 Frequency of Meetings

5.1.1 The Committee shall meet at least four times a year and otherwise as required.

5.1.2 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.

## **5.2 Quorum**

- 5.2.1 Any three members of the Committee may form a quorum, provided at least one at-large Non-Executive Board member is in attendance.
- 5.2.2 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.
- 5.2.3 In the event of difficulty in forming a quorum, Non-Executive Board members who are not members of the Committee may be co-opted as members for individual meetings.

## **5.3 Attendees**

- 5.3.1 Only the members of the Committee and other Non-Executive members of the Board have the right to attend Committee meetings.

- 5.3.2 The following will be expected to attend Committee meetings on a regular basis:

- a) The Head of Ethics and Independence
- b) General Counsel
- c) Head of People
- d) Board Secretary.

- 5.3.3 Any Partner, officer or employee of the LLP 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.

## **6 Resolutions**

- 6.1 The Ethics 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 Ethics Committee Chair shall have a casting vote.
- 6.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Ethics Committee as would have been necessary to pass such resolution had all members of the Ethics 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 Ethics Committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Ethics Committee.

## **7 Responsibilities**

The committee shall:

### **7.1 LLP's Overall Ethical Health**

- 7.1.1 Provide oversight of the culture of integrity and monitor the "tone at the top" set across the firm by the Senior Partner, Managing Partner and the Executive Committee;
- 7.1.2 Consider and challenge the sufficiency of the ongoing measures being adopted by the firm to ensure that an appropriate culture, underpinned by the firm's values, prevails within the firm. This should include considering the adequacy of the firm's Code of Conduct and the annual ethics programme proposed for the firm;

- 7.1.3 Consider what the key metrics, including whistleblowing reports, disciplinary and grievances, member behavioural issues, employee feedback and other relevant metrics so defined from time to time indicate about the firm's overall ethical health and culture;
- 7.1.4 Monitor the actions taken (including potential sanctions and/or other interventions) in individual cases where serious Partner behavioural issues related to ethics or values have been identified;
- 7.1.5 Consider the sufficiency of the firm's response to trends and features indicated by the key performance indicators;
- 7.1.6 Ensure that there is an effective training programme in ethics at all levels;
- 7.1.7 Ensure that there is effective communications strategy for the ethics programme reinforcing ethical values and good practice in the firm and censuring unacceptable practice;
- 7.1.8 Recommend amendments to the Code of Conduct to the Board, ensuring that lessons learnt from internal and external sources are integrated as required.

## **7.2 Compliance with Professional and Ethical Standards**

- 7.2.1 Provide oversight of the policies and procedures adopted by the firm in relation to the FRC revised Ethical Standard and the ICAEW's Code of Ethics and consider their effectiveness in light of key performance indicators;
- 7.2.2 Monitor the firm's overall compliance with such policies including any adverse findings in respect of ethical compliance arising from external regulatory inspections or the LLP's own internal compliance programme as well as any breaches of the FRC revised Ethical Standard identified;
- 7.2.3 Monitor the adequacy of measures taken to ensure there is an effective and embedded Speak Up culture that facilitates the reporting of any issues of concern;
- 7.2.4 Assess reports and the adequacy of subsequent actions following breaches of the ethics policy framework or allegations of employee misconduct;

## **7.3 Matters with a Potential Ethical Reputational Impact on the LLP**

- 7.3.1 When considering ethical matters the Committee will have due regard for matters of significant public interest or which may have a wider potential reputational impact on the LLP and will raise such matters with the Reputation Committee as necessary;
- 7.3.2 Consider and maintain oversight of the adequacy of the processes for ensuring ethical considerations are taken into account in all third party relationships;
- 7.3.3 Consider the evidence to support compliance with the Code of Conduct bi-annually.

## **8 Reporting**

- 8.1 Minutes of each Committee meeting will be disclosed at the next meeting of the Board. The Chair of the Committee shall report to the Board on a six monthly basis on its work and areas of concern and areas of further action.
- 8.2 The Chair of the Committee shall report on a six monthly basis to the Executive Committee on areas of concern and areas for further action.

- 8.3 The Committee shall compile a report of the work of the Committee in discharging its responsibilities for inclusion in the Annual Report, including a description of significant issues dealt with by the Committee.
- 8.4 The Committee shall work and liaise as necessary with other committees of the Board.

## 9 **Governance and Resources**

- 9.1 The Committee shall, via the Secretary to the Committee, 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.
- 9.2 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.
- 9.3 The 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 other committees).
- 9.4 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.

## 10 **Terms of Reference**

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