Governance Committee – Terms of Reference

1 Purpose
The purpose of the Governance Committee is to:
1.1 assist the Board in its ongoing oversight of the quality of governance in the partnership;
1.2 monitor Board effectiveness and evaluations;
1.3 recommend to the Board enhancements to the firm’s governance in the interest of the partnership and brand as a whole; and
1.4 support the Board in maintaining alignment with regulatory and KPMG International’s expectations as regards the LLP’s governance, having regard to requirements of the Audit Firm Governance Code.

2 Authority
2.1 The Governance 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 Constitution
3.1 Chairperson
3.1.1 The Chair of the Committee will be the General Counsel.
3.1.2 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.
3.1.3 The Committee Chair does not have a casting vote.
3.2 Membership
3.2.1 The Committee will comprise the General Counsel, the Deputy Chair, the Senior Non-Executive Board member, an at-large Non-Executive member of the Board and the Board Secretary.
3.2.2 Members may be removed from the Committee at any time by the Board.
3.3 Duration of appointments
3.3.1 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.

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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 at least three times a year 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.

4.2 Quorum

4.2.1 Any three members of the Committee may form a quorum, provided at least one at-large Non-Executive Board member is in attendance.

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.

4.2.3 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.

4.3 Attendees

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

4.3.2 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.

4.4 Resolutions

4.4.1 The Committee shall reach decisions by a simple majority of those voting on the issue in question.

4.4.2 Any resolution evidenced in writing or by electronica or voice recognition means, by such member or members of the Committee as would have been necessary to pass such resolution had all members of the 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 Committee.

5 Responsibilities

The committee shall:

5.1 Board Effectiveness
5.1.1 Coordinate Board effectiveness reviews through a process of annual self-assessments and tri-annual independent Board effectiveness reviews and evaluations;

5.1.2 Agree the process and timeline for the Board annual self-assessment;

5.1.3 Agree the scope and appoint the independent assessor for the tri-annual Board effectiveness evaluations; Review the results of the Board self-assessment and tri-annual independent assessment and any recommendations and action plan (for onward submission to the Board for approval).

5.2 Committee Effectiveness

5.2.1 Agree the process and timeline for the review of Board Committees' self-assessment;

5.2.2 Consider with each Committee chairperson the outcomes of Committees’ self-assessments, surveys reviewing and considering the adequacy of any recommendations and action plan, prior to onward submission to the Board for approval;

5.2.3 Have oversight of the annual review of terms of reference\(^1\) and make recommendations to the Board.

5.3 Evaluation of Independent Non-Executives and Board Members

5.3.1 In coordination with the Chairman and Senior Non-Executive Director, approve the process for evaluation of INEs in accordance with the Audit Firm Governance Code requirements; and

5.3.2 In coordination with the Chairman and Senior Non-Executive Director, approve the process for evaluation of other Board members.

5.4 Audit Firm Governance Code

5.4.1 Undertake an annual review of the extent to which the firm complies with the Audit Firm Governance Code and, where there is diversion from it, satisfy itself with the explanation and related transparency reporting;

5.4.2 Consider the extent to which the firm’s governance arrangements are consistent with the UK Corporate Governance Code, as referred to in the Audit Firm Governance Code, and make recommendations to the Board accordingly.

5.5 Partnership Governance

5.5.1 Recommend to the Board any changes to the partnership’s governance, to the Board and its committees’ terms of reference and ways of working, for the enhancement of good governance in the interest of the partnership and brand as a whole;

5.5.2 Review proposed changes to the LLP Agreement and make recommendations to the Board.

\(^1\) Will be undertaken at committee initially, with output presented to Governance Committee

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5.6 **General**

5.6.1 Review the governance section of the annual report and recommend to the Board for approval;

5.6.2 Review developments in corporate governance and recommend to the Board the approach to be taken;

5.6.3 Agree and monitor KPIs on the performance of the governance system.\(^2\)

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6 **Reporting**

6.1 Minutes of each Committee meeting will be disclosed at the next meeting of the Board. Periodically the Chair of the Committee shall report to the Board on matters within its duties and responsibilities.

6.2 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.

6.3 The Committee shall work and liaise as necessary with other committees of the Board.

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7 **Governance and Resources**

7.1 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.

7.2 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.

7.3 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).

7.4 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.

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8 **Terms of Reference**

8.1 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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\(^2\) B.1.2 Audit Firm Governance Code