



## Appointment, role, and responsibilities of Independent non-executives (INEs)

### The role of INEs in the Firm

As part of the Firm's commitment to operate under the latest best practice the Firm was the first to appoint three Independent Non-Executives ("INEs") to its main governance board (The Partnership Governance Board, or PGB) in September 2010 pursuant to the introduction of the Audit Firm Governance Code (AFGC).

The firm also established the Audit Quality Board (AQB) in 2020, and this board has two INEs (also referred to as Audit non-executives, or "ANEs") positioned on it, one of whom is the Chair.

Furthermore, the firm's Ethics Board (which was in place between July 2020 and July 2022) was also Chaired by an INE. The firm believes that this level of independence from the Leadership of the firm best serves the public interest by helping to ensure audit quality.

### Appointment, retirement, and resignation

The firm engages with external head-hunters with expertise in sourcing INEs each time there is an INE vacancy. INE appointments are subject to FCA conduct rules approval and a pre-appointment meeting with the FRC. Appointments to the position of Chair of the PGB require FCA approval. Appointments are for an initial term of three years, unless terminated earlier by either party (at their discretion) upon one month's written notice. On appointment, a formal and tailored induction is also completed.

For INEs on the PGB specifically, after the initial term, they are eligible for re-appointment subject to a maximum period of service of up to nine years. The firm's Membership Agreement (MA) also outlines the process whereby INEs on the PGB may be removed from the PGB.

## Time commitment

It is anticipated that each INE on the PGB will spend a minimum of 30 days per annum (this could be up to 50 days for the Chair) on matters pertaining to their role, although the firm recognises that this will evolve over time. Before accepting their appointment, INEs are asked to carefully consider their ability to commit time to their role and declare, on an ongoing basis, any other commitments they have that could impact this.

In addition to formal PGB meetings (approximately six per year), the INEs attend several informal sessions in between meetings. These include private sessions of PGB members only, facilitated meetings alongside leadership, and with partners from within the firm to facilitate two-way engagement.

In addition to the PGB itself, the three INEs on the PGB are also positioned on the following PGB sub-Committees:

- One on the Risk and Audit Committee (RAC), as Chair. Meets approximately 8 times a year
- Three on the Public Interest Committee (PIC)- one as Chair and two as members. Meets a minimum of three times a year.
- Three on the Remuneration and Profit Share Committee (RemCo)- one as Chair and two as members. Meets a minimum of 4 times a year.
- One on the Investments Committee (IC), as a member. Meets once a month, or as required.

For the ANEs on the AQB, the anticipated time commitment for the Chair is approximately three days per month and for the other ANE it is approximately ??? . Meetings of this board take place monthly.

## Remuneration

The remuneration of the INEs/ANEs is reviewed annually by the Remuneration and Profit Share Committee without any INEs/ANEs present. The INEs on the PGB are remunerated according to their roles and currently receive the following remuneration: Chair of the PGB: £150,000; Chair of the RAC: £75,000, and other INE: £75,000 per annum.

For the ANEs on the AQB it is: Chair of the AQB: £110,000 and other ANE £75,000 per annum.

## Responsibilities

### The PGB

On the PGB, the INEs primary remit is restricted to our public interest responsibilities, approach to quality (particularly, but not exclusively, in audit), and the firm's reputation and risk management. They have the same general governance responsibilities to the firm as Elected Members ("partners") of the PGB, plus specific responsibilities as set out by the AFGC, including oversight of the firm's policies and processes for:

- 1) Promoting audit quality
- 2) Helping the firm secure its reputation more broadly, including in its non-audit businesses
- 3) Reducing the risk of firm failure

The following key elements of the INEs' role on the PGB are considered important in achieving this:

- to be able to demonstrate excellence to key institutions
- to challenge the firm's recognition of its public interest responsibilities and its attitude towards quality
- to challenge the firm's approach to risk management and governance
- to challenge the firm's proposition as a leading provider in its chosen markets
- to be involved in strategic aspects of people policies, performance and procedures
- liaise and engage with the FRC as appropriate

In order that they may discharge these duties, the INEs on the PGB:

- are invited to attend all PGB meetings, where they will hear regular updates as to the firm's progress against the CEO's strategic plan
- are invited to attend 'all-partner' meetings and receive all-partner communications
- meet with the CEO and Strategic Leadership team (SLT) members regularly
- meet regularly with the Head of Quality, Ethics Partner, Head of Audit, Chair of the AQB, and Head of People and Culture through the Public Interest Committee (PIC)

- have access to minutes of PGB and subcommittee meetings
- have access to details of whistleblowing reports through membership of the PIC
- have a dialogue about matters covered by the AFGC with listed company shareholders and listed companies as appropriate
- meet with other senior stakeholders and partners to develop and maintain a strong understanding of the Firm's business
- have access to, and support from, the PGB Secretary
- receive Ethics and AML training as deemed appropriate
- have access to other relevant information, resource, and records as appropriate

#### Chair of the AQB

The non-executive Chair of the AQB has the responsibility for overseeing the implementation of, and making recommendations relating to, the SLT's strategy in respect of maintaining and improving the Firm's levels and consistency of audit quality in accordance with relevant professional standards, and to champion the public-interest nature of the audit practice.

To discharge these duties, the Chair of the AQB:

- will have an AQB meeting convened at least 10 times a year, attended by the Head of Audit and the CEO
- is provided with an Audit Investment Plan which details how the strategy will be achieved and provided with the mechanisms to monitor this
- is provided with defined audit quality indicators as they are agreed
- meets periodically with the Public Interest Committee (PIC) regarding the above assessments and any related recommendations for maintaining and improving audit quality
- has access to other relevant information, resource, and records as appropriate
- receives Ethics and AML training as deemed appropriate

### Ongoing Independence and outside interests

It is accepted and acknowledged that our INEs/ANEs have business interests other than those of the firm and have declared any conflicts that are apparent at present. If they become aware of any potential conflicts of interest, these are required to be disclosed to the PGB Chair, PGB Secretary and the Ethics Partner as soon as apparent. Their financial interests and other roles are verified quarterly in addition to the completion of our Annual Declaration process. They may not hold investments in any of the firm's audit clients and this is confirmed during the pre-appointment process, and on an ongoing basis.

### Performance evaluation

The performance of INEs/ANEs as individuals, and of the whole board collectively, is evaluated annually. INEs/ ANEs are asked to be part of the process to evaluate the effectiveness of the relationship between senior management and the board/s they sit on, and the effectiveness of the board itself.

### Independent professional advice

Occasions may arise when our INEs/ANEs consider they need professional advice in the furtherance of their duties as an independent non-executive director. Circumstances may occur when it will be appropriate for them to seek advice from independent advisors at the firm's expense. The firm will reimburse the reasonable cost of expenditure incurred.

### Fundamental disagreements

Our INEs have a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners.

If there is a fundamental disagreement between an INE and members of the firm's SLT and/or its PGB;

- The INE shall set out the nature and status of the disagreement, in writing, to the CEO and the Chair of the PGB (copied to the members of the PGB, including the other party in disagreement), together with any other details such as a need for further information, the respective positions of the parties and any preferred criteria for resolving the disagreement.

- The CEO (or the Chair of the PGB if the CEO is one of the parties in disagreement) shall respond to the INE in writing by setting out the proposed timescale and method for resolving the disagreement.

- At the conclusion of the proposed time, the INE and the other party in disagreement shall indicate whether or not the disagreement has been resolved.

- If the disagreement has not been resolved, both the INE and the other party in disagreement must indicate whether a further intercession by the CEO (or the Chair of the PGB if the CEO is one of the parties in disagreement) is desired.

- If no such indication is made and the disagreement persists, the INE or the firm may terminate the INE appointment. The termination or resignation of an INE will be reported publicly

In the event that the disagreement is between the CEO and an INE who is also the Chair of the PGB, then the INE should raise the matter with the Public Interest Committee (PIC) who shall follow the same process to resolve the disagreement as outlined above.

*Last updated July 2022.*