

Grant Thornton UK LLP

The Partnership Governance Board- Terms of Reference (Schedule 8 of the Membership Agreement)

This Schedule may be amended from time to time by an Ordinary Resolution to approve changes proposed by the Partnership Governance Board.

Part One – Composition of the Partnership Governance Board

1 Number of Elected Members

1.1 The Partnership Governance Board may vary the number of Elected Members of the Partnership Governance Board from time to time so that it is representative of the Partners in the LLP **provided that** the total number of Elected Members shall not be fewer than four.

1.2 The Elected Members shall be full voting members of the Partnership Governance Board.

2 Independent Non Executives

2.1 The Partner Non Executives may appoint a maximum of three non-Partners as members of the Partnership Governance Board (the “**Independent Non Executives**”) plus one additional Independent Non-Executive from time to time to facilitate the handover by a retiring Independent Non Executive provided that there shall not be four Independent Non-Executive for a period exceeding six months.

2.2 The Independent Non Executives shall be non-voting members of the Partnership Governance Board.

2.3 The terms of appointment of the Independent Non Executives shall be decided at the discretion of the Partner Non Executives who shall take into account the prevailing governance best practice on the terms of appointment of independent non-executives.

2.4 No person shall be a Member of Partnership Governance Board in the event that so doing would prevent the LLP from complying with the rules and regulations of the Institute of Chartered Accountants in England and Wales, the Financial Conduct Authority or any other regulatory authority.

3 Co-opted Members

3.1 The Chair of the Partnership Governance Board may in their absolute discretion from time to time co-opt up to two Partners to be appointed as members of the Partnership Governance Board (the “**Co-opted Members**”).

3.2 Co-opted Members shall be full voting members of the Partnership Governance Board.

3.3 The CEO and any Partner who is member of the Strategic Leadership Team shall not be eligible to be Co-opted Members.

4 Ex Officio Members

4.1 If a person who is not a member of the Partnership Governance Board is appointed as Chair of the Partnership Governance Board then they shall automatically become an additional ex officio member of the Partnership Governance Board for the period of their appointment.

4.2 The CEO shall be an ex officio non-voting member of the Partnership Governance Board.

- 4.3 The CEO may in their absolute discretion from time to time appoint:
- 4.3.1 any Partner to be their alternate on the Partnership Governance Board and may at any time suspend or remove such person and appoint another in their place; and
 - 4.3.2 two further ex officio non-voting members of the Partnership Governance Board from the Strategic Leadership Team (each a “**Management Member**”), who may in turn appoint any Partner to be their alternate on the Partnership Governance Board, and the CEO may any time suspend or remove either such person and appoint another in their place.

Part Two – Period of Service

Periods of service on the Partnership Governance Board shall be as follows:

- 5 Elected Members shall be elected for a period of three years in accordance with the procedure set out in Part Three below. The term of office of an Elected Member elected to fill a casual vacancy during the year will commence on 1 July following appointment. On 30 June each year one quarter of the Elected Members shall retire from office and subject to paragraph 7 of this Part Two shall be eligible for re-election. The Elected Member(s) to retire in any one year shall be those who have served longest since their last date of election and in the event of equality of length of service shall be determined by the Partnership Governance Board.
- 6 No Partner may be re-elected as an Elected Member if immediately before the effective date of such re-election they would already have completed two terms of consecutive service as an Elected Member.
- 7 Partners who have completed two consecutive terms on the Partnership Governance Board, of three years or less, are eligible to re-stand for election to the Partnership Governance Board after a break of three years. Partners who have served only one term are eligible to re-stand at the next election.
- 8 Independent Non Executives shall serve for terms not exceeding three years, as determined by the Partner Non Executives who shall take into account the prevailing governance best practice on the length of terms of independent non-executives but shall be eligible for re-appointment subject to a maximum period of service of up to nine years.
- 9 Co-opted Members shall serve for terms not exceeding three years, as determined by the Chair of the Partnership Governance Board, but may not be re-appointed as a Co-opted Member if immediately before the effective date of such re-appointment they would already have completed two terms of consecutive service as a Co-opted Member. Partners who have completed two consecutive terms as a Co-opted Member, of three years or less, are eligible for re-appointment as a Co-opted Member after a break of three years. Partners who have served only one term are eligible for re-appointment.
- 10 Partner Non Executives will have performance reviews annually with the Chair of the Partnership Governance Board relating to their contribution to the Partnership Governance Board. The Chair of the Partnership Governance Board and the Independent Non Executives will have performance reviews annually with the Nominations Committee relating to their contribution to the Partnership Governance Board.

Part Three – Election of Elected Members

The election of Elected Members shall follow the following procedure:

- 11 Process of Nomination
- 11.1 When an Elected Member comes to the end of their term of office, the Chair of the Partnership Governance Board shall, at least two months before the end of the term, nominate Partners (who shall not be members of the Strategic Leadership Team or Partners holding a Senior Management Role) representing a variety of Service Lines and offices to identify candidates and co-ordinate nominations of candidates for the post of Elected Member.

- 11.2 The nominated Partners shall co-ordinate nominations fairly and reasonably but otherwise in whatever way that they see fit **provided that**:
- 11.2.1 the nominations must be returned to the Chair of the Partnership Governance Board before the deadline for nominations as set by the Chair of the Partnership Governance Board in their absolute discretion;
- 11.2.2 only Partners may be nominated; and
- 11.2.3 the following Partners shall not be eligible for nomination:
- (i) the CEO;
 - (ii) any Partner who is member of the Strategic Leadership Team;
 - (iii) any Partner who has a Senior Management Role or who reports directly to the Strategic Leadership Team (as determined by the Partnership Governance Board); and
 - (iv) any Partner who holds such a management role as the Partnership Governance Board may in its absolute discretion determine to be incompatible with membership of the Partnership Governance Board.
- 12 Election Procedure
- 12.1 Once all nominations have been received by the Chair of the Partnership Governance Board, an election shall be held for the post(s) that is/are about to become vacant between all the nominated candidates.
- 12.2 Such election shall be by secret ballot on a national basis so that each Partner has one vote for each vacancy and may vote for any candidate they wish **provided that** a Partner may cast only one vote for a particular candidate; AND FURTHER **provided that** a Partner shall not be obliged to cast all or any of the votes to which they are entitled.
- 12.3 The Partners winning the most votes shall be elected as the new Elected Members to fill the post(s) that is/are about to become vacant. In the event of a tied number of votes for the final place the tie shall be resolved by drawing lots.
- 13 Casual Vacancies
- Any casual vacancy on the Partnership Governance Board shall be filled at the next election held to fill a vacancy or vacancies arising from the normal expiration of a term of service **provided that** the Chair of the Partnership Governance Board may at their absolute discretion call an election to fill any such casual vacancy at any time.
- 14 Disputes
- Any disputes in relation to the nomination or election process and procedure shall be referred to the Chair of the Partnership Governance Board whose decisions shall be final and binding on all Partners.

Part Four – Resignation, Suspension and Removal of Members of the Partnership Governance Board

- 15 Resignation, Suspension and Removal of Independent Non Executives, Elected Members and Co-opted Members of the Partnership Governance Board
- 15.1 An Independent Non-Executive may resign as a member of the Partnership Governance Board in accordance with the terms of their engagement by the LLP.
- 15.2 An Elected Member or a Co-Opted Member may resign as a member of the Partnership Governance Board by giving not less than one month's written notice to the Chair of the Partnership Governance Board.

- 15.3 An Independent Non Executive may be suspended from office for a period of up to three months by the Chair of the Partnership Governance Board in their absolute discretion.
- 15.4 An Independent Non Executive may be removed from office by the Chair of the Partnership Governance Board with the consent of more than 50 per cent. of the members of the Partnership Governance Board entitled to vote. An Independent Non Executive shall not be entitled to vote in relation to their own removal.
- 15.5 An Elected Member may be suspended from office for a period of up to three months by the Chair of the Partnership Governance Board with the consent of more than 50 per cent. of the members of the Partnership Governance Board entitled to vote. An Elected Member shall not be entitled to vote in relation to their own suspension.
- 15.6 An Elected Member may be removed from office by an Ordinary Resolution by the Partnership Governance Board . An Elected Member shall not be entitled to vote in relation to their own removal.
- 15.7 A Co-opted Member may be suspended from office for a period of up to three months by the Chair of the Partnership Governance Board with the consent of more than 50 per cent. of the members of the Partnership Governance Board entitled to vote. A Co-opted Member shall not be entitled to vote in relation to their own suspension.
- 15.8 A Co-opted Member may be removed from office by the Chair of the Partnership Governance Board with the consent of more than 50 per cent. of the members of the Partnership Governance Board entitled to vote. A Co-opted Member shall not be entitled to vote in relation to their own removal.
- 16 Suspension and Removal of the CEO as a member of the Partnership Governance Board
- The CEO may be suspended or removed as an ex officio member of the Partnership Governance Board by their suspension or removal as CEO and in no other way.

Part Five - Procedures of Partnership Governance Board

- 17 Meetings
- 17.1 The Partnership Governance Board shall meet as often as is necessary for the efficient conduct of its business.
- 17.2 Meetings of the Partnership Governance Board may be conducted by electronic means including conference telephone or video conferencing and members participating in a Partnership Governance Board meeting by electronic means shall be deemed to be present in person at the meetings and shall be entitled to be counted in the quorum and to vote.
- 17.3 Two thirds (rounded down to the nearest whole number) or more of the Partner Non Executives and Independent Non Executives shall form a quorum for meetings.
- 17.4 In the absence from any meeting of the Chair of the Partnership Governance Board, the voting members present shall appoint a member of the Partnership Governance Board to be the chair of that meeting.
- 17.5 The Partnership Governance Board shall appoint a secretary, shall cause minutes to be kept of all Partnership Governance Board meetings and, subject to and in accordance with clause 28, shall cause copies of the minutes of each meeting to be sent or made available to all Partners as soon as practicable after the meeting.
- 17.6 Decisions of the Partnership Governance Board shall unless otherwise required by this Agreement be taken by a simple majority of the voting members of the Partnership Governance Board present at meetings.
- 17.7 The Partnership Governance Board may take a decision by written resolution or resolution circulated by electronic means that is approved by the requisite majority of the voting members.
- 17.8 The Partnership Governance Board may appoint sub-committees in accordance with clause 21.1.

Part Six – Purpose of Partnership Governance Board and Relationship with the CEO

- 18 Purpose
- 18.1 The role of the Partnership Governance Board is to oversee the stewardship, accountability and leadership of the LLP and to provide clear sighted counsel on the strategic direction of the LLP and alignment to the Statement of Principles.
- 18.2 In carrying out its role the Partnership Governance Board will seek to balance the interests of the various stakeholders to whom it is responsible in order for the LLP to have a successful and sustainable future.
- 18.3 The focus of the Partnership Governance Board is:
- 18.3.1 to ensure that the LLP has an appropriate strategy that is consistent with the public interest and overseeing development and delivery of the strategy by the Strategic Leadership Team;
 - 18.3.2 to oversee good financial and cultural governance (including setting the tone from the top on culture and ethics) in the LLP; and
 - 18.3.3 to ensure that the LLP has the best possible executive leadership.
- 19 Specific Powers, Duties and Responsibilities
- 19.1 The Partnership Governance Board shall:
- 19.1.1 determine, based on proposals submitted by the CEO, the draft Statement of Principles which shall be submitted to the Partners for approval in accordance with clause 23.2.1;
 - 19.1.2 determine, based on proposals submitted by the CEO any amendments to the Statement of Principles which may be appropriate or desirable and submit such amendments to the Partners for approval in accordance with clause 23.1.2;
 - 19.1.3 cause the Statement of Principles to be submitted to a Partners' Meeting at least every three years for re-confirmation in accordance with clause 23.1.1;
- 19.2 The CEO shall meet with The Partnership Governance Board and present their draft plan and priorities (the "[Strategic Plan](#)") before these are presented (in full or in summary form) to the Partners as a whole. The purpose of this presentation is to enable the Partnership Governance Board to raise questions and to challenge the Strategic Plan and underlying key assumptions and supporting papers before the Strategic Plan is finalised. In doing so, the Partnership Governance Board and the CEO shall:
- 19.2.1 satisfy themselves that the [risk management policies](#), level of professional indemnity cover and other material business policies proposed by the CEO in relation to those matters which the Partnership Governance Board determines from time to time are fundamental to the protection of the LLP, are appropriate;
 - 19.2.2 satisfy themselves that there are adequate provisions to enable the CEO and the Partnership Governance Board to assess, over time, progress in implementing the Strategic Plan and review whether they continue to be appropriate in respect of unforeseen events;
 - 19.2.3 ensure appropriate linkage between the Strategic Plan and the Statement of Principles in the context of the CEO's overall strategy; and
 - 19.2.4 undertake an annual budget review.

- 19.3 The Partnership Governance Board may appoint a sub-committee for the purpose of paragraphs 19.2.1 to 19.2.4 above and the role of such a sub-committee should be restricted to those matters considered to be necessary to enable the Partnership Governance Board to conduct its oversight role as set out in paragraph 17 above. Where the Strategic Plan covers a period of more than one year, the Partnership Governance Board and the CEO shall meet to review it at least annually in accordance with paragraph 19.2 above.
- 19.4 The CEO shall meet with the Partnership Governance Board to discuss any material variations they propose to make to the Strategic Plan before these are presented to the Partners as a whole. The purpose of this meeting is to enable the Partnership Governance Board to raise questions and to challenge the proposed material variations before they are finalised by the CEO.
- 19.5 If the CEO believes that a material departure from the Strategic Plan has occurred, or is likely to occur, they shall meet with the Partnership Governance Board to discuss the circumstances of such departure. The purpose of this meeting is to enable the Partnership Governance Board to raise questions and to challenge any resultant material actions proposed by the CEO. This paragraph should not preclude the CEO from taking what they believe to be appropriate emergency actions where it is not practicable to meet with the Partnership Governance Board in advance. Where such emergency actions are taken, the CEO shall discuss the reasons for them and any additional measures with the Partnership Governance Board as soon as is practicable.
- 19.6 Unless otherwise determined by the Partnership Governance Board or any such matter is contained in the Strategic Plan, the following matters, which are not exhaustive, shall be regarded as material departures from the Strategic Plan:
- 19.6.1 an increase or decrease in the total number of Partners or employees by 10% or more in any one Accounting Period;
 - 19.6.2 the process of determining profit allocation and management of Current and Capital Accounts, and any measures for ensuring Partners' wellbeing throughout their time as Partners and support into retirement;
 - 19.6.3 an item or a series of connected items of capital or investment expenditure of £2,500,000 or more;
 - 19.6.4 asset disposals of £2,500,000 or more;
 - 19.6.5 the opening or closure of an office, commencement or disposal of a Service Line, or business combination or disposal, which would change respectively the planned gross revenue by 10% or more, or the planned LLP profit per Unit by 10% or more;
 - 19.6.6 the entering into property leases where the aggregate commitment up to the first available date pursuant to an option in favour of the LLP is £2,500,000 or more;
 - 19.6.7 the provision by the LLP of a guarantee, indemnity or other commitment to £2,500,000 or more (other than by a Partner in the ordinary course of acting as an office-holder in an insolvency proceeding); or
 - 19.6.8 calls for additional Capital.
- 19.7 The Partnership Governance Board shall approve any new or amended borrowing or financing arrangement where the total borrowings would exceed £100,000,000.
- 19.8 The CEO and the Partnership Governance Board shall confirm annually to the Partners as a whole that they have compared the progress of the LLP with the Strategic Plan. The CEO and Partnership Governance Board shall determine the form in which this confirmation will be given.
- 19.9 The Partnership Governance Board shall hear appeals as provided in this Agreement and shall maintain a register of profit share appeals.
- 19.10 The Partnership Governance Board shall have the power to:

- 19.10.1 nominate the candidate for CEO;
 - 19.10.2 establish the CEO's remuneration framework;
 - 19.10.3 approve any management structure proposed by the CEO;
 - 19.10.4 approve the terms and conditions relating to any management roles proposed by the CEO; and
 - 19.10.5 dismiss or suspend the CEO in accordance with Part Three of Schedule 6.
- 19.11 At the request of the Chair of the Partnership Governance Board or the CEO, the Partnership Governance Board may make a Declaration of Financial Emergency in circumstances where it believes that the current or prospective trading and/or funding position of the LLP is so serious that the continued existence of the LLP is at risk. A Declaration of Financial Emergency shall be effective immediately following approval by a majority of the Partner Non Executives.
- 19.12 The Partnership Governance Board shall review the role and efficacy of the Risk and Audit Committee established in accordance with clause 21.
- 19.13 The Partnership Governance Board shall be responsible for (either directly or through the establishment of a Sub-Committee):
- 19.13.1 approving the criteria for the allocation of the various elements of the LLP's profits pursuant to Schedule 2 (or successor pools similar to the same);
 - 19.13.2 presiding over appeals in relation to allocation of profit shares pursuant to clause 30.1.4 or the variation of entitlement to profit share or drawings pursuant to clause 59.7.2 **provided that** the CEO shall not be entitled to attend any such appeals;
 - 19.13.3 approving the maximum borrowing limits of the LLP based on proposals submitted by the CEO;
 - 19.13.4 reviewing and approving the amount of Financial Compensation payable to Outgoing Partners where the aggregate of Financial Compensation, Notice Profit Share, and any payment in lieu of Notice Profit Share is, or would but for this provision be, in excess of £300,000;
 - 19.13.5 approving any proposals made by the CEO to vary any of the provisions relating to financial settlements for Outgoing Partners in clauses 49 to 52 (inclusive);
 - 19.13.6 determining any financial settlement relating to the CEO in accordance with Part Three of Schedule 6;
 - 19.13.7 approving any financial settlement under clauses 50, 51 or, 52 for any Leaving Partner who is a member of the Strategic Leadership Team or who holds a Senior Management Role; and
 - 19.13.8 determining any matters in dispute in connection with the adherence by Partners to solvency and/or net asset requirements pursuant to clause 41.5.
- 19.14 The Partnership Governance Board shall be responsible for (either directly or through the establishment of a Sub-Committee):
- 19.14.1 in conjunction with the CEO, establishing, and from time to time as it considers appropriate reviewing and amending, the [criteria](#) for the appointment of Partners, directors and national directors;
 - 19.14.2 in conjunction with the CEO, approving, and from time to time as it considers appropriate, reviewing and amending, the process for the selection and appointment of new Partners, directors and national directors to be implemented by the CEO;

- 19.14.3 approving the appointment by the CEO of Partners, directors and national directors who do not meet such criteria in accordance with such process;
 - 19.14.4 approving the criteria for the removal of Partners and the process to be followed;
 - 19.14.5 the hearing of appeals pursuant to **clauses** 30.1.1, 48 and, 52.4; and
 - 19.14.6 all such other matters as are expressly reserved by this Agreement as being powers, duties or responsibilities of the Partnership Governance Board.
- 19.15 The Chair of the Partnership Governance Board shall be entitled, at the cost and expense of the LLP:
- 19.15.1 to take such legal advice as they think fit on behalf of the Partnership Governance Board from the LLP's internal legal team and/or external legal advisers, with regard to any matter relating to the LLP, the LLP Business, a Partner or Outgoing Partner. Any such advice so obtained by the Partnership Governance Board shall be confidential and shall enjoy legal privilege. The Partnership Governance Board shall be entitled to disclose such advice to any such Partner or Partners or members of the Partnership Governance Board as they think fit to the exclusion of others and to make such disclosure subject to such conditions as to confidentiality or otherwise and such limitations as the Strategic Leadership Team may specify. The Partnership Governance Board shall be entitled to withhold any such advice from the Partner or Outgoing Partner to whom it relates and the Partner or Outgoing Partner concerned shall not be entitled to have any such advice disclosed to them or to enjoy or exercise any right to be provided with such advice which they might otherwise have but for the provisions of this paragraph; and
 - 19.15.2 to take such action as the Partnership Governance Board may think fit to enforce any of the obligations of any Partner or Outgoing Partner or otherwise to protect the interests of the LLP.

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