

# Public Interest Committee - Terms of Reference

## Purpose and objectives of the body

The Revised Audit Firm Governance Code 2022 (“AFGC ”) provides a benchmark of good governance practice against which audit firms that audit listed companies can report.

The Public Interest Committee (PIC) enables the firm’s Independent Non-Executives (“INEs”) to perform their duties under the AFGC. Its purpose is to consider public interest matters that affect the firm, and to enhance stakeholder confidence in the public interest aspects of the firm’s activities. In this way, its purpose reflects the new AFGC framework:

- To promote audit quality;
- To ensure firms take account of the public interest in their decision-making, particularly in audit;
- To safeguard the sustainability and resilience of audit practices and firms as a whole.

As part of this overall objective, the PIC provides a forum for considering the impact of public interest matters arising from within the profession and wider society through direct engagement with, or a review of information originating from: the firm, the profession and the firm’s wider stakeholder base, including inter alia: investors, clients, audited entities, staff, regulators and professional bodies and providers of finance.

The PIC:

- Shall have the right of access to relevant information and people, to the extent permitted by law or regulation;
- Shall have information supplied in a timely manner and in a form and of a quality appropriate to enable the PIC to discharge its duties;
- Shall have access to sufficient resources in order to carry out its duties;
- Shall give due consideration to applicable regulations as appropriate;
- May undertake any activity under the AFGC.

## Membership

The INEs will be the only members of PIC and they will remain members for their entire tenure as an INE. The maximum tenure for any INE is nine years.

Observers and contributors are invited to meetings, as appropriate to the agenda. The firm’s Senior Partner, Managing Partner and Ethics Partner will ordinarily attend each meeting in this capacity.

### **PIC Secretary**

The PIC Secretary will be provided by the Office of the Senior Partner and will support the Chair by helping the PIC to run effectively. This includes ensuring effective arrangements for the presentation of high quality information with papers available at least a week in advance of the meetings, comprehensive minutes and a process to follow up on agreed actions.

### **Chairing the body**

The Chair is selected by the Senior Partner on behalf of the Partnership Council (PC). There is no set tenure for the Chair, other than the referenced maximum tenure noted under membership.

If the Chair cannot attend a meeting, the meeting will be chaired by another INE as nominated by the Chair or, if the Chair is not available to make the nomination, by the other INEs.

The Chair's responsibilities with respect to PIC are to:

- Set the agenda for each meeting
- Make the purpose of each meeting clear to the members and explain the agenda at the beginning of each meeting
- Clarify and summarise what is happening throughout each meeting
- Ensure the meetings progress, operating under the timetable for each meeting so that the agenda is appropriately dealt with
- Encourage participation from all members of the PIC
- End each meeting with a summary of decisions and actions

### **Meetings**

The PIC has regular scheduled meetings with the option for further meetings if required. It meets at least four times a year.

A non-routine meeting of the PIC can be called by the Chair or any member at any time.

The AFGC requires the firm's INEs to meet alone to discuss matters relating to their own remit. Each meeting provides such an opportunity.

There will be an opportunity to declare any actual or perceived conflicts of interest at the start of each meeting. Should any member or the PIC collectively believe there is a conflict of interest this must be declared and minuted. If it is agreed there is a conflict, the affected members must not be present in the meeting for that agenda item.

### **Quorum and attendance**

A meeting will be quorate when two members are in attendance.

The PIC will have the right to invite any individual, whether within or outside the firm, to attend the PIC meetings if appropriate and with the consent of the Chair. Any such individual will attend as an attendee but not as a member.

## Minutes

The PIC Secretary will minute the proceedings and decisions of all the PIC meetings, including recording the names of those present and in attendance.

Draft minutes of the PIC meetings will be circulated first to the Chair and then to all other PIC members for review and comment.

Once approved by email, minutes will be shared with Partnership Council and Leadership Team unless it would be inappropriate to do so.

A summary of the meeting will be published to equity partners shortly after the meeting.

## Decision making and responsibilities

Decisions and actions are by consensus. If a vote is necessary, then support is required by a majority of members who attend if there is a quorum. If the number of votes for and against a certain proposal are equal, the Chair (or, in the Chair's absence, the nominated Chair) has the casting vote.

Individual INEs have the following responsibilities:

- Understand the role of PIC
- Review, challenge and propose action on reports presented to PIC
- Actively participate in meetings through attendance, discussion and review of minutes and papers
- Support open discussion and debate and encourage fellow PIC members and attendees to participate in the dialogue
- Follow up on agreed actions on a timely basis and be ready to report on them at the following meeting

The PIC's members collectively have close regard to the requirements of the AFGC framework:

- To promote audit quality;
- To ensure firms take account of the public interest in their decision-making, particularly in audit;
- To safeguard the sustainability and resilience of audit practices and of firms as a whole.

In particular, in serving the public interest (and complying with the AFGC framework), the PIC will seek to advise the firm in relation to the following areas:

- **Quality**, supporting the firm's commitment to serving the public interest by consistently performing quality engagements;
- **People**, monitoring the firm's policies and procedures with regard to its people proposition (including remuneration and incentives, recruitment, attracting and managing talent, succession planning, training and development, and diversity and inclusion) and separately monitoring compliance with its Code of Conduct;
- **Ethics**, supporting the firm's commitment to quality, independence and ethics and monitoring the effectiveness of the firm's whistleblowing and speak up policies;
- **Culture**, reviewing the effectiveness of the firm's systems for the promotion and embedding of an appropriate culture underpinned by sound values and behaviour across the firm and particularly in the audit stream;
- **Management information**, monitoring the effectiveness of the firm's analytics in this regard.

- **Risk management and internal controls**, supporting the firm's effectiveness review in this area to ensure all risks and controls (including financial, operational and compliance controls) are identified and managed appropriately;
- **Sustainability and resilience**, supporting the firm's assessment of principal risks (including at an international level) which may affect the firm's model, future performance, solvency or liquidity.
- **Stakeholder and investor feedback**, particularly dialogue with audit committees and investors in relation to the user experience of audit

Where appropriate the PIC will seek to understand Global network initiatives which may inform their consideration of the topics set out above.

### **Accountability**

The PIC reports publicly by way of the firm's annual Transparency Report and engages internally with the firm's Partnership Council, Leadership Team and wider business, as appropriate.

### **Connectivity with other bodies**

The INEs individually and collectively are also members of:

- The Business Interest Oversight Board
- Audit Committee
- Audit Board
- Nominations Committee

This membership beyond PIC ensures effective connectivity across the Firm.

The Ethics Partner has a direct reporting line to the PIC.

Twice a year the PIC members (either some or all) will attend a PC meeting and provide constructive feedback in relation to matters under their remit.

### **Assessing effectiveness of the body**

The PIC will agree objectives annually that are specific and measurable and will regularly review its progress in meeting and delivering the objectives through an annual self-effectiveness review.

### **Schedule for reviewing Terms of Reference**

The Terms of Reference will be reviewed as part of the effectiveness review on an annual basis and in reaction to regulatory feedback and changes to standards. Any changes will be agreed with PC.

*Approved by PIC in November 2023*