

Partnership Council - Terms of Reference

Purpose and objectives of the body

In accordance with the Audit Firm Governance Code 2022 ("AFGC 2022"), PC is the Board. It is the firm's most senior governing body.

Its purpose is:

- to ensure the firm's management activities align to the firm's purpose, values and strategic framework and align with the purpose of the AFGC 2022.
- to supervise and protect the equity interests of partners, recognising the interests both of individuals and of the collective body of equity partners.

Membership

- Partnership Council will comprise the Senior Partner and up to a maximum of 12 elected partners. There may be an ad hoc reduction in the number due to casual vacancies from time to time.
- Transitional arrangements may apply to appoint additional Partnership Council members on a major change in the composition of the partnership (eg a merger) with the number then reducing to 12 in subsequent elections.
- The process for election to Partnership Council, including by-elections for casual vacancies, will be enshrined in the Members' Agreement - [Partner Protocols \(Governance, Leadership and Management\)](#).
- Any equity partner can stand for election except for those set out below:
 - Anyone who has resigned from the partnership
 - Anyone who has ceased to be eligible through breach of the required standards as set out in the [Partner Behaviours and Retirement Protocol](#).
 - SBU Lead Partners
 - Stream Leaders
 - Members of the Stream Executives
 - Members of the Leadership Team
- An individual's single term of office on Partnership Council will be no more than four years.

- The maximum consecutive length of time an individual can serve on Partnership Council will be two terms of office (eight years). If the first period of service on Partnership Council arises through a casual vacancy this period will not count towards the eight-year limit if the period of the casual vacancy is less than two years.
- Individuals can then apply for re-election for a term starting no earlier than two years from their last date in office and can serve for two further terms of four years before a further gap period of two years
- Provisions for the removal of a Partnership Council member before their tenure is complete will be enshrined in the Members' Agreement - [Partner Protocols \(Governance, Leadership and Management\)](#).
- Casual vacancies which arise, whether caused by death, disqualification, resignation or otherwise, shall be filled in accordance with the provisions of the Members' Agreement - [Partner Protocols \(Governance, Leadership and Management\)](#), on the same basis as the election of new members.
- The Managing Partner will attend all Partnership Council meetings as an attendee.
- Partnership Council will have the right to invite other partners or senior leaders to attend Partnership Council or form part of a sub-committee where additional expertise and experience is needed.
- There will be flexibility in the process to appoint specific individuals to Partnership Council if regulation requires this.
- Partnership Council members will be required to undertake post appointment training (induction into Partnership Council, strategic thinking, how to be an effective Board member). It will be the responsibility of the Senior Partner (delegable) to ensure that they are brought up to date on any matters that may affect them as Partnership Council members.

Partnership Council Secretary

The Partnership Council Secretary will be provided by the Office of the Senior Partner and will support the Chair by helping Partnership Council 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 of Partnership Council will be the Senior Partner.
- In alignment with the Emergency Cover protocol, a PC member will be identified as Emergency Cover, "EC", for the Senior Partner. The EC will step in should the Senior Partner be away or indisposed and will be a point of escalation if concerns arise about the Senior Partner.
- The Senior Partner's tenure as Chair of Partnership Council will start on their election as Senior Partner and continue until their term as Senior Partner comes to an end. There is no requirement for a gap period between an individual stepping down from an elected Partnership Council role and becoming Senior Partner.
- Responsibilities of the Chair will include ensuring Partnership Council is involved in all matters within its remit, setting the agenda of Partnership Council meetings including closed sessions, leading Partnership Council meetings and ensuring appropriate minuting of matters discussed at the meetings for sharing with all equity partners.

Meetings

- Partnership Council will meet, using any agreed media including remote participation, at least every two months.
- The Chair or EC can call meetings outside of normal cycle.
- The Partnership Council has the right to meet in closed session, normally this will be at the start and/or end of each meeting.
- The requirement for a Partnership Council member to declare a conflict of interest will be stated at the outset of each meeting or in the papers convening the meeting.
- If a conflict of interest has been declared by a Partnership Council member (see above) or otherwise identified, the Chair has the discretion to request a Partnership Council member to leave the meeting for that agenda point.

Quorum and attendance

A Partnership Council meeting will be quorate when the Chair or EC is present plus at least nine of the elected Partnership Council members, each through any agreed media including remote participation.

Any individual, whether within or outside the firm, can be invited to attend a Partnership Council meeting. Any such individual will attend as an attendee but not as a member.

Minutes

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

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

Once approved by email, minutes will be shared with the Managing Partner and the INEs 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

- Each Partnership Council meeting pack will clearly set out the purpose of each agenda point including whether a formal Partnership Council decision is required.
- The voting process will be “one member one vote” with a Senior Partner vote being cast only when required to break deadlock.
- Decisions will generally be passed on a simple majority basis. The Senior Partner will use their discretion as to whether a higher majority is required on a specific matter depending on the sensitivity or complexity of the matter being considered.
- Partnership Council will have close regard to the requirements AFGC 2022 framework when carrying out their responsibilities.

- These responsibilities can be summarised as follows:

- **Firm strategy, including its purpose and values**

Receiving regular updates from Management regarding whole firm strategy and the firm's key priorities and applying appropriate challenge and oversight to ensure the firm's interests are protected as well as the public interest. Ultimately approving the whole firm strategy.

- **Management oversight**

Overseeing the activities of management and holding management to account in relation to decisions made and, where appropriate, acting as the Leadership Team's sounding board.

- **Quality and risk**

Supporting the firm's commitment to serving the public interest by consistently performing quality engagements, particularly in relation to ISQM(UK)¹ (and ensuring appropriate implementation and monitoring of the firm's compliance), quality matters (both through direct engagement with the quality initiatives and through effective challenge of the Audit Board's oversight of the specific audit quality matters and Governance Board engagement with the advisory and tax streams' approach to quality and risk).

To receive regular updates from LT/Chair of Quality & Risk Executive (Q&R Exec) on how the quality and risk management framework is supporting the business interest of the firm and, where appropriate, approving any amendments to the framework.

To receive regular updates from the firm's COBRA Committee on significant risk matters affecting the firm, including how these are being addressed and potential outcomes.

The Audit Committee Chair will be invited to update the board on the firm's internal and external audit programme at least twice a year.

The Transparency Report will be reviewed by Partnership Council before publication.

- **People and Culture**

Overseeing effective implementation of the firm's systems for the promotion and embedding of an appropriate culture both through direct engagement with relevant individuals within the firm (particularly the U Board and the Culture of Quality Committee) and through effective challenge of the Audit Board's oversight of the culture of quality relating to audit work and, specifically, the work of the Audit Culture Committee.

Ongoing review of the people proposition and HR's delivery of the same, from an oversight level.

- **Sustainability**

Safeguarding the sustainability and resilience of the whole firm, including the audit practice by overseeing the firm's financial performance (through appropriate delegation of financial matters to appropriate oversight bodies, and challenging these oversight Boards in relation to this function) and monitoring regulatory and enforcement matters and regulatory reviews of all aspects of the firm.

- **Safeguarding equity**

Reviewing, challenging and (where appropriate) approving any matters which affect the composition of the body of equity partners, including but not exhaustively salaried and equity partner admissions and retirements, mergers and acquisitions and future changes to leadership and governance frameworks, and in addition any other major issues which impact equity.

- **Partner behaviours and processes**

Overseeing and approving processes affecting individual partners to ensure that governance processes have been applied equitably, including profit sharing, capital account matters, partner annual objectives, promotions and performance, application of the Code of Conduct, disciplinary matters/disputes and partner resignations and retirements for any reason including through ill health. When approaching all of these matters, and generally, having partner wellbeing in mind throughout.
- **Governance**

Administering the firm's governance framework including but not exhaustively the election of the Senior Partner, the election of the Managing Partner, approval of the Managing Partner's Leadership Team Slate, Heads of Stream, Chief Operating Officer, Finance Partner, Ethics Partner and approval of changes to the Leadership Team.
- **Stakeholder engagement**

Receiving assurance regarding the publication of the annual Transparency Report, Culture Report and Financial Statements (via the Audit Committee).
- **Climate governance**

PC is accountable for assessing the Firm's long-term resilience, including with respect to the potential shifts in the business landscape that may result from climate change. To that end, the board will take reasonable endeavours to encourage that its composition is sufficiently diverse in knowledge, skills, experience and background to effectively provide oversight of leadership decisions on climate related threats and opportunities
- Partnership Council will delegate to the Business Interest Oversight Board matters relating to stream or PMD strategy, the firm's financial position, advisory and tax stream quality and risk as set out in the Business Interest Oversight Board terms of reference as may be amended from time to time. To ensure effective oversight of these issues by the Business Interest Oversight Board, Partnership Council will receive regular updates from the Business Interest Oversight Board regarding matters discussed at their meetings and assess the process that has been followed in challenge and decision-making to ensure thoroughness and fairness. Partnership Council reserves the right to ask the Business Interest Oversight Board to raise additional challenges or questions as it sees appropriate.
- Partnership Council will delegate to the Audit Board matters relating to audit stream strategy, the audit stream's financial position, audit quality and risk matters as set out in the Audit Board terms of reference as may be amended from time to time. To ensure effective oversight of these issues by the Audit Board, Partnership Council will receive regular updates from the Audit Board regarding matters discussed at their meetings and assess the process that has been followed in challenge and decision-making to ensure thoroughness and fairness. Partnership Council reserves the right to ask the Audit Board to raise additional challenges or questions as it sees appropriate.
- Partnership Council will have responsibility for agreeing the membership of the Audit Board and the Business Interest Oversight Board, plus other boards or subcommittees as required.
- Decision making authority can be delegated in exceptional circumstances, with clear terms of reference and limits to the authority which has been delegated. This will be agreed on an ad hoc basis and if necessary, will be subject to a vote by Partnership Council members. Accountability will be to Partnership Council as a body. However, it is expected that most subcommittees will reach a decision and make recommendations which are then ratified by Partnership Council as a body.

- Sub-groups/committees will continue to be used regularly. They will be selected from Partnership Council members who have an interest, experience or expertise in the relevant area and will report to Partnership Council as a body.

Accountability

Partnership Council is accountable to the equity partners as a body. Other stakeholders include salaried partners (as equity partners of the future), employees and regulators.

Connectivity with other bodies

- Partnership Council will be linked to Business Interest Oversight Board and the Audit Board through agreed regular reporting, to the Leadership Team through the Managing Partner being “in attendance” at Partnership Council and to other bodies as needed.
- The agenda planning documents for Public Interest Committee, Audit Board and Business Interest Oversight Board will be shared with Partnership Council to give the group early sight of the topics slated for discussion and allow them to be proactive in asking these boards to add any items to their agenda, as they feel appropriate.
- Partnership Council will receive regular reports and assurance from, and will work closely with, the Business Interest Oversight Board and the Audit Board. It will engage with the Leadership Team through Partnership Council meetings and on an ad hoc basis as needed. It will engage with other governance groups of the firm including the Public Interest Committee, the Quality & Risk Executive and U Board as required.
- Twice a year the PIC members (either some or all) will attend a Partnership Council meeting and provide constructive feedback in relation to matters under the PIC’s remit.
- Summary notes of Partnership Council meetings will be available to the equity partnership.
- Decisions will be reported to the business as agreed in Partnership Council. The timing and content of such communications will be at the discretion of Partnership Council and will depend on the sensitivity or complexity of the matter being considered.
- Other information will be available to the partnership as needed, depending on subject matter (see above).

Disagreements or disputes

If disagreements arise, the mechanism for resolving these will be agreed by Partnership Council in closed session if required, led by the Senior Partner or EC and utilising the Independent Non-Executives as appropriate.

Assessing effectiveness of the Chair and the body

- Feedback on Chair effectiveness will be provided by 2 Partnership Council members to the Chair as part of their performance review.
- Partnership Council will undertake a self-assessment of its effectiveness annually with a formal Board effectiveness review undertaken every 3 years using an individual or team independent of Partnership Council, utilising BDO in-house expertise and experience.
- The Senior Partner or EC will feed back on each Partnership Council member’s contribution and effectiveness annually as part of the performance review process for partners.



Schedule for reviewing Terms of Reference

The Terms of Reference of Partnership Council will be reviewed annually as part of its self-assessment of effectiveness noted above.

Approved by Partnership Council in September 2024