

# EY UK – Terms of Reference for the Audit Committee

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## 1. Constitution and Background

### 1.1 Constitution

The Board of Ernst & Young LLP (“the Board”) has established the UK Audit Committee which covers all parts of the practice which operate under the UK audit licence.

The UK Audit Committee is authorised to undertake any activity within its terms of reference.

### 1.2 Background

The UK Audit Committee is part of the permanent governance structure of EY.

The goal and objectives of the UK Audit Committee are to monitor the integrity of the financial statements of Ernst & Young LLP, manage the Firm’s engagement with the external auditors, review significant financial reporting judgements and recommend the approval of the financial statements to the Board.

## 2. Purpose

The UK Audit Committee meets to:

- Make recommendations in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor
- Review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process taking into consideration relevant UK professional and regulatory requirements
- Develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services
- Recommend approval of the financial statements of Ernst & Young LLP to the Board.

## 3. Membership

### 3.1 Members

UK Audit Committee members are appointed by the LLP Board, on the recommendation of the Nomination Committee, and will serve for a period appropriate to their experience and their other roles and responsibilities.

Members of the UK Audit Committee cannot send proxies to meetings.

### 3.2 Chair

The UK Audit Committee will have a Chair and their responsibilities are as follows:

Set the agenda for each meeting

Ensure that agendas and supporting materials are delivered to members in advance of meetings

Make the purpose of each meeting clear to members and explain the agenda at the beginning of each meeting

Clarify and summarise what is happening throughout each meeting

Keep the meeting moving, by putting time limits on each agenda items

Encourage broad participation from UK Audit Committee members in discussion

End each meeting with a summary of decisions and assignments

Follow up with consistently absent members to determine if they wish to discontinue membership

Determine whether any additional meetings of the UK Audit Committee are required throughout the year.

### 3.3 Attendees

Other attendees may be invited to attend all or part of any meeting, as and when appropriate and necessary, but will have no voting rights.

### 3.4 Secretary

The Firm's Company Secretary or their nominee shall be appointed as the secretary to the UK Audit Committee ('Secretary').

## 4. Meetings

### 4.1 Quorum

The quorum necessary for the transaction of business shall be a minimum of three UK Audit Committee members, one of whom must be the Chair.

A duly convened meeting of the UK Audit 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 UK Audit Committee.

In addition to attending in person, Audit Committee members can attend via video conference, telephone or other electronic means.

### 4.2 Decisions

A course of action requires support from a majority of the members who attend the meeting, if there is quorum.

If the number of votes for and against a proposal are equal, the Chair to the meeting has a casting vote.

### 4.3 Conflicts of Interest

If a proposal considered by the UK Audit Committee is one where a UK Audit Committee member, either directly or indirectly has a conflict of interest, that member shall not be permitted to take part in any discussion, or decision-making, on any such proposal. The decision of the UK Audit Committee Chair as regards whether a member has a conflict of interest is determinative. If the question of conflict relates to the UK Audit Committee Chair, the decision of the other members (acting by a simple majority) is determinative.

### 4.4 Frequency

The UK Audit Committee shall meet twice annually.

Additional meetings can be held if required.

### 4.5 Notice

Meetings of the UK Audit Committee shall be called by the Secretary at the request of the UK Audit Committee Chair. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be sent to each member of the UK Audit Committee and any other person required to attend at least five calendar days before the date of the meeting, or on such shorter notice as may be deemed necessary by the UK Audit Committee chair.

### 4.6 Papers

It is the intention that a pre-read pack will be sent to members three to five business days in advance of a UK Audit Committee meeting. This pre-read pack will include the following:

- Agenda for upcoming meeting
- Minutes of previous meeting
- Decision papers
- Any other documents/information to be considered at the meeting.

### 4.7 Minutes

The Secretary shall minute the proceedings and decisions of all meetings of the UK Audit Committee (including recording the names of those present and in attendance) and promptly circulate draft minutes to all members of the UK Audit Committee following the meeting.

## 5. Reporting Responsibilities

### 5.1 LLP Board

The Chair shall report formally to the LLP Board on its proceedings, as and when the UK Audit Committee Chair determines it necessary, on matters within the UK Audit Committee duties and responsibilities.

## 6. Duties

Individual UK Audit Committee members have the following responsibilities:

- ▶ To review the financial statements of the UK LLP group and, if thought appropriate, recommend that the financial statements are approved by the LLP Board
- ▶ Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- ▶ Actively participate in meetings through attendance, discussion, and review of minutes, papers and other documents
- ▶ Support open discussion and debate, and encourage fellow UK Audit Committee members and attendees to voice their insights
- ▶ Follow up on agreed actions on a timely basis and be ready to report on them at the following meeting

## 7. Other

### 7.1 Access

The UK Audit Committee shall have access to all relevant people and information to allow it to discharge its duties.

The UK Audit Committee is authorised to seek any information it requires from any employee of the Firm in order to perform its duties.

### 7.2 Resources

The UK Audit Committee shall have access to sufficient resources to carry out its duties.

### 7.3 Independent Advice

With the approval of the LLP Board, the UK Audit Committee shall engage independent professional advice where it is judged necessary to discharge its duties.

### 7.4 Regulatory Requirements

The UK Audit Committee shall give due consideration to applicable regulations as appropriate.

### 7.5 Delegation

The UK Audit Committee may establish other committees with the approval of LLP Board (whether temporary or permanent) from time to time, and the UK Audit Committee may delegate any of its functions to such committees.

### 7.6 Review

The UK Audit Committee shall annually review these terms of reference and may suggest to the LLP Board any amendments following its review. These terms of reference may only be amended, varied or revoked by the LLP Board.

In accordance with the requirements of the Audit Firm Governance Code, the performance of the UK Audit Committee shall be subject to formal annual evaluation.

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