

# EY UK – Terms of Reference for the Nomination Committee

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## 1. Background

The Nomination Committee has been established as a committee of the EY UK LLP Board (the 'LLP Board'). The Nomination Committee has the delegated authority of the LLP Board in respect of the functions and powers set out in these terms of reference. These terms of reference shall be read in conjunction with the Partners' Agreement, and, in the event of any inconsistency, the Partners' Agreement shall prevail. Capitalised terms not otherwise defined in these terms of reference shall have the meaning given to them in the Partners' Agreement.

## 2. Purpose and remit

The Nomination Committee is responsible for identifying, evaluating, and nominating candidates for LLP Board and Board committee positions, the role of the UK Board Chair and, if required by the LLP Board, the Country Managing Partner of the Firm, ensuring alignment with corporate governance, the Partners' Agreement, best practice and the Firm's strategic objectives.

The Nomination Committee also acts on behalf of the LLP Board in respect of the consideration for appointment, and extensions to the terms of appointment, of independent non-executives (INEs and ANEs).

## 3. Membership

- 3.1 Members of the Nomination Committee are appointed and removed by the LLP Board.
- 3.2 The Nomination Committee shall comprise at least five members (including the Chair of the Nomination Committee).
- 3.3 The Nomination Committee shall comprise at least: the UK Chair; the UK Country Managing Partner ('CMP'); and an independent non-executive ('INE'). The remaining member(s) will be selected from members of the LLP Board.
- 3.4 The UK Chair acts as the Chair of the Nomination Committee.

- 3.5 One member shall be appointed by the UK Chair as the Senior Nomination Committee Member.

## 4. Duties

*Non-Executives (Independent Non-Executives and Audit Non-Executives)*

The Nomination Committee shall be responsible for:

- 4.1 Considering the candidates proposed to be appointed by the Firm as non-executives and making recommendations to the LLP Board in respect of the appointment of those individuals, and any extensions to the terms of such appointments.
  - 4.2 Preparing a role profile including the required capabilities and time commitment for all relevant non-executive appointments. Any proposed candidates for non-executive roles should declare their other commitments before any appointment is made.
  - 4.3 Ensuring that, on appointment, the non-executives receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment.
  - 4.4 Ensuring that all non-executives receive an induction and ongoing training required to fulfil their duties.
  - 4.5 Making recommendations to the LLP Board concerning plans for succession of members of the EY Audit Board and Public Interest Board, taking into account the challenges and opportunities facing the Firm, and the skills and expertise that may be needed in the future.
- LLP Board and Committees*
- The Nomination Committee shall:
- 4.6 Set policies and procedures in relation to the appointment of members to the LLP Board, taking into account the Partners' Agreement, Audit Firm Governance

Code and other regulations that may apply to the Firm.

- 4.7 Consider and make recommendations to the LLP Board (or Partners, if relevant) in respect of the appointment of members to the LLP Board and any proposed term of any such appointments;
- 4.8 With the objective of achieving the appropriate blend and balance of skills, knowledge, experience and diversity across the Board as a whole before any nomination is made for an appointment to the LLP Board, prepare a description of the role and capabilities require.
- 4.9 Consider and make recommendations to the LLP Board regarding any appointments to fill a casual vacancy<sup>1</sup>.
- 4.10 Consider and make recommendations to the LLP Board regarding the appointment and removal of individuals to the committees of the LLP Board as constituted from time to time, at the request of the LLP Board, and make recommendations in respect of the term, and any proposed extension to the term, of such appointments.
- 4.11 Ensure that all LLP Board members receive an induction and ongoing training required to fulfil their duties.
- 4.12 Regularly review any conflicts of interest of the LLP Board members.

#### *LLP Board members and UK Chair*

The Nomination Committee shall:

- 4.13 Determine the eligibility criteria and process for the selection of LLP Board members and the UK Chair<sup>2</sup>.
- 4.14 Determine election procedures for the election of LLP Board members and the UK Chair.
- 4.15 Give not less than 14 days' notice of an election of LLP Board members to the Partners.
- 4.16 Ensure plans are in place for an orderly succession to the LLP Board and oversee the development of a pipeline of succession, taking into account the challenges and issues facing the Firm and the skills and expertise needed on the LLP Board in the future.

#### *Review and Evaluation*

The Nomination Committee shall:

- 4.17 Regularly review and evaluate the balance of knowledge, skills, diversity and experience of the LLP Board and relevant governance fora, any rules of procedure, charter or other operational documents agreed upon from time to time by the Nomination Committee.
- 4.18 At least annually, assess the structure, size, composition (including but not limited to individual and collective skills, knowledge and experience) and performance of the LLP Board<sup>3</sup>.
- 4.19 At least annually, review the time required from non-executives for effective fulfilment of their roles. Performance evaluation may be used to assess whether the non-executives are spending sufficient time in fulfilling their duties under the Audit Firm Governance Code and any other applicable laws, regulations and rules of procedure, charter or other operational documents

<sup>1</sup> Partners' Agreement 4.35

<sup>2</sup> Partners' Agreement 4.28 and 4.34

<sup>3</sup> Audit Firm Governance Code Provision 7



agreed upon from time to time by the Nomination Committee.

- 4.20 Annually review the individual performance of the non-executives/UK Chair and LLP Board members<sup>4</sup>, save that members of the Nomination Committee shall not take part in such reviews of their own individual performance or any discussion or decision-making in that regard.
- 4.21 The Senior Nomination Committee member shall lead the review of the UK Chair.
- 4.22 Annually review and evaluate its own performance<sup>5</sup>.

#### *Remuneration*

- 4.23 The Nomination Committee shall have the authority to set the remuneration of the non-executives save that the INE member of the Nomination Committee shall not take part in any discussion or decision-making with regards to their own remuneration.
- 4.24 The Nomination Committee shall make recommendations to the LLP Board with regards to the performance of the UK Chair and CMP to facilitate the LLP Board in discharging its duties regarding oversight and review of the remuneration of the CMP, UK Chair and LLP Board members<sup>6</sup>.
- 4.25 The Nomination Committee shall make recommendations to the LLP Board for establishing arrangements for determining remuneration and progression matters for members of the LLP Board which support and promote effective challenge of management.

#### **5. Secretary**

The Firm's Company Secretary will be appointed as Secretary to the Nomination Committee and will ensure that the committee receives information and papers in a timely

manner to enable full and proper consideration to be given to the relevant issues.

#### **6. Quorum**

- 6.1 The quorum necessary for the transaction of business shall be three. Any Nomination Committee member deemed to have a conflict of interest with respect to a particular matter shall not be counted for the purposes of this paragraph 6.1 for the relevant part of the meeting. In particular, the UK Chair shall not chair the Nomination Committee when it is dealing with matters in relation to the UK Chair (performance, remuneration, succession).
- 6.2 Members attending a meeting in person will count towards the quorum, as will members attending a meeting by telephone, videoconference or other electronic means (provided that they can participate in the meeting).
- 6.3 A duly convened meeting of the Nomination 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 Nomination Committee.

#### **7. Frequency of Meetings**

The Nomination Committee shall meet at least twice a year and otherwise as required.

#### **8. Notice of meetings**

- 8.1 Meetings of the Nomination Committee shall be called by the Secretary of the Nomination Committee at the request of the Chair of the Nomination Committee or any of its members and may be called at any time.
- 8.2 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 at least five calendar days before the date of the meeting or on such shorter notice as may be deemed necessary by the Chair of the Nomination Committee. Supporting

<sup>4</sup> Audit Firm Governance Code Provision 6

<sup>5</sup> Audit Firm Governance Code Provision 7

<sup>6</sup> Audit Firm Governance Code Provision 5

papers shall be sent to members at the same time but may be forwarded at shorter notice with the approval of the Chair of the Nomination Committee.

## **9. Attendance at meetings**

- 9.1 Nomination Committee members have the right to attend all Nomination Committee meetings. Other attendees may be invited to attend all or part of any meeting, as and when appropriate and necessary, but shall have no voting rights.
- 9.2 In the absence of the Chair of the Nomination Committee and/or an appointed deputy at a Nomination Committee meeting the remaining members present shall elect one of themselves to chair the meeting.

## **10. Decision making**

- 10.1 A decision of the Nomination Committee on which a vote is called by a member of the Nomination Committee shall require a simple majority of the votes of all the members present. Each eligible member shall have one vote. Votes may be taken in any manner approved by the Nomination Committee Chair.
- 10.2 Except where they have a conflict of interest, the Nomination Committee Chair shall have a casting vote where the votes for and against any proposal are equal.
- 10.3 The Nomination Committee may make a decision in writing (including via email) and such a decision shall be effective as if it was made at a meeting of the Nomination Committee, if approved by the Nomination Committee members.

## **11. Conflicts of interest**

If a proposal considered by the Nomination Committee is one where a Nomination 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 Chair of the Nomination Committee as regards whether a member has a conflict of interest is

determinative. If the question of conflict relates to the Chair of the Nomination Committee, the decision of the other members (acting by a simple majority) is determinative.

## **12. Meeting minutes**

The Secretary of the Nomination Committee (or their nominee) shall minute the proceedings of all meetings, including the names of those present and in attendance and the nature and extent of any conflicts of interest declared by Nomination Committee members, and shall promptly circulate draft minutes to all Nomination Committee members following the meeting.

## **13. Reporting responsibilities**

- 13.1 The Chair of the Nomination Committee shall report to the LLP Board on the nature and content of its discussion, recommendations and action to be taken after each meeting on all matters within its duties and responsibilities.
- 13.2 The Nomination Committee shall make whatever recommendations to the LLP Board it deems appropriate on any area within its remit where action or improvement is needed.
- 13.3 Finalised minutes of all Nomination Committee meetings shall be made available by the Secretary to the members of the LLP Board following their finalisation after each meeting.

## **14. Engagement with Partners**

The Nomination Committee Chair shall engage with Partners as appropriate and within the context of its remit.

## **15. General matters**

The Nomination Committee shall:

- 15.1 Have access to all relevant people and information to allow it to discharge its duties;
- 15.2 Have access to sufficient resources to carry out its duties, including access to the Firm's Company Secretary and the UK General Counsel and may seek any information as it may require from other

employees of the Firm in order to perform its duties;

- 15.3 With the approval of the LLP Board, engage independent professional advice where it is judged necessary to discharge its duties;
- 15.4 Give due regard to any relevant legal or regulatory requirements, as well as any guidance or best practice issued by relevant regulatory bodies; and
- 15.5 In the event of a disagreement between the Nomination Committee members with regard to any recommendations made (or to be made) to the LLP Board, notify the LLP Board of the matters subject to such disagreement.

## **16. Review and evaluation**

- 16.1 The Nomination Committee shall review at least annually these terms of reference and may suggest to the LLP Board any amendments following such review. These terms of reference may not be amended, varied or revoked without the approval of the LLP Board.
- 16.2 The Nomination Committee will carry out periodic reviews of its own effectiveness and will agree and implement a plan to take forward any actions resulting from the evaluations.

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