

EY UK – Terms of Reference for the Public Interest Board

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1. Background

- 1.1 The 2022 Audit Firm Governance Code (the 'AFGC') provides a framework for good governance practice against which firms that audit PIEs can be assessed and report. The FRC periodically publishes its approach to Audit Supervision ('AS'), which outlines its expectations in terms of effective management to ensure audit quality and firm resilience, and what the firms can expect from the FRC in the course of supervision by reference to the following key supervisory pillars: (i) Financials and KPIs; (ii) Governance and leadership; (iii) Culture and conduct; (iv) Risk management and resilience; and (v) Operational separation (the '**AS Pillars**').
- 1.2 The Public Interest Board has the delegated authority of the EY UK LLP Board (the '**LLP Board**') in respect of the functions and powers set out in these terms of reference.
- 1.3 Separately, in response to the publication of the FRC's Principles for Operational Separation of Audit Practices on 23 February 2021, the LLP Board has established the Audit Board to provide independent oversight of the Firm's audit practice (the '**Audit Practice**').

2. Purpose and remit

- 2.1 The purpose of the AFGC is to
 - Promote audit quality,
 - Ensure firms take account of the public interest in their decision-making particularly in audit, and
 - Safeguard the sustainability and resilience of audit practices and of firms as a whole (the '**AFGC Purpose**').

The role of the Public Interest Board is to enhance the Firm's performance in meeting the AFGC Purpose.

- 2.2 Certain matters relevant to the AFGC Purpose and AMS Pillars are reserved to the Audit Board including, in particular, matters relating to audit quality. The independent oversight role of the Public Interest Board is complementary to that of the Audit Board: the main focus of the Audit Board is the Audit Practice; the Public Interest Board has visibility of the Firm more broadly (including its non-audit business).

3. Membership

- 3.1 The Public Interest Board shall comprise the Firm's independent non-executives (**INEs**); the UK Country Managing Partner (**CMP**); the UK Chair; the FS Managing Partner (or, if this is the same person as the CMP, the UKI Managing Partner); and the Head of UK Risk.
- 3.2 The INE members of the Public Interest Board are appointed by the LLP Board, having been recommended for appointment by the Nomination Committee of the LLP Board. INE appointments to the Public Interest Board shall be for a period of up to three years, which may be extended by the LLP Board on the recommendation of the Nomination Committee for a maximum of two further periods of up to three years each. Members of the Public Interest Board may be removed by the LLP Board (whether on the recommendation of the Nomination Committee or otherwise) at any time before the expiry of their term.
- 3.3 The chair of the Public Interest Board must be an INE, who will be nominated by the Nomination Committee and must not chair any other governance body in the Firm (the '**Public Interest Board Chair**').

4. Duties

In connection with the AFGC Purpose, the Public Interest Board shall be responsible for the independent oversight of

4.1 Sustainability and resilience

The Firm's policies and procedures for ensuring sustainability and resilience (including its assessment of principal risks in that regard).

4.2 Governance and leadership

The effectiveness of the Firm's approach to (i) any risks that the Firm's governance and leadership arrangements may pose to audit quality or sustainability and resilience; and (ii) its consideration of the public interest.

4.3 Culture and conduct

The Firm's policies and procedures (including reviews of effectiveness) with respect to promoting and embedding an appropriate culture, including within the non-audit business, which may have a bearing on audit quality, the Firm's reputation, or the Firm's sustainability and resilience, including by reference to policies and processes in respect of:

4.3.1 Conduct (including compliance with the EY Global Code of Conduct), ethics and independence of the Firm, including to be satisfied that there is an effective whistleblowing process.

4.3.2 Compliance with laws and regulations.

4.3.3 People management policies and procedures.

4.4 Risk management and resilience

The Firm's risk management and internal controls systems (including reviews of effectiveness).

5. Secretary

The Firm's Company Secretary will be appointed as the secretary to the Public Interest Board.

6. Quorum

6.1 The quorum necessary for the transaction of business shall be three members, at least two of whom shall be INEs. Any Public Interest Board member deemed (in accordance with paragraph 9) 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.

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 Public Interest Board 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 Public Interest Board.

7. Notice of meetings

Meetings of the Public Interest Board shall be called by the secretary of the Public Interest Board at the request of the Public Interest Board 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 Public Interest Board 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 Public Interest Board Chair. Supporting papers shall be sent to Public Interest Board members and, as appropriate, attendees in a timely manner to enable full and proper consideration to be given to issues.

8. Attendance at meetings

8.1 The Public Interest Board shall meet at least four times a year. The INE members of the Public Interest Board shall also meet as a separate group from time to time at the INE's discretion.

- 8.2 The UK Head of Regulation & Public Policy will normally be in attendance. 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.
- 8.3 In the absence of the Public Interest Board Chair and/or an appointed deputy at a Public Interest Board meeting, the remaining members present shall elect one of themselves to chair the meeting.

9. Decision making

- 9.1 A decision of the Public Interest Board on which a vote is called by a member of the Public Interest Board shall require a simple majority of the votes of all the members of the Public Interest Board present. Subject to paragraph 10, where the majority of members voting are INEs, each member shall have one vote. In all other cases, subject to paragraph 10, each member who is not an INE shall have one vote, and each member who is an INE shall have the number of votes as is calculated by dividing the sum of one and the number of non-INE members voting by the number of INE members voting. Votes may be taken in any manner approved by the Public Interest Board chair.
- 9.2 Except where they have a conflict of interest, the Public Interest Board chair shall have a casting vote where the votes for and against any proposal are equal.

10. Conflicts of interest

If a proposal considered by the Public Interest Board is one where a Public Interest Board 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 Public Interest Board Chair as regards whether a member has a conflict of interest is determinative. If the question of conflict relates to the Public Interest Board Chair, the decision of the other members (acting by a simple majority) is determinative.

11. Meeting minutes

The Public Interest Board secretary (or their nominee) shall minute the proceedings of all Public Interest Board meetings, including the names of those present and in attendance and the nature and extent of any conflicts of interest declared by Public Interest Board members. Draft minutes will be circulated to all Public Interest Board members, as appropriate, taking into account any conflicts of interest that may exist.

12. Reporting responsibilities

- 12.1 The Public Interest Board Chair shall report to the LLP Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Public Interest Board Chair shall report to the Audit Board on matters relevant to the Audit Board.
- 12.2 Minutes of all Public Interest Board meetings shall be disclosed to the LLP Board following each meeting.
- 12.3 The INEs will report in the firm's annual transparency report on how they have worked to meet the AFGC Purpose.

13. General matters

The Public Interest Board shall:

- 13.1 Have access to all relevant people and information to allow it to discharge its duties.
- 13.2 Have access to sufficient resources to carry out its duties including access to the Firm's Company Secretary and UK General Counsel and may seek any information it requires from employees or members of the Firm in order to perform its duties.
- 13.3 With the approval of the LLP Board, engage independent professional advice where it is judged necessary to discharge its duties.
- 13.4 Give due regard to any relevant legal or regulatory requirements, as well as any guidance or best practice issued by relevant regulatory bodies.

- 13.5 In the event of a disagreement between Public Interest Board members with regard to any recommendations made (or to be made) to the LLP Board, the Public Interest Board Chair, themselves or at the request of any member of the Public Interest Board, shall notify the LLP Board Chair in writing and a meeting to discuss the relevant matter and, where relevant, agree a way forward shall be convened between the Public Interest Board Chair, the LLP Board Chair and another member of the Public Interest Board who is an INE.

14. Review and evaluation

- 14.1 The Public Interest Board shall annually review these terms of reference and may suggest to the LLP Board any amendments following its review. These terms of reference may not be amended, varied or revoked without the approval of the LLP Board.
- 14.2 The Public Interest Board, led by the Public Interest Board Chair, will carry out periodic reviews of its own performance and will agree and implement a plan to take forward any actions resulting from the evaluations.

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