

EY UK – Terms of Reference for the Ultimate Responsibility Committee

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1. Constitution and Background

1.1 Constitution

The EY UK ISQM1 Ultimate Responsibility Committee ('URC') was established as a committee of the EY UK LLP Board ('LLP Board') in accordance with the EY LLP Partners' Agreement.

1.2 Background

The URC has been formed in response to the EY Global System of Quality Management ('SQM') Policy ('SQM Policy') as adopted in October 2022.

In accordance with the SQM, the URC has established the ISQM1 Oversight Committee ('OC') and ISQM1 Operational Responsibility Committee to ('ORC') to support in the fulfilment of its duties.

2. Purpose

The purpose of the URC is to undertake the responsibilities of the individual(s) assigned to the ultimate responsibility and accountability SQM role as outlined in the SQM Policy and as updated from time to time:

- Fulfilling the SQM-related responsibilities as outlined in the SQM Policy.
- Evaluating the effectiveness of the Firm's SQM each year as of 30 June.
- Concluding that the Firm's SQM provided either:
 - Reasonable assurance that the objectives of the SQM are being achieved; or
 - Reasonable assurance that the objectives of the SQM are being achieved except for matters related to identified deficiencies that have a severe but not pervasive effect on the design, implementation and operation of the SQM; or
 - No reasonable assurance that the objectives of the SQM are being achieved.

3. Membership

3.1 Members

The URC shall comprise of at least four members (including the Chair of the URC).

Membership shall include ('Roles-based Members'):

- The Country Managing Partner ('CMP')
- The FS Managing Partner
- The FS Assurance Managing Partner
- The Head of Regulatory and Public Policy
- The UK CFO
- The UK Head of Audit
- Another key leadership role as agreed by URC

Appointments to the URC in addition to the Roles-based Members are made by the LLP Board, having regard to ensuring that, taken as a whole, the membership of the URC has the positional authority and influence over the Firm to support a quality-related organisational structure that enables the design, implementation and operation of the Firm's SQM and to promote a culture of quality in accordance with the Firm's Public Interest mandate.

Membership of the URC is dependent on individuals having:

- An understanding of SQM policies;
- Experience, knowledge, influence, authority and sufficient time to fulfil assigned SQM-related duties;
- An understanding of their SQM role, including the SQM-related responsibilities and that they are accountable for fulfilling them; and

- Demonstrating a commitment to quality through their actions and behaviours, including compliance with all personal independence and ethical requirements and continuing education and licencing requirements.

A Member may appoint a delegate subject to URC Chair approval and the delegate meeting the individual membership requirements as stated above.

3.2 URC Chair

The URC Chair is the CMP. In instances where the CMP is absent when an urgent decision is required, the individual delegated overall CMP responsibility would assume that of the URC Chair.

3.3 Attendees

Only Members have the right to attend 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.

3.4 Secretary

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

4. Meetings

4.1 Quorum

The quorum necessary for the transaction of business shall be two members, one being the CMP.

4.2 Decisions

A decision of the URC on which a vote is called by a Member shall require a simple majority to pass. Except where conflicted, the URC Chair has a casting vote.

4.3 Conflicts of Interest

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

4.4 Frequency

Meetings shall be held quarterly or as otherwise agreed. The URC Chair may call a meeting at any time.

4.5 Notice

Unless otherwise agreed, notice of meeting shall be sent to Members at least five calendar days ahead of the meeting date.

4.6 Papers

Papers shall be circulated ahead of the meeting in a timely manner.

4.7 Minutes

The Secretary shall minute the proceedings and decisions of all meetings.

5. Reporting Responsibilities

5.1 LLP Board

The URC shall report to the LLP Board after each URC meeting on proceedings on all matters within its duties and responsibilities, including but not limited to:

- Any matters to escalate with respect to the promotion of a culture of quality; and
- The conclusion of the SQM Annual Evaluation.

5.2 Regional Assurance Managing Partner ('RAMP')

The outcome and conclusion of the SQM Annual Evaluation shall be communicated to the RAMP.

5.3 Regional Managing Partner ('RMP')

Where the RMP is not also the CMP, the outcome and conclusion of the SQM Annual Evaluation shall be communicated to the RMP.

5.4 Engagement Teams and Other Individuals Assigned Activities within the SQM and External Parties

If the annual evaluation conclusion is other than reasonable assurance that the objectives of the SQM are being achieved, the committee must take appropriate action and communicate on a timely basis information about the annual evaluation conclusion. This information is to be provided to engagement teams and other individuals assigned activities within the SQM including external parties in accordance with the Member Firm's policies or procedures.

6. Duties

6.1 SQM Risk Assessment

Agree or make final amendments to the results of the annual SQM risk assessment process, including the principal risks to SQM effectiveness and accompanying controls which are pre-approved by the ORC/OC.

6.2 SQM Monitoring

Agree or make final amendments to matters regarding the Firm's Management's actions and workstreams to promote a culture of quality (which are pre-approved by the ORC/OC), including;

- How quality is embedded in strategic decision making, including financial and operational priorities;
- The sufficiency of quality-related communications to reinforce to all professionals their responsibilities and accountabilities for quality and expected behaviours;
- The adequacy of Firm communication channels; and
- Feedback from personnel on their experience of the Firm's culture, values and leadership.

Agree or make final amendments to material approved by ORC/OC with respect to:

- The ongoing effectiveness of the quality-related organisational design, including lines of communication, and assignment of roles, responsibilities and authorities;
- The design, implementation and execution of policies and procedures that mitigate the quality risks that address the quality objectives within the client acceptance and continuance of engagements within the scope of ISQM 1;
- The review and approval process to develop subject matter content of intellectual and technological resources to enable the operation of the SQM and to support the performance of engagements within the scope of ISQM 1;
- The design, implementation and execution of the policies and procedures that mitigate the quality risks that address quality objectives within engagement performance, including consultations.
- The SQM Monitoring Approach Plan, including the nature, timing and extent of testing of SQM Key Controls and completed engagements within the scope of ISQM 1.
- The results of the SQM Monitoring Activities, including the analysis of findings to identify deficiencies and the results of the root cause analysis to evaluate the severity and pervasiveness of deficiencies.

6.3 SQM Remediation – Quality Improvement Plans

Agree or make final amendments to the Quality Improvement Plans, as approved by the ORC/OC.

Review progress against and effectiveness of Quality Improvement Plans.

6.4 SQM Annual Evaluation and Other Approvals

On the recommendation of the ORC and as agreed by the OC, approve the qualified professionals to fulfil the ISQM 1 required roles and Service Line Function SQM responsibilities.

On the recommendation of the ORC and as agreed by the OC, approve the allocation and assignment of investments in sufficient resources to support the SQM.

On the recommendation of the ORC and as agreed by the OC, review, challenge and approve on behalf of the Firm the outcome and conclusion of the SQM Annual Evaluation.

7. Other

7.1 Delegation

The URC may delegate tasks, actions or activities to the other SQM committees to support in the fulfilment of its duties.

7.2 Review

These Terms of Reference shall be subject to annual review.

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

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