

EY UK – Terms of Reference for the Board Risk Committee

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1. Background

- 1.1 The Board Risk Committee ('BRC') has been established as a committee of the EY UK LLP Board (the 'LLP Board') in accordance with the EY LLP Partners' Agreement (the 'Partners' Agreement').
- 1.2 The BRC unless required otherwise by regulation, carries out the responsibilities for the LLP, major subsidiary undertakings and the Firm as a whole.
- 1.3 The BRC has the delegated authority of the LLP Board in respect of the functions and powers set out in these Terms of Reference. The LLP Board remains accountable for the functions and powers set out in these Terms of Reference.
- 1.4 The LLP Board is responsible for overseeing the risk management of the LLP, understanding risk management principles, protecting the LLP's resilience and overseeing the internal control framework for the LLP.
- 1.5 The LLP is a Member Firm of the EY Network and the BRC shall exercise or discharge the responsibilities contained within these Terms of Reference in a manner consistent with the LLP's obligations under the Regulations of Ernst & Young Global, Ernst & Young EMEA and EY Europe.
- 1.6 The Country Managing Partner is responsible for managing risk.
- 1.7 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

- 2.1 The purpose of the BRC is to support the LLP Board in respect of overseeing the risk management of the Firm, understanding risk management principles, protecting the Firm's

resilience and oversight of the Firm's internal controls framework.

- 2.2 The BRC has the following responsibilities:

- 2.2.1 Support and provide constructive challenge to Executive Management with respect to the management of risk within the Firm, including:
 - Review of an escalation report from the UK Executive Management Committee prepared by the UK Head of Risk (UK Risk Managing Partner), providing oversight of the matters considered, decisions reached and the effectiveness of mitigating and remediation actions taken by the UK Executive Management Committee.
 - Oversight of material risk events occurring outside of the direct remit of the BRC, including financial risks, etc to assess the effectiveness of actions taken, root cause analysis and lessons learned.
 - Assurance that the UK Head of Risk and the Head of Internal Audit have direct access to the LLP Chair and Board in order to raise any concerns with respect to matters within their respective remits.
 - Assessing the budgets and resources allocated to Risk and EY Internal Audit, escalating to the LLP Board any concerns in this regard.

2.2.2	<p>Advise the LLP Board on the risk elements with respect to the strategic direction of the Firm, including:</p> <ul style="list-style-type: none"> ▪ The Firm's overall risk appetite, tolerance and risk strategy. ▪ The principal and emerging risks the Firm is willing to take in order to achieve its long-term strategic objectives. ▪ The risk aspects of proposed changes to strategy, focusing in particular on implications for the risk appetite, tolerance and risk strategy of the Firm. 	<ul style="list-style-type: none"> ▪ Processes in place to monitor levels of risk, adherence with risk appetites and escalation and remediation where risk levels are outside appetite. ▪ Oversight of any strategic programmes related to risk management. ▪ Assessing the effectiveness of the management of risk across the three lines of defence, including the clear allocation and division of accountability and responsibility for risk management and controls. ▪ Plans adopted by the Firm with respect to disaster recovery and business continuity.
2.2.3	<p>Advise the LLP Board on the risk elements with respect to the strategic direction of the Firm, including:</p> <ul style="list-style-type: none"> ▪ The likelihood and the impact of principal risks materialising. ▪ The management and mitigation of principal risks to reduce the likelihood of their incidence or their impact. 	<ul style="list-style-type: none"> ▪ The effectiveness of the Firm's response to critical risk events. ▪ The adherence and effectiveness of implementation of any risk reduction or risk mitigation plans.
2.2.4	<p>Review and assess the effectiveness of the risk management within the Firm, including:</p> <ul style="list-style-type: none"> ▪ The risk management principles and policies. ▪ The risk exposures of the Firm with respect to resilience, including risks to the Firm's business model (operational / non-financial risks). ▪ The systems and processes in place to identify and assess principal and emerging risks. 	<p data-bbox="986 1332 1053 1373">2.2.5</p> <p>Review and assess the effectiveness of the internal control framework, including:</p> <ul style="list-style-type: none"> ▪ The design, implementation and operation of the control environment. ▪ The implementation of controls to mitigate principal and emerging risks, ensuring these are in compliance with applicable regulatory and legal requirements. ▪ The processes in place for monitoring and reviewing controls and the oversight of the implementation of management action where deficiencies or

- opportunities for enhancement are identified.
- The assurance received from key / critical suppliers, including Network Firms, with respect to the management or operation of key controls where the failure of these would materially impact the operation or reputation of the Firm.
- 2.2.6 Review and assess the culture of risk management within the Firm, advising the LLP Board and providing feedback to the UK Head of Risk, including:
 - The embedment of risk management throughout all levels of the Firm, evidenced by adherence to internal controls and whistleblowing reports.
 - The appropriate inclusion within reward systems of risk management metrics.
- 2.2.7 Review and assess how Risk has supported the successful operation of business activities.
- 2.2.8 Support the UK Head of Risk to ensure Firm representation and contribution to Global EY programmes with respect to risk management and operational resilience.
- 2.3 The BRC may delegate responsibilities to sub-committees or individuals whilst ensuring there is effective oversight of the delegated responsibilities.
- Review and approve the role and remit of Internal Audit, the associated responsibilities of the BRC and confirm annually the Internal Audit charter is appropriate to the current needs of the Firm;
 - The Head of Internal Audit will have unrestricted access to and communicate and interact directly with the BRC Chair;
 - Approve the annual Internal Audit plan and any proposed amendments, ensuring that it is aligned to the risk profile of the Firm;
 - Approve the internal audit function's resource plan, budget and expenses;
 - Review reports and status updates from Internal Audit, including key findings, management responses and implementation of recommendations;
 - Review, at least annually, the role and effectiveness of Internal Audit, and periodic consideration of whether an independent, third-party review is appropriate;
 - Review, at least annually the Head of Internal Audit performance;
 - Assess whether Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its remit and is equipped to perform in accordance with appropriate professional standards for internal auditors;
 - Obtain confirmation from the Head of Internal Audit, at least annually, of the organisational independence of the Internal Audit function; and
 - Review, on an annual basis, the results from Internal Audit's quality assurance and improvement programme, including the function's conformance with the IIA's Global Internal Audit Standards.

3. Internal Audit

Oversee Internal Audit activities:

- Approve the appointment or termination of appointment of the Head of Internal Audit;

4. Chair

- 4.1 The chair of the BRC ('BRC Chair') shall be appointed by the LLP Board from

amongst the elected members of the LLP Board.

- 4.2 In the absence of the BRC Chair at a BRC meeting or where the BRC Chair has a conflict of interest on one of the matters to be decided at any given meeting, the remaining eligible members present shall elect one of themselves to chair the meeting.

5. Membership

- 5.1 The BRC shall comprise at least five members, the majority of whom will be members of the LLP Board. No member shall hold an executive management position within the Firm.
- 5.2 BRC Members shall be appointed by the LLP Board having been recommended for appointment by the Nomination Committee in consultation with the BRC Chair.
- 5.3 BRC Members shall have appropriate experience, knowledge, influence and authority within the Business and sufficient time to fulfil their assigned responsibilities.
- 5.4 BRC Members who are not members of the LLP Board shall serve for an initial period of up to three years which may be extended by up to one additional three-year period, provided they still meet the criteria for membership to the BRC. BRC Members who are members of the LLP Board shall serve co-terminus as LLP Board members but may be removed on the recommendation of the Nomination Committee at any time.

6. Secretary

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

7. Quorum

- 7.1 The quorum necessary for the transaction of business shall be not less than half its membership and at least one member of the LLP Board. Any BRC member deemed to have a conflict of interest with respect to a particular matter shall not be counted for the

purposes of achieving a quorum for the relevant part of the meeting.

- 7.2 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).

- 7.3 A duly convened meeting of the BRC 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 BRC.

8. Notice of meetings

- 8.1 Meetings of the BRC shall be called by the Secretary at the request of the BRC Chair. Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be sent to each member of the BRC 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 BRC Chair.
- 8.2 Supporting papers, including an agenda of items to be discussed, shall be sent to BRC members and, as appropriate, attendees in a timely manner and in a form and of a quality appropriate to enable them to discharge their responsibilities.

9. Attendance

- 9.1 The BRC shall meet at least four times per year.
- 9.2 The UK Head of Risk shall be expected to attend all meetings of the BRC but shall have no voting rights. Other individuals may be invited to attend all or part of any meeting, as and when appropriate and necessary, but shall have no voting rights.

10. Decisions in writing

- 10.1 The BRC may make a decision in writing (including by email) and such decision shall be effective as if it was made at a meeting of the BRC and shall require approval by a simple majority of votes of all eligible (i.e. not conflicted) members.

11. Conflicts of Interest and confidentiality

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

- 11.2 BRC Members shall treat all information and documentation obtained with the necessary discretion. Confidential information shall not be disclosed outside the BRC, made public or otherwise made available to third parties, even after resignation from the BRC, unless it has been made public by the Firm or it has been established that the information is already in the public domain.

- 11.3 Each BRC member shall immediately disclose any actual or potential conflict of interest to the BRC. These conflicts shall be recorded by the Secretary.

12. Minutes

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

13. General matters

- 13.1 The BRC shall:

- 13.1.1 Have access to all relevant people and information to allow it to discharge their responsibilities, which, in so far as possible, shall include access to the same information as is available to the executive.

- 13.1.2 Give due regard to any relevant legal or regulatory requirements, as well as any guidance or best practice issued by relevant regulatory bodies

- 13.1.3 Have access to sufficient resources to carry out their duties (including access to the Firm's Company Secretary and UK General Counsel).

13.2 The BRC is authorised to:

- 13.2.1 Undertake any activity within its Terms of Reference.
- 13.2.2 Seek any information it requires from any employee of member of the Firm in order to perform its duties
- 13.2.3 With the approval of the LLP Board, the BRC may engage independent professional advice where it is judged necessary to discharge its duties.

14. Review and evaluation

- 14.1 The BRC shall at least annually formally review its terms of reference and recommend any changes it considered necessary to the Board for approval.
- 14.2 The performance of the BRC shall be overseen by the UK Chair and be subject to formal annual performance evaluation.

15. Reporting responsibilities

15.1 LLP Board

The BRC Chair shall report to the Board on its proceedings after each meeting.

The BRC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

15.2 Public Interest Board

The BRC Chair shall report to the Public Interest Board on its proceedings after each meeting to support INE assessment of risks to the resilience of the Business.

15.3 LLP Board Audit Committee

The BRC shall report to the LLP Board Audit Committee any risk management and internal controls matters that impact the work of the LLP Board Audit Committee.

15.4 Transparency Report

The BRC shall compile a report to be included in the Firm's Transparency Report, describing the responsibilities and decisions of the BRC, including the performance and outcomes of a review of the effectiveness of the risk management and system of internal control, the assessment of the principal risks and how these are managed and any risks to the Firm arising from the EY Network and how these risks are managed.

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