EY UK – Terms of Reference for the Audit Board Remuneration Committee (the 'Committee')

June 2026

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1. Constitution and Background

1.1 Constitution

The Committee has been established as a sub-committee of the Audit Board. The functions and powers of the Committee are set out in these Terms of Reference.

1.2 **Background**

The Committee has been formed in response to the publication of the FRC's Principles for Operational Separation of Audit Practices on 23 February 2021 (the '**Principles**'). The principles include a requirement for the Audit Board to have a remuneration sub-committee (Principle 8).

2. Purpose

2.1 The role of the Committee is to oversee the remuneration and promotion of Audit Partners.[1]

2.2 The remit of the Committee is to consider the policies and processes in relation to audit partner remuneration and promotion and whether those policies and processes have been applied.

2.3 The following matters are outside the remit of the Committee:

2.3.1 The selection and admission of Audit Partners, which will remain a partnership responsibility and subject to the governance procedures of the partnership in accordance with Principle 8;

2.3.2 The preparation or approval of the performance appraisal and/or remuneration of individual audit partners;[2]

2.3.3 Evaluation of the performance of individual audit partners or the recommendation of compensation of individual audit partners.[3]

3. Membership

3.1 **Membership**

3.1.1 The Committee shall comprise at least two members (including the chair).

3.1.2 All members of the Committee shall be Audit Non-Executives who are also members of the Audit Board.

3.1.3 Appointments to the Committee are made by the Audit Board.

3.1.4 Members of the Committee may be removed by the Audit Board at any time.

3.1.5 Upon a Committee member ceasing to be a member of the Audit Board, they will automatically and immediately cease to be a member of the Committee.

3.2 **Chair**

3.2.1 The Audit Board shall appoint the Committee chair.

3.2.2 In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting

3.3 **Attendees**

Committee members have the right to attend all Committee meetings. Other attendees may be invited to attend all or part of any meeting, as and when

[1] An audit partner is defined as a Responsible individual (RI) who signs audit opinions within the Audit Practice.
[2] See FRC definition of "covered person" (Glossary of Terms (Auditing and Ethics), December 2024)
[3] See SEC definition of "chain of command" (SEC Rule 210.2-01 Qualification of accountants)

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 Committee (**'Secretary'**).

4. Meetings

4.1 **Quorum**

4.1.1 The quorum necessary for the transaction of the business shall be two members. Any Committee 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.

4.1.2 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).

4.1.3 A duly convened meeting of the 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 Committee.

4.2 **Decisions**

4.2.1 A decision of the Committee on which a vote is called by a member of the Committee shall require a simple majority of the votes of all the members of the Committee present. Subject to any conflicts of interest, each member shall have one vote. Votes may be taken in any manner approved by the Audit Board chair

4.2.2 Except where they have a conflict of interest, the Committee chair shall have a casting vote where the votes for and against any proposal are equal.

4.3 **Conflicts of Interest**

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

4.4 **Frequency**

The Committee shall meet at least twice a year

4.5 **Notice**

Meetings of the Committee shall be called by the Secretary at the request of the 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 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 determined by the Committee chair.

4.6 **Papers**

Supporting papers shall be sent to Committee members and, as appropriate, attendees in a timely manner to enable full and proper consideration to be given to issues.

4.7 **Minutes**

The Secretary shall minute the proceedings of all Committee meetings

5. Reporting responsibilities

5.1 **Audit Board**

The Committee chair shall report to the Audit Board on its proceedings after each meeting on all matters within its duties and responsibilities.

Finalised minutes of all Committee meetings shall be made available upon request by the Secretary to the Audit Board.

6. Duties

6.1 **Audit Partner Performance Assessment Process**

Review and advise the Audit Board with respect to the results of the annual Audit Partner performance assessment process (for partners who form part of the EY UK Audit Practice[4] (**'Audit Practice'**)) with reference to the policies, process and outcomes related to audit quality.

6.2 **Audit Partner Remuneration Policies**

Review and advise the Audit Board with respect to the Firm's policies related to Audit Partner remuneration, so as to ensure that:

6.2.1 Primary weight for in-year performance relating to an Audit Partner's audit portfolio is given to contribution to audit quality (taking account of the degree of difficulty and risk of the audits);

6.2.2 Audit Partners are not incentivised for sales passed to other parts of the Firm; and

6.2.3 Audit Partners can be recognised for sales and delivery of permissible assurance services undertaken within the Audit Practice.

6.3 **Audit Partner Promotion Process**

6.3.1 Understand and advise the Audit Board in respect of the process for consideration of audit quality in the context of the selection of candidates for Non-Equity Partner and the selection of candidates to be admitted to the partnership to practice as Audit Partners ('Audit Partner Promotion').

6.3.2 Receive an update on the outcome of the annual Audit Partner Promotion process including how audit quality has been considered as part of this. The Committee shall make recommendations to the Audit Board where the outcomes are found to be inconsistent with the agreed process

6.4 **UK Head of Audit Annual Review**

The Committee shall be provided an opportunity to provide feedback to the Country Managing Partner in the context of the annual review of the performance of the UK Head of Audit.

7. Other

7.1 **Access**

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

7.2 **Resources**

The Committee shall 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 it requires from employees of the Audit Practice in order to perform its duties.

[4] The EY UK Audit Practice is defined in the EY Audit Perimeter Policy

7.3 **Independent Advice**

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

7.4 **Regulatory Requirements**

The Committee shall give due regard to any relevant legal or regulatory requirements, as well as any guidance or best practice issued by relevant regulatory bodies.

7.5 **Delegation**

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

7.6 **Disagreements**

In the event of a disagreement between Committee members, the LLP Board shall be notified of the matters in dispute.

In the event the Committee disagrees with the Audit Board's advice to the LLP Board regarding the Audit Partner Remuneration and Promotion matters set out in the Audit Board Terms of Reference, the Committee shall raise a concern with the Audit Board chair. Following that discussion, in the event that the concern remains unresolved, the Committee chair shall notify the LLP Board chair in writing and a meeting to discuss and agree a way forward shall be convened between the Committee chair, the Audit Board chair, the LLP Board chair and a representative from the Accountable Executive Committee

7.7 **Review**

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

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