

# Leadership Team - Terms of Reference

## Purpose and objectives of the body

### Overview

The Leadership Team (LT) is the main body in BDO's governance structure that provides executive leadership to the organisation.

LT is responsible and accountable for:

- Designing and driving the content of long-term, sustainable strategy (including the firm's purpose, values and culture), to ensure the ongoing resilience of the firm
- Ensuring an appropriate focus on quality, including (but not limited to) audit quality
- Visibly promoting our brand
- Monitoring our markets and responding accordingly
- Supporting partners and our people to succeed
- Collaborating with Partnership Council to nurture, sustain and evolve our culture
- Engaging with external stakeholders
- The design, implementation and the operational effectiveness of the firm's System of Quality Management and supporting quality and risk management frameworks

Significant matters impacting the way in which LT discharge their leadership responsibilities include:

- The economic environment and market conditions in their broadest sense
- The financial stability and trading performance of the firm
- Geopolitical factors, sustainability and ESG considerations
- The current regulatory and professional environment and our associated obligations
- Consideration of the public interest
- Our membership of BDO International
- Our partnership deed and governance - including the requirement to formally report to Partnership Council on certain matters
- Our firmwide strategic framework and priorities
- Our firmwide policies, processes and procedures
- The complexity and size of our organisation including our organisational structures.

### *Management vs Leadership vs Oversight*

In addition to their focus on these leadership responsibilities, LT provides oversight of other governance bodies (such as the Operations Board, Quality & Risk Executive, and Stream Executives) where management activities have been delegated to those bodies, ensuring that they are held to account and deliver against the firm's strategic objectives.

LT will *oversee* all matters that it has delegated including but not limited to the following:

- Implementation, monitoring and reporting on the progress of strategic plans and initiatives supporting delivery of the firm's Strategic Framework
- Setting policies supporting the delivery of the firm's Strategic Framework, noting that some specific policies may require approval from other governance bodies
- Management of financial and commercial matters
- Horizon scanning on specific matters which may include ESG, people and digital matters
- Regulatory compliance
- The design, implementation and the operational effectiveness of the firm's System of Quality Management and supporting quality and risk management frameworks.

### *Stakeholders*

LT's primary stakeholders are:

- The Partners
- Partnership Council
- Business Interest Oversight Board
- The INEs (both individually and as members of the Public Interest Committee)
- The firm's employees
- BDO's governance bodies that report into LT including the Operations Board, the Stream Executives, the Quality & Risk Executive, and other bodies that may be created from time to time, dependent on business need
- Regulatory bodies
- BDO International

LT should also consider the views of wider society and the media when conducting business.

### *Accountability*

LT is ultimately accountable to the Equity Partners of BDO. This accountability is realised through the oversight of LT by Partnership Council, the Public Interest Committee and the Business Interest Oversight Board.

### **Chairing the body**

#### *Appointment*

The LT is chaired by the firm's Managing Partner (MP), who is elected by the Equity Partners. The MP is appointed for a four-year term and may serve a maximum of two terms. Partnership Council determine the procedures for the MP election including the nomination and approval of candidates.

### *Alternate arrangements*

Should the MP be unavailable to chair any meeting of the Leadership Team, they may nominate another LT member to chair the meeting(s). In the absence of such a nomination, the LT members present may elect, by majority, a chair from their number.

Should the MP cease to hold office during their term (as set out in the Members' Agreement), LT as a body will continue in office until Partnership Council arrange for the election of a new MP. The remaining LT members will elect a chair from their remaining number, by majority, for this interim period.

### *The role*

The skills and attributes required/desired in a Managing Partner are set out in the separate MP Role Description. As chair of the LT, responsibilities include:

- Setting meeting agendas
- Ensuring that the LT receives accurate, timely and clear information
- Keeping track of the contribution of individual LT members
- Ensuring that all LT members are involved in discussions and decision-making
- Assigning actions to specific LT members.

At all meetings the chair should direct discussions towards the emergence of a consensus view and sum up discussions so that everyone understands what has been agreed.

## **Membership**

### *Appointment process*

The firm's Managing Partner nominates the Partners to serve on the Leadership Team, known as the Slate. The Slate is approved by Partnership Council and the Slate becomes the Leadership Team for the tenure of the Managing Partner. The Managing Partner is also automatically a member of the LT.

### *Designated Members*

All members of LT are appointed as Designated Members of the LLP and therefore have the statutory responsibilities set out in the Limited Liability Partnerships Act 2000 for the duration of their tenure as an LT member.

### *Composition*

There is no minimum or maximum number of members of the LT. However, the MP should ensure the composition of the LT reflects the needs of the business in terms of skill mix and behavioural attributes.

LT should also be of such number that allows for suitably diverse thinking, representative of the whole organisation but is not too large in number to be difficult to chair or manage.

At the time of the Slate being determined, the MP should indicate the broad areas of strategic, tactical or operational responsibility each member of LT will bear.

### *Behavioural standards*

As Partners in the firm, all LT members are expected to adhere to our Required Standards of behaviour (as defined in the Members' Agreement, the firm's Code of Conduct and the Partner Code of Conduct (as set out in the Partner Protocols).

As visible leaders of the firm, members of LT are expected at all times to uphold and promote the highest standards of conduct in everything they do both internally and externally and to set an appropriate tone from the top. This includes demonstrating a commitment to quality through their actions and behaviours.

### *Changes in membership*

A Partner ceases to be a member of LT in any of the circumstances set out in the Members' Agreement. Should a vacancy arise during a Managing Partner's tenure, the MP may replace that LT member with another Partner subject to Partnership Council approval.

The MP may also add members to LT or alter the responsibilities of LT members with Partnership Council approval.

Should the MP cease to hold office during their term (as set out in the Members' Agreement), LT as a body will continue in office until Partnership Council arrange for the election of a new MP and the approval of a new Slate.

The LT will continue to have authority to act even if there are vacancies.

## **Meetings**

### *Cadence*

The LT will meet at least once each month.

The MP will have the discretion to:

- Call meetings more frequently
- Set the length of time for each meeting
- Allocate meetings for a particular purpose eg portfolio reviews, profit sharing reviews or strategy discussions.

Should an LT member have an item of business to be discussed outside of the normal schedule of meetings, a request should be made to the MP. If the MP is unavailable or unwilling to call a meeting, then a meeting may be called on the agreement of more than 50% of the other LT members (Special Purpose Meeting).

### *Attendance*

A meeting will be quorate when greater than 70% of LT members are in attendance.

The firm's Senior Partner will attend the designated LT Strategy Days that are held from time to time and will ordinarily attend other LT meetings as an observer. They may therefore not vote when LT are making decisions. The Senior Partner may suggest that decisions are referred to the Business Interest Oversight Board, Public Interest Committee or Partnership Council from time to time beyond those matters that must be reported or referred to those bodies.

The MP or the LT member sponsoring a particular agenda item may invite non-LT members (internal and external) to attend to present or support discussion during the relevant part of the meeting.

### *Logistics*

Meetings may be held in person, virtually or as a hybrid of the two, with the MP giving direction on the meeting format to be adopted on any given date.

Meeting agendas will be set by the MP, other than in the case of a Special Purpose Meeting where the agenda is set by the LT member seeking the meeting.

Generally, 24 hours' notice should be given of any LT meeting, although this may be varied in exceptional circumstances.

Papers to support the meeting agenda should be available for review at least 48 hours in advance of the meeting.

At the commencement of each meeting, members will be asked to declare any conflict of interest in agenda items and if appropriate should recuse themselves from the relevant portion of the meeting.

Minutes will taken at each meeting by a designated member of the Partnership Office team. Confidential notes or matters of sensitivity will be recorded in a separate document that will only be available to LT members and the Senior Partner.

Minutes of the LT Meetings will be published periodically on the secure Partner Portal. The MP has the discretion to authorise publication of minutes of meeting allocated for a particular purpose eg profit sharing or strategy days.

## **Decision making**

### *Voting*

When making decisions each LT member's vote carries equal weight. In the event of a deadlock, the MP has the casting vote. Meetings in which a vote occurs must be quorate. Where a decision is made outside of a meeting (for example via email), more than 70% of members must respond. In the event of deadlock, the Managing Partner has the casting vote.

## **Responsibilities**

### General

The LT shall have the powers and duties allocated to it under these Terms of Reference. The LT shall also have the powers and duties allocated to it under the current edition of the Members' Agreement and Partner Protocols including those powers and duties that are added or amended in any subsequent Equity Partner votes that may vary the terms of the Members' Agreement.

The powers and duties allocated under these Terms of Reference are:

### Strategic

- To ensure the Strategic Framework remains relevant for the firm in the current environment and where changes are required, recommend these to the Business Interest Oversight Board for review and onward recommendation to Partnership Council for approval
- To reconfirm the appropriateness of that Strategic Framework at least annually and report that fact to the Business Interest Oversight Board
- To design the overall strategy for the firm at the commencement of a MP's term in office and present this to the Business Oversight Board for review and onward recommendation to Partnership Council for approval

- To direct the firm's Stream Executives (Audit, Deals, Tax and Consulting, Risk & Outsourcing), Quality & Risk Executive, the Operations Board and other LT led bodies to produce strategic plans in line with the overall strategy set for the firm, ensuring that all necessary aspects of running the business effectively are included as follows (noting this is not an exhaustive list):
  - Quality
  - People and Partner matters (including succession planning and key person risk)
  - Risk and Reputation Management
  - Clients & Markets
  - Communication and engagement
  - Regulation
  - IT and other infrastructure
  - Innovation and transformation
  - Finance and commercial management
- To direct the firm's Finance Partner to produce an annual budget for the LLP taking into account the firm's strategy and the strategic plans of the business; and, following appropriate review and challenge, recommend the annual budget for approval by the Business Interest Oversight Board
- To review the structure of the management bodies annually to ensure they are fit for purpose in terms of structure and membership
- To foster a collaborative culture in the day to day running of the LLP
- To design and implement the firm's System of Quality Management and supporting quality and risk management frameworks for a firm of this size and complexity delegating to the Quality & Risk Executive and/or the Stream Executives if appropriate
- To take ultimate responsibility and accountability for the firm's System of Quality Management including its operational effectiveness
- To manage reputational issues proactively taking the necessary steps to engage with stakeholders with the aim of protecting the firm
- To conduct appropriate contingency planning with the aim of protecting and enhancing the partnership for the long term
- To make recommendations to the Business Interest Oversight Board in relation to significant strategic partnerships, major investments, divestments, contracts or transactions having conducted initial research and due diligence
- To approve minor transactions relating to strategic partnerships or investments to the extent that they have been previously presented in the annual budget or the strategic plans, do not impact partner equity and are not considered significant or major in the context of the previous item
- To approve strategic decisions in relation to our people proposition including (but not limited to) significant hiring programmes outside of the annual budget or the strategic plans, significant changes to Terms & Conditions and redundancy programmes (in this case consulting with the Business Interest Oversight Board where greater than 2% of employees are affected)
- To secure appropriate external financing for the business in conjunction with the Finance Partner and ensuring Business Interest Oversight Board approval is sought for renewal of bank facilities on behalf of the partnership
- To contribute effectively to the BDO global network.

## Operational

- To approve appointments to individual management and leadership roles, including but not limited to:
  - Heads of Stream
  - SBU Lead Partners
  - Regional Managing Partners
  - National Sector Leaders
- Where roles require approval from an oversight body, LT or the Managing Partner makes recommendations on those appointments including Chief Operating Officer, Finance Partner, Ethics Partner and Head of Quality & Risk
- To review the trading performance of the business against the previously approved budget on a monthly basis, design and implement any necessary management actions following that review and to report on trading performance to the Business Interest Oversight Board
- To regularly monitor cashflow in conjunction with the Finance Partner and to report on this to the Business Interest Oversight Board
- To approve business decisions other than those explicitly required to be presented to the Business Interest Oversight Board (by definition or because the quantum exceeds the threshold set out in the Business Interest Oversight Board Terms of Reference) eg guarantees, property decisions, appointment of advisers and bankers
- To determine and place insurance cover for the LLP including appropriate Professional Indemnity Insurance cover
- To attend Client Acceptance or Continuance Panel meetings, in the numbers required by the relevant policy published on Insite
- To oversee, in conjunction with the Partnership Office team, Legal team, HR team and Q&R team, circumstances, complaints, grievances and whistleblowing reports brought against the LLP or its members
- To receive regular reports on prescribed matters from bodies or partners that report to LT - including (but not limited to) the Operations Board, the Stream Executives, Head of Quality & Risk, Finance Partner
- To receive updates, reports and recommendations from other LT led bodies that are constituted from time to time
- To delegate operational responsibility to management bodies, partners or other LT led bodies where appropriate

## Partner matters

- To demonstrably uphold our Values and hold to account those who do not
- To approve individual Equity Partner business interests as set out in the Members' Agreement
- To provide consent to individual Equity Partners wishing to take up restricted positions as set out in the Members' Agreement eg power of attorney, Lloyds member
- To design and implement appropriate health and wellbeing policies and procedures for partners including determining holiday entitlements; significant changes from currently operated protocols should be referred to Partnership Council for decision

- To design and implement appropriate performance management procedures for partners, including appropriate assessment of Quality & Risk; significant changes from currently operated protocols should be referred to Partnership Council for decision
- To design and implement appropriate disciplinary procedures for partners; significant changes from currently operated protocols should be referred to Partnership Council for decision
- To recommend to Partnership Council that a claim be brought against a partner or former partner by the LLP
- To periodically review and refresh the Partner Code of Conduct with final approval provided by Partnership Council
- To set remuneration packages for Salaried Partners annually
- To design and implement the process for partner admissions and make recommendations to Partnership Council on individual candidates
- To make recommendations to Partnership Council regarding the designation of a leaving Equity Partner as a Competing Leaver
- To make recommendations to Partnership Council regarding exit arrangements that vary the terms of the Members' Agreement
- To make recommendations to Partnership Council to suspend, compulsorily retire or expel partners having consulted with local management and followed due process in relation to performance management or disciplinary procedures
- To organise regular opportunities for Leaders and Partners to be informed of matters of interest relating to partnership performance.

In relation to profit share to:

- Set the shape of profit share ie First and Second Tranche split
- Set the grid as it applies to the partnership excluding consideration of the Senior Partner, Managing Partner and LT positions
- Set proposals for profit shares for all Equity Partners (other than Managing Partner, Leadership Team and the Senior Partner) for consideration by Partnership Council
- To hear first level appeals on profit share from individual Equity Partners
- Set the capital requirements of the LLP and proportions in which it is to be contributed
- Set Equity Partner drawings
- Make recommendations in relation to Third Tranche (annual and contractual commitments).

## **Connectivity with other bodies**

The LT is positioned in the Leadership layer of the governance structure. It has multiple connections with other bodies as set out in the Governance structure chart.

Each body has its own Terms of Reference which sets out the key relationships with other bodies and includes summarised descriptions of the information flows that are expected to take place.

LT decisions and information may be shared with the Communications Partner to ensure key messages are delivered through the appropriate communications and engagement channels across the firm.



### **Disagreements or disputes**

To the extent that a decision leads to a disagreement or dispute within LT, then the matter should be escalated by the MP to the Senior Partner for discussion at the Business Interest Oversight Board or Partnership Council as appropriate to seek a resolution.

### **Assessing effectiveness of the Chair and the body**

The effectiveness of the Managing Partner and LT members as individuals is assessed annually as part of the partner performance review process.

The Managing Partner may commission an effectiveness review of the LT as a collective at any time it is deemed necessary, but it is recommended that this type of exercise be conducted every two years at the mid-point of the MP's term of office.

The Senior Partner in their oversight role may also commission an effectiveness review of LT to gain assurance over the effectiveness and efficiency of the governance structure of the firm. Such a review should only be commissioned following discussion with the Managing Partner but the final decision to proceed rests with the Senior Partner.

### **Schedule for reviewing Terms of Reference**

It is intended that the Terms of Reference will be reviewed at least annually, generally in October.

*Approved by the Leadership Team in November 2024*

#### Version History

Date	Version	Description
01/01/2022	1.0	Formally adopted following implementation of the revised governance structure from 1 January 2022
04/10/2022	2.0	Reviewed and approved by the Leadership Team
21/11/2023	2.1	Revised draft presented for review by the Leadership Team
14/12/2023	3.0	Reviewed and approved by the Leadership Team
07/11/2024	4.0	Reviewed and approved by the Leadership Team following transition on 1 October 2024