

# Leadership Team - Terms of Reference

## Purpose and objectives of the body

### Overview

The Leadership Team (LT) is the key 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 longer-term strategy, including an appropriate focus on quality
- Visibly promoting our brand and external focus
- Supporting partners and our people to succeed
- Collaborating with Partnership Council to engender and sustain our culture
- The design, implementation and the operational effectiveness of the quality and risk management framework
- The design, implementation and operational effectiveness of the systems of internal control

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

- The economic environment, market conditions and the financial stability and trading performance of the firm
- 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 PC on certain matters
- Our firm-wide strategy, priorities, organisational structures, processes and procedures
- The complexity and size of our organisation

### *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 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:

- Implementing the strategy of the firm and receiving reports from the Stream Executives and Operations Board
- Monitoring and reporting on the progress of the strategy, plans, initiatives and objectives
- Setting the key policies supporting the purpose, strategy and objectives of the business, noting that some specific policies may require approval from other governance bodies



- Regulatory compliance

*Management vs Leadership vs Oversight (cont)*

- Design and implementation of the quality and risk management frameworks, including the assessment of operational effectiveness of the framework
- Design and implementation of the systems of internal control, including the assessment of operational effectiveness of this system

*Stakeholders*

LT's primary stakeholders are:

- The Partners
- Partnership Council
- Business Interest Oversight Board
- The firm's employees
- BDO's governance bodies that report into LT including the Operations Board, the Stream Executives, QRMC, and the LT Advisory Groups
- 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 PC 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:

- determination of the order of the agenda
- 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.

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 voted upon, 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).

In addition, 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 PC 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 PC 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 (Monthly LT meeting).

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 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).

### *Logistics*

Meetings may be held in person or virtually.

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 or Secretariat. Confidential notes or matters of sensitivity will be recorded in a separate document that will only be available to LT members.

Minutes of the Monthly LT Meetings will be published periodically on the secure Partner Portal. The MP has the discretion to authorise publication of minutes of other LT meetings.

### *Attendance*

A meeting will be quorate when greater than 75% 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. The firm's Senior Partner may also be invited to attend LT meetings by the MP. They will attend in a non-executive capacity and therefore may not vote when LT are making decisions. The Senior Partner may suggest that decisions are referred to BIOB, PIC or PC 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.



## 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 75% of members must respond. In the event of deadlock, the Managing Partner has the casting vote.

## Designated powers

### 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 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 design the overall strategy for the firm at the commencement of a MP's term in office and present this to BIOB for review and onward recommendation to PC for approval
- To reconfirm the appropriateness of that strategic framework at least annually and report that fact to BIOB
- To prepare on an annual basis a business plan for the firm and the Audit, Tax and Advisory Streams and present this to BIOB for approval, ensuring that all necessary aspects of running the LLP effectively are included as follows (noting this is not an exhaustive list):
  - People matters
  - Quality
  - Risk and Reputation Management
  - Clients & Markets
  - Communication and engagement
  - Regulation
  - IT and other infrastructure
  - Finance and PII
- To review the structure of the management bodies annually to ensure they are fit for purpose in terms of structure and membership
- To engender a collaborative culture in the day to day running of the LLP
- To design and implement an appropriate quality and risk management framework for a firm of this size and complexity delegating to QRMC and/or the Stream Executives if appropriate
- 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 BIOB in relation to significant strategic partnerships, major investments or transactions having conducted initial research and due diligence, noting the thresholds required for BIOB approval are set out in the BIOB ToR
- To approve minor transactions relating to strategic partnerships or investments to the extent that they have been previously presented in the annual business plan, do not impact partner equity and are not considered significant or major in the context of the previous item



## Designated powers (cont)

### Strategic (cont)

- To approve strategic decisions in relation to our people proposition including (but not limited to) significant hiring programmes outside of the annual business plan, significant changes to T&Cs and redundancy programmes (in this case consulting with BIOB where greater than 2% of employees are affected)
- To secure appropriate external financing for the business in conjunction with the Finance Partner and ensuring BIOB approval is sought for renewal of bank facilities on behalf of the partnership
- To contribute effectively to the BDO global network

### Operational

- To review the trading performance of the business against the previously approved business plan on a monthly basis, design and implement any necessary management actions following that review and to report on trading performance to BIOB.
- To regularly monitor cashflow in conjunction with the Finance Partner and to report on this to BIOB
- To approve business decisions other than those explicitly required to be presented to BIOB (by definition or because the quantum exceeds the threshold set out in the BIOB ToR) eg guarantees, property decisions, appointment of advisers and bankers
- To recommend to PC the designation of investments as a Business Investment
- To determine and place insurance cover for the LLP including appropriate Professional Indemnity Insurance cover
- To oversee, in conjunction with the 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 Q&R, Finance Partner
- To receive updates, reports and recommendations from LT Advisory Groups that are constituted from time to time
- To delegate operational responsibility to management bodies, partners or LT advisory groups where appropriate

## Designated powers (cont)

### Partner matters

- To demonstrably uphold our Values and hold to account those who do not
- To approve individual partner business interests as set out in the Members Agreement
- To provide consent to individual 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 PC for decision
- To design and implement appropriate performance management procedures for partners; significant changes from currently operated protocols should be referred to PC for decision
- To design and implement appropriate disciplinary procedures for partners; significant changes from currently operated protocols should be referred to PC for decision
- To recommend to PC 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 PC on individual candidates
- To make recommendations to PC regarding the designation of a leaving partner as a Competing Leaver
- To make recommendations to PC regarding exit arrangements that vary the terms of the Members' Agreement
- To make recommendations to PC 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 partners (other than Managing Partner, LT and the Senior Partner) for consideration by PC
- To hear first level appeals on profit share from individual partners
- Set the capital requirements of the LLP and proportions in which it is to be contributed
- Set partner drawings
- Make recommendations in relation to 3Ts (annual and contractual commitments)



### **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 BIOB or PC as appropriate to seek a resolution.

### **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 descriptions of the information flows that are expected to take place.

Meetings for each body are minuted and decisions made are recorded. Actions are cascaded up or down the governance structure by the appropriate member of each body supported by the Secretariat for that body.

Minutes of meetings may also be published on the Partner Portal for current and future reference. Decisions are typically shared at regular Leaders and All-Partner calls. Information is also regularly shared with the Communications Partner to ensure key messages are delivered through the appropriate communications and engagement channels across the firm.

### **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 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 annually in October