

Our commitment to audit quality

Information for audit committees,
investors and other stakeholders

January 2024



Audit committees, investors and other stakeholders

We are pleased to present the audit quality report of EY Canada¹. At EY Canada, we understand the enormous trust that is placed in us as independent auditors, and we embrace our responsibility to perform audits that promote trust and confidence in financial reporting and capital markets. Our commitment to audit quality is unwavering.

As leaders, we set clear expectations for the quality of work our professionals do each day, and we foster a culture of integrity and accountability, based on strong ethics and our shared values of respect, teaming and inclusiveness. Quality is foundational to our firm and we continue to reinforce the importance of acting with integrity in everything we do.

Our People

Developing and retaining our professionals is vital to who we are as a firm and to sustaining audit quality over the long run. We continue to focus on career development and the well-being of all of our professionals. While we are now bringing our audit teams together in person more often, we are committed to maintaining a hybrid work environment that gives our people the flexibility to work remotely part of the time. Further, our diversity, equity and inclusion (DEI) efforts remain a top priority because we believe diverse teams drive better decision making and stimulate innovation.

Technology and Transformation

We have an ongoing audit transformation strategy focused on the future and are investing in innovative technologies and using a data-first approach to continuously enhance audit quality. The global EY organization is investing over US\$1bn in next generation assurance technology to power data-driven and artificial intelligence (AI)-enabled assurance services. Over the past 12 months, more than 20 significant new assurance technology capabilities have been released including next generation data analytics and new AI-enabled algorithms are being developed directly within our core EY Canvas audit platform to support teams with risk assessment and journal entry anomaly detection.

System of Quality Management

We concluded that as of our fiscal year end on June 30, 2023, our system of quality management provided us with reasonable assurance that the system's objectives were being achieved.

¹ See page 34 for further details.

Supporting our teams

We demonstrate our commitment to audit quality and continuous improvement through the support we provide our audit teams. Our specialists who focus on areas such as tax, IT, valuations and forensics have never been more engaged in assisting our audit teams to deliver high-quality audits. In fiscal 2023 our Professional Practice group provided support to over 150 audit teams through real time assurance reviews, completed prior to issuance of our audit report. Similarly our Quality network supports audit teams on complex and higher-risk audit areas and coached over 60 audit teams in fiscal 2023.

Looking ahead

We continue to engage with regulators, investors, audit committees and other stakeholders to address key topics for our capital markets, including the responsible use of AI and reporting on environmental, social and governance (ESG) matters. EY has launched

an AI assurance framework that provides guidance on how to assess an entity's development and usage of AI. We are also focusing on shaping the audit of the future and helping solve the profession-wide challenge of fewer people entering the profession.

In closing, we take our responsibility to serve the capital markets very seriously. From our most senior leaders to the most junior members of our audit teams, we are each accountable for the quality of the firm's audits. We continue to reinforce this message in our communications about driving greater consistency in audit execution and in our coaching and training.

We welcome any comments and questions you may have about the matters discussed in this report. Please contact an EY Canada partner for more information.

As of January 1, 2024, a significant portion of the people in our technology risk competency in our consulting business have moved into assurance given the importance of IT skills to our assurance practice.

Jad Shimaly

Chair
EY Canada



Zahid Fazal

Managing Partner, Assurance Services
EY Canada



Janice Rath

Partner, Professional Practice Director
EY Canada



We define audit quality as:

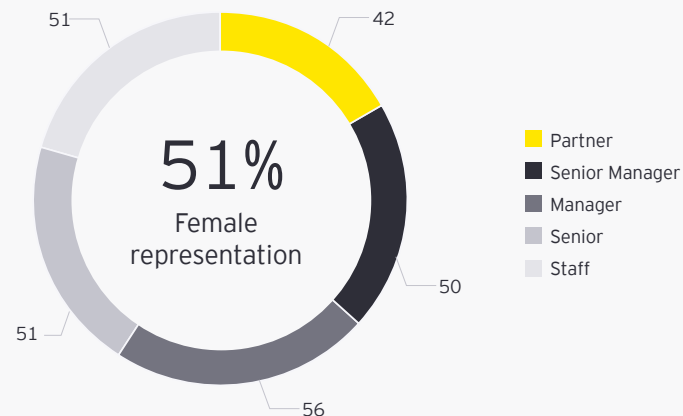
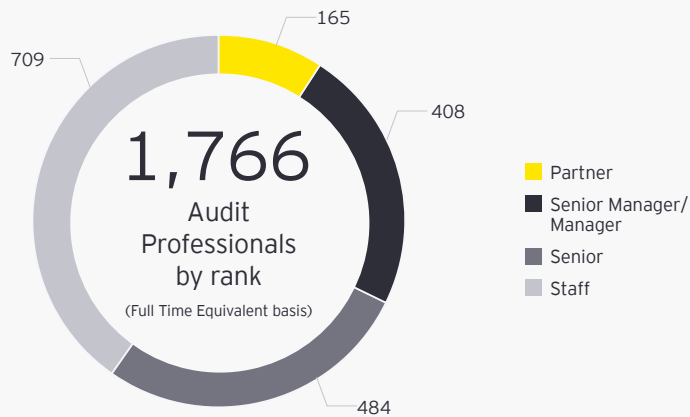
- Being **independent** and **objective**, and **acting with integrity** and professional **skepticism**
- **Complying** with professional standards, including exercising due professional care
- **Deploying** multidisciplinary teams, with appropriate skills and experience
- **Identifying** risks at the companies we audit and designing appropriate audit responses
- **Leveraging a continuous improvement mindset**, coupled with effective supervision and review, to pace our work and to address issues early
- **Using innovative technology** to deepen our understanding of a business and obtain better-quality audit evidence
- **Having honest, robust and timely communications** with the audit committee and management

The result:

Independent audit opinions that promote trust and confidence in the capital markets

A snapshot of key metrics from FY23

OUR PEOPLE



28% of the practice self-identifies as visible minorities (racially and ethnically diverse¹, (R&ED))

17%

of promotions to partner were **visible minorities**.

44%

of promotions to partner were **women**.

¹ According to the federal Employment Equity Act these are "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour." (South Asian, Chinese, Black, Filipino, Arab, Latin American, Southeast Asian, West Asian, Korean and Japanese).

215

Real time assurance reviews performed²

34%

Average partner and senior manager/manager **hours on public company engagements**

14%

Percentage of **public company audit hours** generated by EY specialists

1:8

Ratio of Quality Network and Professional Practice Partners to Audit Partners

70

Approximate **average hours of continuing professional education training** taken by each of our audit professionals

93%

Of our professionals observe that the firm and engagement leadership demonstrate their **commitment to delivering quality audits**

650

Assurance professionals **hired from university campuses**

79%

Retention rate

1,500

EY Helix data analyzers delivered for 2022 audits

We also monitor the percentage of partners in leadership positions who are women and R&ED professionals. This year,

48%

of assurance leaders are **women** and

19%

of assurance leaders self identify as **visible minorities**.

21%

Audit hours performed by offshore professionals and our onshore centre of excellence

² Reviews performed by our Quality Network or Professional Practice Group prior to completion of the audits. See pages 30 and 31 for more details. Metrics are for fiscal 2023.

Our commitment to serving the public interest

We strive to continuously improve the quality of our audits to protect investors.

Serving the public interest

As auditors, we understand and take seriously our important role in the financial reporting ecosystem, and we embrace our responsibility to serve the public interest. We view audit quality through the lens of the audit committees and investors, and we are confident that the actions we are taking will enable us to consistently perform high-quality audits, innovate the audit and strengthen our system of quality control.

We also understand the importance of providing transparency about how we conduct our audits. In this report, we describe the factors that drive audit quality for EY Canada and how we measure our performance at the individual partner level, the engagement level and firmwide.

Leadership, tone at the top and mindset

We set a clear tone from the top that executing high-quality audits is our top priority. In their communications, our leaders reinforce the cornerstones of our culture - maintaining our independence and objectivity, acting with integrity, exercising professional skepticism and being accountable for the quality of our work - in addition to values such as respect, teaming and inclusiveness.

EY professionals in Canada, like those at all EY member firms, are required to affirm their commitment to upholding the **EY Global Code of Conduct** each year. The Code stresses the importance of performing quality work, acting with integrity, maintaining our objectivity and independence, and protecting confidential information, among other things.

In addition, all EY Canada professionals and certain others affirm their compliance with our independence policies each quarter, as discussed below. All of our professionals are held accountable for living our values and adhering to the Code of Conduct.

We reinforce these behaviours in both training and messaging across the Firm. We also maintain an ethics hotline that our people can use to anonymously report any potential unethical behaviour they encounter.

Our partners are evaluated based on factors such as the tone they convey to their teams, including their emphasis on the behaviours that contribute to audit quality, their level of consistent and direct involvement in the audit, the results of inspections, and their mentoring activities.



Our values: who we are

- ▶ People who demonstrate **integrity, respect, teaming** and **inclusiveness**
- ▶ People with **energy, enthusiasm** and the **courage to lead**
- ▶ People who **build relationships** based on **doing the right thing**

Our global organization

EY Canada is a member of a global organization that is committed to conducting high-quality audits and requires each member firm to maintain a system of quality control that meets high standards. This structure provides a shared set of values for auditors at EY member firms around the world. It also enables large-scale investments in technology, training and methodology that would be difficult for member firms to achieve on their own.

The global EY organization is demonstrating its commitment to the audit practice by investing more than \$1 billion over the next four years in next-generation technologies for EY Assurance services, including AI, predictive analysis and further integration of our existing suite of tools.

Auditors at all EY member firms use the same audit technology and the same foundational audit methodology, and they are evaluated against common quality objectives. They are all supported by Quality Network and Professional Practice professionals, and the global EY organization regularly tracks audit quality indicators at each member firm.

The global EY organization's Sustainable Audit Quality (SAQ) program remains a key focus for the audit practice at each EY member firm. The six pillars of the SAQ program are tone at the top, people capabilities, simplification and innovation, audit technology and digital, enablement and quality support, and accountability.

Auditors at all EY member firms are required to comply with the independence policies of the global network and local firm and to confirm compliance each year with the [EY Global Code of Conduct](#), as discussed above.

“Leveraging our diverse, tech-driven global teams, our unwavering commitment is delivering quality audits, earning stakeholders' trust and nurturing enduring market confidence. It's the core of our mission, guiding our actions towards creating a better working world.”



Jad Shimaly
Chair, EY Canada



Our system of quality management

The EY Canada system of quality management is designed to identify and assess risks to audit quality and design, implement and operate responses to those risks. It is also designed to promote a culture of accountability for the quality of our work.

We continuously monitor our system of quality management and enhance our policies, processes and documentation when necessary. We analyze data about our audit practice to identify, manage and respond to audit quality risks. We also monitor external risk factors such as macro-economic trends that heighten fraud risks and we develop guidance and training to help our professionals address challenges such as how to evaluate fraud risk factors in the current environment.

In 2023, we performed our first annual evaluation of our system of quality management in accordance with International Standard on Quality Management 1 ("ISQM 1"). ISQM 1 is designed to promote continuous improvement in audit quality by requiring firms to proactively identify and assess risks, implement

appropriate responses, monitor the effectiveness of those responses and timely remediate any deficiencies. We evaluated the results of tests of our controls in our system of quality management, internal and external inspections, and personal independence compliance testing, and other inputs.

A SQM Oversight Committee, chaired by the Canadian Professional Practice Director, oversees the monitoring processes and activities of the System of Quality Management. The SQM Oversight Committee includes the following leaders from the Canadian firm: EY Chairman, Assurance Managing Partner, Professional Practice Director, Quality Enablement Leader, SQM Monitoring Leader, Independence Leader, Risk Management Leader and General Counsel.

We concluded, as of our fiscal year end on 30 June 2023, that our system of quality management provides us with reasonable assurance that the system's objectives are being achieved.

Independence and objectivity

Independence from the companies we audit, in fact and appearance, is foundational to our ability to provide trust and confidence to the capital markets.

We embrace these requirements and have strict policies in place to make sure we avoid potential conflicts of interest and maintain our independence from the companies we audit. We recognize the importance of making sure all of the work we perform under our multidisciplinary model is consistent with our independence objective, including permissible tax and other consulting services we provide to companies we audit and their affiliates. To protect our independence, we have tools in place to help us evaluate the independence of our people and the Firm. We consider and evaluate independence with regard to our people and EY member firms. This includes evaluating the Firm's financial relationships and those of our people; employment relationships; business relationships; the permissibility of services we provide to companies we audit; partner rotation requirements; fee arrangements; audit committee preapproval of our services, where applicable; and partner remuneration.

Our policies require managers through partners to record securities and certain other financial relationships held by them and their immediate family members in the EY Global Monitoring System, which initially assesses and then monitors the permissibility of the securities and financial relationships. Managers through partners are generally required to have automated daily feeds from their brokers to keep their records up to date.

We emphasize the importance of compliance with our policy on reporting financial relationships and securities in our messaging to our professionals and there are financial penalties for incomplete or inaccurate reporting.

All EY Canada professionals at the rank of manager and above who work on audits and certain others, based on their role, are also required to confirm compliance with our independence policies and procedures each quarter. Professionals below the manager level confirm their independence on an annual basis. We perform random testing of our partners and professionals for their compliance with our independence policies as part of our firmwide system of quality control.

Our policies require that audit teams communicate with audit committees on matters that may reasonably bear on independence after executing detailed independence procedures.

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Audit quality is at the very top of my agenda. It serves as the guiding force behind each business choice we make and stands as the guiding principle for our practice.



Zahid Fazal

Managing Partner, Assurance Services,
EY Canada

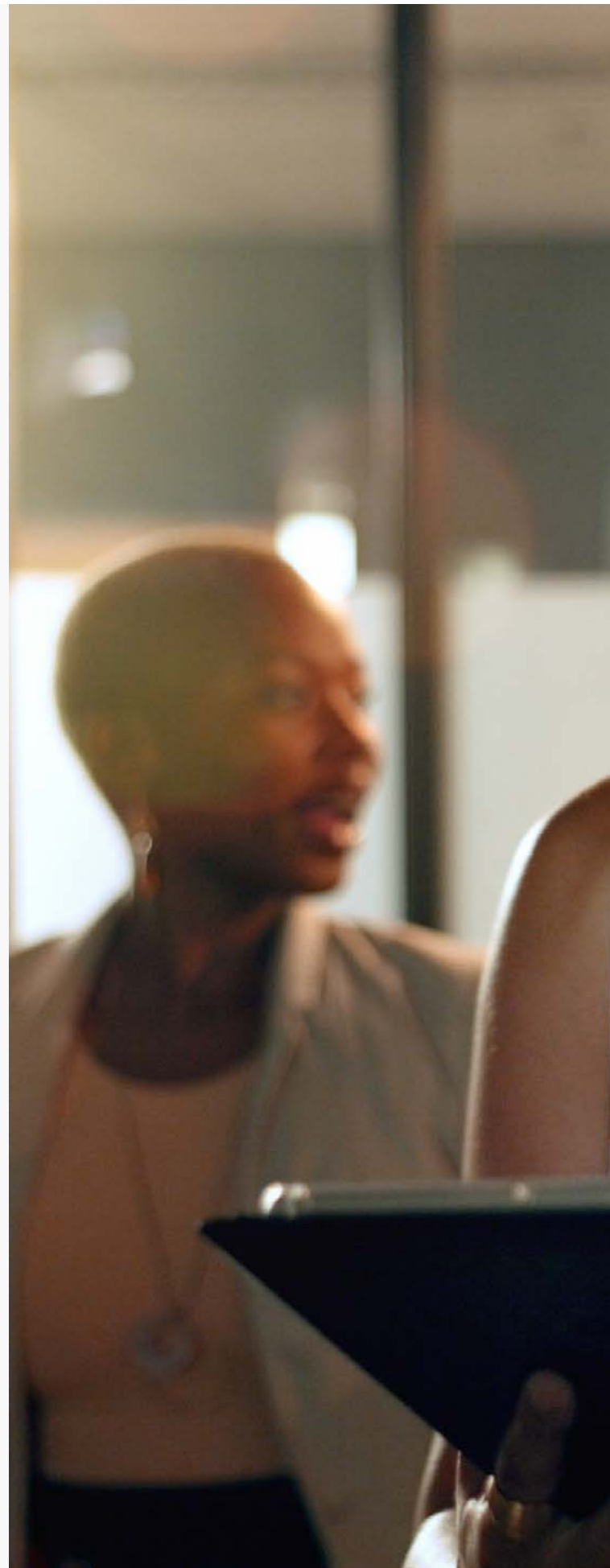
Engagement with stakeholders

Our leaders actively engage in discussions with regulators and standard setters such as the Canadian Securities Administrators (CSA), the Canadian Public Accountability Board (CPAB), the Canadian Auditing and Assurance Standards Board and the Canadian Accounting Standards Board to share our perspective on emerging issues that impact audits and financial reporting. We weigh in on rulemaking and standard setting, which we believe is a critical part of our efforts to promote meaningful financial reporting and high-quality audits. For example, we continue to engage with the CSA as it considers requiring companies to disclose their greenhouse gas emissions and other matters relating to climate change. In September 2023, EY Canada participated in CPAB's Symposium: "The Evolving Fraud Landscape".

We also share our views with investors and other groups that are interested in financial reporting. For example, through our global organization, we provide input to groups, such as the International Sustainability Standards Board (ISSB), that are seeking to standardize the disclosures companies make about ESG matters.

We also issue thought leadership aimed at improving the quality of financial reporting. Over the past year, we addressed how climate related matters may impact the financial statements, shared insights relating to the processes and focus areas of the International Accounting Standards Board and Canadian Accounting Standards Board, and provided other updates on recent financial reporting developments. EY Canada is a founding member and key ongoing contributor to the Canadian Centre for Audit Quality, an entity formed to advance the discussion of key issues affecting audit quality, financial and non-financial reporting and trust in the capital markets.

The EY Center for Board Matters publishes articles and hosts webcasts to help board members address complex topics and address audit committee needs and expectations. We also support several networks of Canadian board and audit committee members across Canada to share experiences and exchange ideas for leading practices. Members of our senior leadership team meet regularly with these networks which aim to inform and educate board and audit committee members on topics such as climate-related disclosure and other ESG matters, cybersecurity and data privacy. They meet regularly to discuss their work and sometimes engage with experts, regulators and policymakers.





Information security and privacy

Member firms in the global EY organization use a globally consistent and regionally based approach to information security that incorporates aspects of people, process and technology in how we protect information and technology assets.

EY Canada maintains robust information security and data privacy programs, consistent with industry standards and applicable legal requirements, designed to protect against unauthorized disclosures of data and attacks on our network. EY also performs due diligence procedures for all potential vendors.

An important element of our strategy is maintaining a security-aware culture enabled by training and communications. We provide annual training focused on the latest security risks, including tests of whether our people can identify phishing emails. Safeguarding the confidentiality of the information we receive from the companies we audit is critical. Client data is encrypted, both during transfer and while at rest.

Looking ahead

ESG

ESG is bigger than any one metric or measure. At its core, ESG is about nurturing the planet and people in ways that drive better societal outcomes. EY teams have a legacy of over 20 years in providing ESG and sustainability services. We utilize our deep technical skills across a breadth of business issues to help businesses create long-term value through ESG. This enables us to help protect and create value for all stakeholders and build a better working world.

Specifically, we believe disclosures about greenhouse gas emissions and other material sustainability-related matters will be useful to investors because they will drive long-term value. We already offer services providing assurance on a company's voluntary ESG disclosures, and our sustainability specialists advise companies on reporting on these topics. Senior members of our Climate Change and Sustainability Services (CCaSS) group and audit teams are also proactively helping management and audit committee members understand

the evolving ESG reporting and regulatory landscape around the globe. We were recently recognized as the number 1 provider in ESG and Sustainability Services².

At the same time we also believe that aspects of ESG are on a journey to become embedded in financial reporting, and that third-party assurance will frequently be required on this information. Our current audit approach takes into consideration ESG in financial statements, including climate-related matters, starting with an overall entity risk assessment that is continually updated. This includes consideration of the impact of physical risks and transition risks on significant management judgments within the financial statements, as well as the effect of climate-related risks and opportunities on the application of generally accepted accounting principles.

As a firm, we're striving to achieve the greatest possible sustainability efforts both within and beyond, including by integrating internal and external efforts through a seamless strategy and clear leadership.



Our new
Vancouver office was

**the first
Canadian
office tower**

to meet the Canadian Green
Building Council's **Zero Carbon
Design Standard**

A 76% reduction

in Canadian business travel emissions since FY19,
fueling our goal of **reducing business travel
emissions globally by 35% by 2025**³

233+ members

of our **EY Eco-Innovators Network** with teams
in **10 Canadian offices**

² Green Quadrant: Climate Change Consulting, Verdantix, 2023

³ EY Canada 2022 Corporate Responsibility Report

We are sharing our perspectives with regulators and standard setters, such as the ISSB, on what climate and sustainability disclosures would provide reliable information to investors, including the standardization of such disclosures. To learn more about the overall impact we are making, including our most recent Canadian Corporate Responsibility Report, click [here](#).

Cybersecurity

With cyberattacks on the rise, our partners proactively engage with management and audit committees at the companies we audit in discussions about the heightened risks. We also provide our audit teams with guidance so they can assess the effects of cyber incidents when they arise and adjust their audit plans as necessary. For public company audits our engagement teams are required to identify risk factors arising from cyber risks and document their assessment of whether they result in risks of material misstatement of the financial statements. When a company we audit has a breach, our audit teams evaluate whether financial reporting systems were affected and adjust their audit plans as necessary. In addition, we continue to offer a separate service of providing an assessment of a company's cyber-risk management activities to inform the board and management about this issue.

Artificial intelligence

We are engaging with policymakers, regulators, industry executives, board members and investors to discuss the responsible use of AI. We have also developed a framework that provides guidance to our auditors on how to assess an entity's development and usage of AI, and professionals in our data analytics and risk practices help organizations determine whether their AI systems meet their goals and comply with applicable laws, standards and regulations. In addition, we are developing ways to use AI to help our auditors analyze data and make decisions.

Future of the profession

We continue to engage with university students to generate excitement about careers in auditing. We explain that EY auditors have opportunities to use cutting-edge technology, specialize in auditing certain complex areas, and be at the forefront of reporting on emerging topics such as ESG matters, Artificial Intelligence and cybersecurity. Our goal is to make a career in auditing attractive and more attainable for a larger group of professionals and we are working with other large audit firms and CPA Canada to improve the attractiveness of the profession.

“Better reporting begins with deeper understanding. When we empower Canadian organizations with insight needed to navigate new and evolving ESG priorities, we can help them unlock greater value for stakeholders, and the bottom line. This helps businesses grow in ways that make a meaningful and sustainable impact on the future of our country.”



Don Linsdell
EY Canada Leader, Climate Change
and Sustainability Services

Our people

Our people are essential to our success in delivering high-quality audits. We provide them with the training and tools to ensure their personal success and to protect the public interest.

Our talent strategy is based on a philosophy of providing exceptional experiences for our people. We enable them to align their experiences to their purpose, interests, and values. The opportunity to customize their career paths in a flexible and supportive culture lays a foundation for retaining the best talent to execute on audits.

“
We are providing our people with the best platform for career growth and a supportive and inclusive workplace where all people thrive.



Charles K. Marful
Assurance Talent Leader

OUR STRATEGY FOCUSES ON THREE KEY AREAS:

- 1 Creating **supportive, collegial, and flexible environments** for people to thrive,
- 2 **Meeting development goals** including equipping our people with digital and future-focused skills, and,
- 3 Fostering an **inclusive environment** where everyone can feel that they belong.

Our flexible approach requires our teams to consider the needs of the companies we audit and their personal needs to determine when and where to work. It allows us to continue performing high-quality audits while providing predictable flexibility for our people. We are seeing more of our people working from our offices or at client sites as they see the benefits of vicarious learning. We are focusing on making sure our teams use their time together for activities that are most impactful in person, such as engaging with management of a company we audit at critical points in the process and getting together as a team to reinforce our culture.





Meeting development goals

We are committed to enhancing the growth and development of our professionals. We focus on making sure they have the right skills to succeed and become transformative leaders who can continue to innovate and drive audit quality.

Our approach to performance management supports the growth of our professionals by providing them with meaningful career conversations, along with regular feedback about their performance.

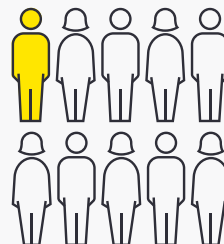
On-the-job coaching and supervision for less-experienced professionals is critical to delivering high-quality audits. That's why we focus on maintaining appropriate ratios of executives to less-experienced members of our audit teams.

RATIOS OF AUDIT EXECUTIVES TO OTHER AUDIT PROFESSIONALS



Senior managers and managers to seniors and staff

1:3



Partners to staff through senior managers

1:10



Nextwave careers

The vision of our Next Wave Career framework is to transform the career experience of our people and bring deeper workforce insights to enhance value to our clients. It enables our leaders to access and manage talent based on skills. It provides equitable experiences to our people based on an individual's purpose, aspiration, and needs. The framework explains various role types in the firm, the skills required for role types, the associated career paths that lead to roles and the technical and professional learning required. It provides clarity around expectations and provides a playbook for achieving individual career goals. We also continue to enhance the experience of working at EY and empower our people to innovate.

ACCORDING TO RESPONDENTS TO OUR FISCAL 23 SURVEYS

90%

are **proud** to work at EY*

80%

have **exceptional experience** at EY*

88%

feel **supported through effective supervision** on audit engagements

93%

of our professionals observe that the firm and engagement leadership **demonstrate their commitment to delivering quality audits.**

* These are the results from our latest People Pulse Survey in July 2023.

Corporate responsibility and social equity initiatives

Experiences go beyond technical work on audits. Our people use their experiences and training to contribute to society in areas of interest to them. EY continues to promote equity inside our organization and our communities. By leveraging the power of our people and collaborating with like-minded organizations, we aim to solve societal and environmental challenges facing our world today.

Through our EY Ripples program, we collaborate with other organizations to help provide underserved populations with training and other support.

We also provide pro bono services to impact entrepreneurs who use business as a force to address poverty, inequality, and environmental issues, among other things. And, each year, thousands of EY people team with Earthwatch to combat climate change and environmental injustice.

Leveraging diversity and promoting equity and inclusion

DEI (**Diversity, equity, and inclusion**) is a key pillar of the Firm's strategy and commitment to delivering high-quality audits. We believe diverse perspectives, combined with an equitable and inclusive culture, drive better decision-making, stimulate innovation, and increase our agility.

We also foster a sense of belonging by making sure everyone's voice is heard. We staff our audits with diverse teams and sponsor eight professional networks and three communities that provide opportunities to bring our diverse workforce together for connections, support, and engagement.

We are committed to attracting and developing women and racially and ethnically diverse professionals and recognize individuals who serve as role models and sponsors, live our values, and demonstrate inclusive leadership. We have an Emerging Leaders Program to support retention and development of high performing women and visible minorities into leadership positions.



OUR PROFESSIONAL NETWORKS & COMMUNITIES

Networks:

- ✓ AccessAbilities Network
- ✓ Black Professional Network
- ✓ Indigenous Professionals Council
- ✓ Latinex Professional Network
- ✓ Pan Asian Professional Network
- ✓ Today's Families Network
- ✓ Unity (2SLGBTQ+) Network
- ✓ Professional Women's Network

Our communities:

- ✓ EY Jewish Community
- ✓ EY Muslim Community
- ✓ EY Ukrainians & Friends Community

**INCLUSIVE ENVIRONMENT IN
OUR PEOPLE PULSE SURVEY**

90%

of our professionals said
“EY provides a work
environment where
I feel free to be myself”

86%

feel **included and
supported** and,

82%

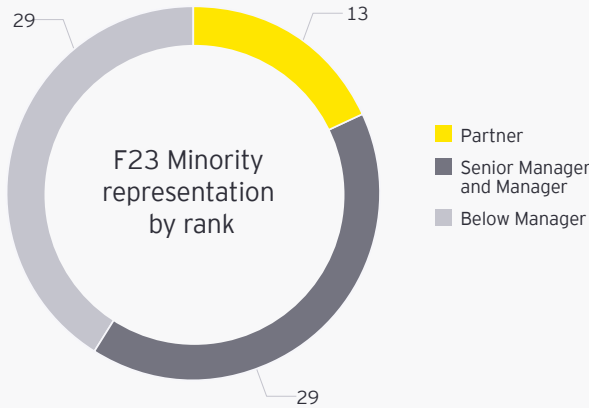
said they **feel safe to voice
their views**, even when
they are different.

“
Our focus is on strengthening our culture, ensuring
it’s embraced and respected by every member of the firm.
This is critically important in the intricate landscape of
today’s business environment.



Muriam De Angelis
Diversity, Equity and Inclusiveness
Leader, EY Canada

We also monitor the percentage of partners in leadership positions who are women and R&ED professionals.



This year,

48% of assurance leaders are **women**, and

19% of assurance leaders self identify as **visible minorities**.

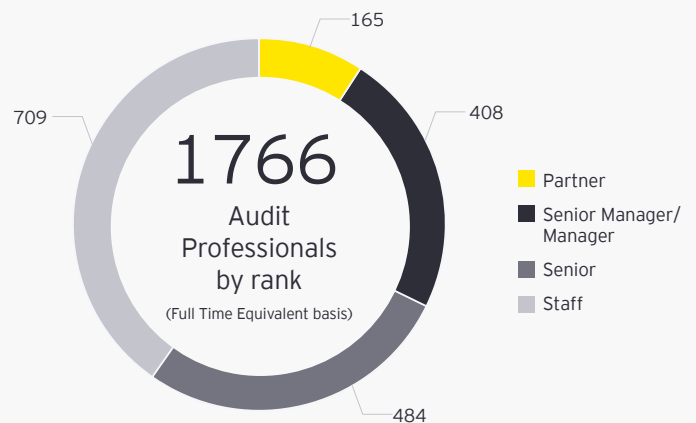
To promote a sense of belonging, we assign our audit professionals to small groups, which we call EY Circles. Circle members can meet several times a year to discuss matters that impact them.

In our EY Circles, partners discuss new career opportunities in our audit practice and offer opportunities to learn more about the investments we continue to make in our people and their benefits.

The right people at the right time

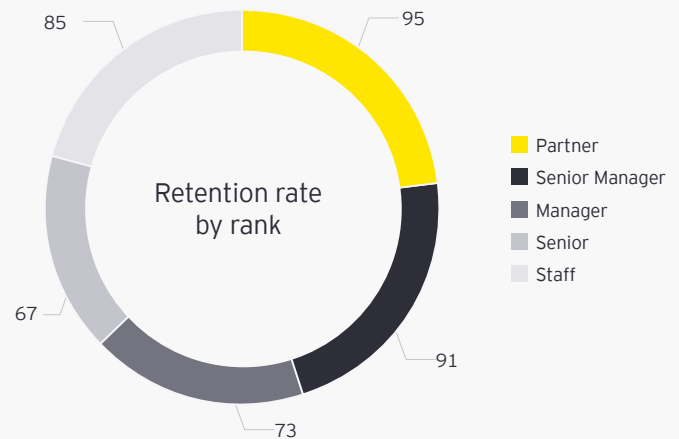
We continuously analyze macroeconomic data and information about our audit practice to forecast the number of people at each rank we will need to deliver high-quality audits. Geography is no longer the key consideration. We have a process to identify partners with high potential so we can make sure they have the experiences they need to move into leadership roles, such as leading our most complex and challenging multinational audits.

We recognize and reward our top performers to help us retain professionals with the skills and experience to perform high-quality audits. We also promote top performers when they're ready and when the Firm needs them.



The table above does not include offshore professionals who support the EY global organization.

We increased our headcount in F23 by 9% to 1766. With a 79% retention rate, we were 9% higher than the previous year, and came close to our typical retention rate of about 80% pre-pandemic. To continue to boost retention, we are continuing to invest in our culture and our people. For example, we are providing more opportunities for our professionals to work on more challenging assignments as we expand our focus on analyzing data, coaching and the use of digital tools. This is reflected in the positive results in our retention rates at all ranks despite the opportunities available to audit professionals in industry.



Learning

Our learning program is designed to make sure our audit professionals receive the right training at the right time and can absorb the material. Learning is fundamental to the profession, and our leaders stress the importance of completing training with integrity and in a timely manner. Our leaders continue to reinforce our commitment that all of our people act with integrity and ethics, including through ongoing training and communications.

To help our people complete their learning requirements, we introduced learning days by setting aside time for them to focus on training. We also have a calendar of requirements and deadlines by rank to help our professionals complete their training throughout the year.

The EY Badges program supplements our required learning program and enables professionals to gain future-focused skills including artificial intelligence, blockchain, robotic process automation, innovation and cybersecurity, as well as other capabilities that are in high demand, such as sustainability.

Our professionals can also earn an EY Tech MBA online from Hult International Business School, free of charge, in Business Analytics, Sustainability or Tech.

As they have in the past, our audit professionals substantially exceeded our requirement to complete 40 hours of continuing professional education in any given year. On average approximately 70 hours of continuing professional education training was taken by each of our audit professionals in F23.

As of 30 June 2023, EY Canada awarded 1,229 EY Badges to current audit professionals, including over 700 in analytics and data strategy alone.

Attracting exceptional talent

We focus on attracting a talented and diverse group of people who share our values and our commitment to executing high-quality audits. In our campus recruiting, we stress the importance of the work we do as auditors in serving the public interest, the value that DEI brings, the opportunities to develop digital skills and grow as a leader, as well as the value of EY's reputation as a great place to build a career.

In fiscal year 2023, we hired more than 650 people from university campuses. We continue to actively hire people who have both an accounting degree and a major or minor in data analytics, management information systems or computer information systems.

We also have internship programs that prepare university students for a career in accounting. In Canada, **we continue to rank as one of the most attractive employers year after year, ranking #1 with accounting students and #2 overall with business students at priority schools**, according to the 2023 Universum Undergraduate Survey.

Our reputation as a great place to work and our culture of belonging enhance our ability to attract exceptional people.



EY Canada is widely recognized as a great place to work, as demonstrated by the following:



Innovating and executing the audit

Our data-first approach and innovative technology help us drive audit quality and execute our audits with objectivity and professional skepticism.

Our focus on consistency

We are laser-focused on driving consistency in how we apply our audit methodology, how we manage our audits, and how we use innovative technology to perform high-quality audits. To do that, we continue to enhance our methodology and expand the centralized teams we are developing to provide audit support on specific topics and have developed standardized working papers for our teams. We are also continuing to emphasize timely supervision by executives, project management and accountability.

Our data-first mindset

Our data-first approach enhances audit quality because our teams see the big picture and focus on the key risks in the audit, including potential fraud risks, that arise during the year. It allows us to see trends and anomalies and understand how anomalies occur and how prevalent they are. Our intuitive tools also allow teams to tailor the audit approach.

Starting with data gives us a better understanding of how transactions are processed. By evaluating data and applying professional skepticism and judgment, we can better identify changes in processes and unusual journal entries that require follow up than if we used traditional sampling techniques.

EY HELIX ANALYZERS FOR USE ON FINANCIAL STATEMENT AUDITS

Consolidated trial balance

- ▶ Scoping for multilocation audits
- ▶ Interim review

General ledger

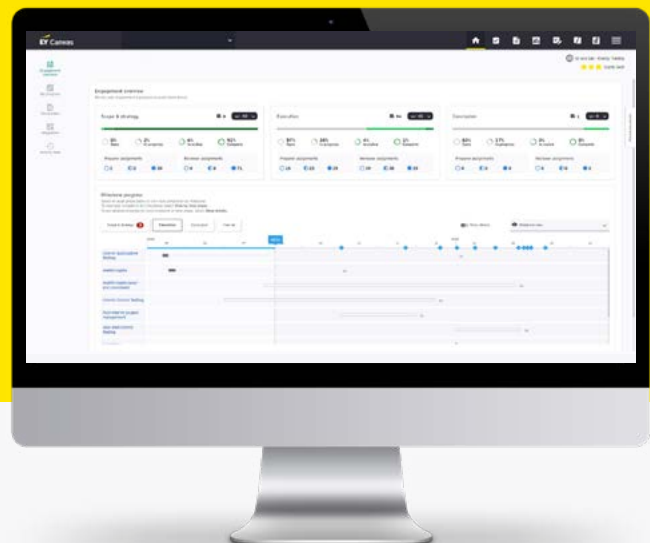
- ▶ Used to identify anomalies in journal entries

Subledger

- ▶ Trade receivables
- ▶ Trade payables
- ▶ Inventory
- ▶ Payroll
- ▶ Property, plant and equipment

SECTOR-SPECIFIC ANALYZERS

- ▶ Premiums and claims non-life insurance analyzer
- ▶ Automotive warranty liability and expense analyzer



As a result, we are asking better, more timely questions of management and improving the experience for our professionals. Management of the companies we audit also benefits by spending less time pulling documentation of transactions and answering basic questions. In some cases, management gains new insight into the company's processes or operations based on information we share with them.

EY Helix data analyzers

We have a robust library of EY Helix data analyzers that our teams use to perform risk assessments, identify anomalies and obtain audit evidence. They include our EY Helix general ledger analyzers and our subledger analyzers.

Our newest general ledger analyzer, which is integrated with our other tools, provides enhanced visualizations of trends and allows team members to quickly drill into the data so they can discuss it in real time with audit team executives. It also allows our teams to analyze very large populations of data from the companies we audit. In addition, the analyzer helps our teams identify significant or unusual patterns in journal entries, grouping them by combinations of characteristics, such as the same posting details.

Over the past 12 months, more than 20 significant new assurance technology capabilities have been released including next generation data analytics and new AI-enabled algorithms are being developed directly within our core EY Canvas audit platform to support teams with risk assessment and journal entry anomaly detection.

EY Assurance teams now globally process over 775b lines of journal entry data each year, as part of the EY digitally transformed audit.

“The global EY organization is investing over US\$1bn in next generation assurance technology to power data-driven and artificial intelligence (AI)-enabled assurance services.



Sonya Fraser
National Audit Leader, EY Canada



We also have sector-specific EY Helix data analyzers that help our teams evaluate transactions and metrics that are unique to the company's industry. These analyzers are often ideated by EY auditors who want to enhance the analysis specific to that sector. We then test the analyzers and certify them for use by other Canadian teams auditing companies in the same industry.

The general ledger, subledger, transaction and sector-specific analyzers can be used to perform risk assessments and a variety of substantive audit procedures.

We also have a robust pipeline of ideas in development to create new tools, and we encourage our professionals to continue to innovate.

As digital technologies and data science become increasingly central to the audit process - as well as to companies' business models - audit teams will require a more diverse range of skills. That's why comprehensive digital courses in topics such as data visualization and AI are available to EY Assurance professionals globally. They help teams to stay at the forefront of the latest emerging technologies, both from a client-impact and audit-impact perspective.



EY AI Assurance Framework

Against the background of elevated stakeholder interest and the changing policy landscape regarding the development and usage of AI, EY has launched an AI Assurance Framework.

The framework provides guidance regarding:

- ▶ How the use of AI applications and other emerging technologies fits within an entity's overall business strategies and the business model implemented to achieve those strategies
- ▶ The types of management controls expected to address the risks of material misstatement as it relates to AI
- ▶ Considerations related to identifying the risks of material misstatement arising from management's use of AI applications within the financial reporting processes



We believe that harnessing data analytic methods elevates the standard of our audits. Discovering patterns and insights from our clients' data empowers our teams to ask better questions



Stuart Hutchinson
Assurance Innovation Leader,
EY Canada

We evaluate the latest technology businesses are using and develop tools to address the challenges that may arise in auditing them. For example, we have issued guidance on how to audit a company's use of robotic process automation in its financial reporting and a framework for evaluating a company's use of AI in its financial reporting.

We continue to look for ways to incorporate new technology into our audit tools to help our teams make better decisions. For example, our blockchain analyzer gathers a company's cryptocurrency transaction details from public blockchain ledgers using public addresses supplied by the company, reconciles the data with the company's records and allows companies to demonstrate ownership of digital wallet addresses without needing to move cryptocurrencies. The analyzer supports data for Bitcoin, Bitcoin Cash, Litecoin, Dogecoin, Ethereum, Ethereum Classic, and certain ERC-20 tokens transactions executed on the blockchains.

For our financial services clients, we use industry specific analytics and automation to assist with our audits. We use tools such as Alteryx to match securities holdings in our clients' accounts to holdings reports from custodians. We also use tools to compare stock and bond prices from our clients' records to prices from Refinitiv, IDC, and Markit. Process mining is used to analyze event logs for derivative confirmations to understand what paths the confirmations take and assess the design and effectiveness of related controls. We use machine learning algorithms to perform outlier detection analysis on derivative trades to identify unusual trades with characteristics that are different than the rest of the population and then investigate the nature of these differences.

EY Canvas audit platform

EY Canada audit teams use our cloud-based audit platform, EY Canvas, to consistently apply the EY Global Audit Methodology and manage day-to-day audit work. This global platform helps our teams track their progress and review the work of auditors from other EY member firms who participate in multinational audits. Many of our teams and clients also use the EY Canvas Client Portal to communicate securely with the companies we audit.

EY Canvas is designed to help our teams manage their audits more effectively and reduce the effort required to perform administrative tasks. Our teams can easily track their progress against key audit milestones, view the key risks they identified and track the audit procedures they planned so they can more easily see whether key risks have been appropriately addressed.

The global EY organization continues to make enhancements to add functionality to EY Canvas. For example, the Canvas engagement dashboard was recently enhanced to make it easier for team members to see the tasks that require attention.

Over 1,500

EY Helix data analyzers **delivered for audits** of 2022 financial statements

Automation

We continue to automate aspects of the audit to improve audit quality by collecting evidence and enhancing project management to allow our people to focus on higher-risk areas of the audit.

Examples include:

- ☑ Supporting the selection of samples for testing
- ☑ Intelligent Checklists that help streamline the preparation and review of financial statement disclosure checklists
- ☑ Sending confirmations, tracking responses and reconciling confirmed balances to a company's records.

“Our technology allows us to use the latest data analytic tools in our audits. The expanded use of this technology has enabled our auditors to have an unparalleled understanding of our client's processes and better focus on higher-risk areas of their engagements.”



Sean Musselman

Assurance Leader, Financial Services Organizations, EY Canada

Working with the right companies

We focus on making sure the companies we audit share our commitment to transparency and high-quality financial reporting. Every year, there are many audits we do not pursue and companies we decline to audit.

We perform rigorous risk assessments and obtain approval from Assurance leadership before we accept audit engagements and then again annually to continue to audit those companies in our portfolio. These assessments are an important element in our system of quality control.

As part of the process, we develop a risk designation for each audit. It is based on the risk factors specific to the company, which might include risks associated with adopting new accounting standards, entering into a business combination, going public and accounting for complex income tax matters, among other factors. Throughout the audit cycle, our teams reassess risks considering the economic environment and evidence they gather from their audit procedures.

Establishing the right team

Each public company team has a partner in charge, who sets the tone and has overall responsibility for the direction, supervision and performance of the audit. On all public company audits, another partner serves as engagement quality reviewer and evaluates significant judgments made by the team. The engagement quality review is an important element in our system of quality control.

The factors we consider when we assign partners to these roles include data about their workloads and their experience with both the industry and public companies, and where applicable, auditing internal controls over financial reporting, their skills and partner rotation requirements. We also consider the company's risk designation identified in our firmwide risk assessment process. All assignments of partners in charge of public company audits and engagement quality reviewers on these audits are approved by both Assurance and Professional Practice leadership.

To make sure our partners working on public company audits have enough time to lead quality audits, we review their workloads semi-annually. We also perform an annual review of the composition of each public company audit team to make sure we are staffing our audits with audit professionals and specialists who have the right skills and capacity to execute quality audits, given the risk factors identified in each engagement.

We believe that timely executive involvement is a key driver of audit quality, and we track the participation of executives in critical milestones throughout the audit.

The right skills

We include in our audit teams EY professionals who focus on tax matters, IT and valuation matters and, in certain audits, forensic accounting. Having specialists in these areas collaborate with our audit professionals helps us deliver high-quality audits at a time when IT environments, business models, transactions and worldwide tax regimes are increasing in complexity. For example, we require the use of our forensic specialists in audits on a targeted-risk basis to assess potential risks of fraud. By applying a specialized tool called the journal entry fraud risk analyser our forensics team assists audit teams in directly testing for the presumed risk of management override while executing journal entry testing by identifying higher-risk journal entries. Another specialised forensics tool analyzes electronic documents received as audit evidence, testing for characteristics that may indicate alteration or inauthenticity.

For our last fiscal year the percentage of public company audit hours generated by EY specialists was 14%.

Offshore professionals who support the global EY organization perform certain audit procedures and other tasks under the supervision of our Canadian audit teams and the specialists who work on our teams.

In addition, we are driving consistency in our approach and documentation by building centralized teams that provide audit support on various topics. Our onshore Audit Centre of Excellence (“COE”), which is located in Halifax, currently supports individual audit teams by executing low and moderate risk audit procedures that can be optimized by centralizing the work in Canada. Currently, key areas of focus for the COE include internal controls testing, routine substantive procedures such as preparing and reviewing confirmations, vouching expenses, participating in not-for profit audits, and performing routine independence procedures such as reviewing the services we provide to a company we audit and making sure they are all pre-approved. Using the COE frees up our audit professionals to spend more time on other areas of the audit that require more judgment.

In fiscal 2023, our offshore professionals together with professionals in our onshore COE accounted for 21% of the audit hours, compared with 12% the previous year.

Managing the audit

Timely pacing of the audit and strong project management, including timely supervision and review by audit executives, are important drivers of audit quality.

We emphasize the importance of project management through our Milestones program, which sets deadlines for teams to complete procedures, documentation and executive reviews for key phases of the audit. To facilitate timely decisions by partners, we require our teams to set specific executive discussion and approval points throughout the audit cycle.

Our experience indicates that teams that complete their work at the appropriate time, including reviews by audit executives, avoid a year-end crunch. These teams also have a better understanding of the risks they identify and how those risks are mitigated, enabling them to execute high-quality audits.

Our teams, including our partners and other audit executives, use EY Canvas to track the progress of their audits and completion of tasks in real time. This visibility enables executives to provide more targeted supervision and to better identify team members in need of coaching.

EY digital audit technology

Our digital technology enables audit teams to perform the digital audit using a secure platform. Our suite of analyzers helps teams analyze data with advanced and emerging technologies.



“

Through EY's data-first mindset we're able to help deliver better audit experiences not only for our clients but also for our professionals



Jeffrey Tannenbaum
Assurance Leader, Central
Ontario, EY Canada

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A high-quality audit is a well-managed audit from a project management perspective. Our programs and technology play a huge role in this. Our milestones program, paired with EY Canvas, is our method to align our teams and have them on track for the audit well before a company's year-end.



Stephanie Lamont
Assurance Leader, Toronto
Audit Group, EY Canada

Supporting our teams

We help our teams perform high-quality audits by providing coaching, interpretive guidance and enablement, and our technical support groups consult with teams on difficult accounting, auditing, and regulatory matters.

Our Quality Network

Our Quality Network focuses on proactively improving audit quality by coaching our audit teams, performing workpaper reviews, advising our teams on audit methodology matters, providing training, and executing various risk management and quality control procedures.

Throughout the audit cycle, the Quality Network uses data analytical and other techniques to evaluate a wide range of information about individual engagements and identify teams that may require support. The information is updated frequently.

Professionals in our Quality Network have frequent contact with teams to identify and proactively address emerging risks. They're also able to share that knowledge across the practice.

Over the past year, our Quality Network focused on our teams' use of data in our audits, audits of internal control over financial reporting, targeted audit areas, and higher risk engagement attributes such as significant business combinations or an initial public offering. Over 60 public company audit teams received coaching or workpaper reviews in fiscal 2023 and many others were supported by the Quality Network through other means.

Customized coaching programs led by our Quality Network include:

- ☑ Customized coaching based on specific risk areas
- ☑ ICFR coaching program
- ☑ New auditing standard coaching program (e.g., ISA 315)

Our Professional Practice group

Our Professional Practice group supports our audit practice by consulting with our teams on difficult accounting, auditing, and regulatory matters. Partners who consult with audit teams are independent of those teams.

We have Professional Practice partners in each of our major offices to afford greater accessibility and interaction with our audit partners, teams and clients. This proximity allows them to know the partners and their capabilities better, be more attuned to the effects of the regional economy and better understand the businesses we audit and the related risks.

“Our coaching programs support teams work through complex, challenging, higher-risk audit areas so they can perform at their best.”



Jennifer Rogers
Canadian Quality Implementation
Leader, EY Canada

Real time assurance review programs, completed prior to the issuance of our audit report, led by our Professional Practice group include:

- ☑ Pre-issuance review program
- ☑ Key Audit Matters/ Critical Audit Matters review program
- ☑ ICFR monitoring program
- ☑ Financial statement review program
- ☑ Tax quality monitoring program
- ☑ Private company monitoring program

Our Professional Practice group provides audit teams and the companies we audit with guidance and thought leadership on a wide range of financial reporting topics, including current issues such as reporting on ESG matters. The group also develops guidance, enablement and training to help our teams deliver high-quality audits, performs risk management activities, evaluates and tests the Firm's system of quality management consistent with ISQM1, and operates our monitoring and internal inspections programs.

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In Professional Practice, our aim is to support the firm's audit teams, steering them towards conducting audits that foster and bolster trust within the capital markets.



Janice Rath
Professional Practice Director,
EY Canada



Technical Accounting and Auditing Support Networks

We provide additional technical accounting and auditing resources for all our audit teams through support networks. Audit teams are required to hold a discussion with the support network in specific situations, including complex business acquisitions, impairment assessments, auditing percentage-of-completion revenue recognition, debt/equity transactions and other areas with complex or subjective accounting and auditing considerations.

Thought Leadership

To promote high-quality financial reporting, Professional Practice also regularly issues thought leadership and hosts webcasts on a wide range of topics. The group also engages with standard setters and regulators and prepares the Firm's responses to standard-setting and regulatory proposals.

Monitoring and external inspections

Monitoring the effectiveness of our actions and performing robust root cause analyses of positive and negative audit performance are key components of our system of quality control. The results provide valuable information about how we can continuously improve audit quality.

Early assessment of in-progress audits

Our reviews of certain public company audits before we issue our auditor's reports are an important component of our system of quality management consistent with ISQM1. We conduct these reviews to provide timely feedback to teams and to help us determine whether the actions we are taking to improve audit quality are achieving our objectives or whether enhancements to our training, guidance or tools are required during the current audit cycle.

Internal inspections of completed audits

We conduct internal inspections of selected engagements after we issue our auditor's report. In these inspections, we focus on specific areas of an audit and evaluate our compliance with professional standards, regulatory requirements and our policies. Audits are selected for review based on several factors, including how long it has been since a partner's last inspection and the results of that inspection, along with the complexity of the audit.

Turning root cause analyses into actions

We analyze the root cause of internal and external inspection findings and positive and negative quality events, by interviewing teams and analyzing data about our audit practice. We use the results to design the actions we take to improve audit quality. We also use this information to obtain meaningful insights into the effectiveness of actions the Firm has taken to improve our system of quality control.

This comprehensive process helps us confirm that we are taking the right actions to drive greater consistency in our audit execution.

As part of our root cause process, we also analyze the root cause of positive quality events, which we define as (1) exceptional performance in an audit area that was inspected, (2) best-in-class interactions with our Professional Practice group or the Quality Network, or (3) a clear demonstration of the behaviours we believe contribute to quality, especially in a difficult situation. We then share best practices to promote the behaviours that result in positive outcomes.

Other monitoring

We continue to monitor our professionals' compliance with our independence policies and enhance our monitoring of the effectiveness of our system of quality management, as discussed earlier in this report.

CPAB and PCAOB inspections

EY Canada's audit practice is subject to annual inspection by CPAB for audits of Canadian public companies. As part of its inspections, CPAB evaluates the firm's quality management systems and reviews select engagements.

The most recent inspection report on EY Canada was issued by CPAB on January 17, 2023. While we are prohibited by CPAB from publicly sharing the results of our CPAB inspections we continue to be proud of our CPAB inspection results. Information on CPAB can be found at cpab-ccrc.ca.

In addition, EY Canada's audit practice is subject to inspection by the PCAOB for audits of US SEC issuers. As part of its inspections, the PCAOB evaluates the firm's quality control systems and reviews selected engagements. The most recent inspection report on EY Canada was issued by the PCAOB on October 26, 2023.

We value the inspection process and review the inspection findings to determine if changes or enhancements are required in our policies, processes or procedures. Areas identified by the inspection process are critical inputs to our development of action plans for improvement. These action plans are communicated in executive learning events and other training. Our overriding objective is to make certain that all aspects of our auditing and quality control processes are of high quality. While we believe our present system of quality management provides reasonable assurance that the system's objectives are being met, we value the external inspection process because it helps us, along with our extensive internal monitoring activities, identify areas where we can continue to improve our performance.

International regulators

The International Forum of Independent Audit Regulators (IFIAR) has issued a challenge to the global audit networks to further reduce the number of audits with at least one significant finding as reported by 25 countries (including Canada) that are members of IFIAR by at least 25% over the four years ending with IFIAR's 2023 survey of inspection results. When IFIAR published its survey of 2022 inspection results, which is the most recent survey, the EY network was on track to meet that reduction.



About Us

Legal structure, ownership and governance

In Canada, Ernst & Young LLP (Ernst & Young Canada) is an Ontario, Canada, limited liability partnership. Ernst & Young Canada* is wholly owned by its Canadian partners who are Chartered Professional Accountants. It is a Canadian member firm of Ernst & Young Global Limited, a UK company limited by guarantee (EYG). In this report, we refer to ourselves as "Ernst & Young Canada," "EY Canada," "we," "us" or "our." EY refers collectively to the global organization of the member firms of EYG.

EYG member firms are grouped into three geographic Areas: Americas; Asia-Pacific; and Europe, Middle East, India and Africa (EMEIA). The Areas comprise multiple Regions. Regions are grouped within geographical lines with the exception of the Financial Services Operations (FSO) Region, which comprise the financial services activities of the relevant member firms within an Area.

Ernst & Young Canada is part of the Americas Area, which comprises member firms in 33 countries. Within the Americas Area, there were eight Regions and as of 1 July 2023 that number was reduced to seven through a combination of two Regions. EY Canada represents one of those Regions.

Ernst & Young Canada is a member of Ernst & Young Americas LLC (EY Americas), the coordinating entity for the Americas Area. Partners and principals (referred to collectively as "partners") of the EYG member firms in the Americas are also members of EY Americas. EY Americas has no financial operations and does not provide services to clients.

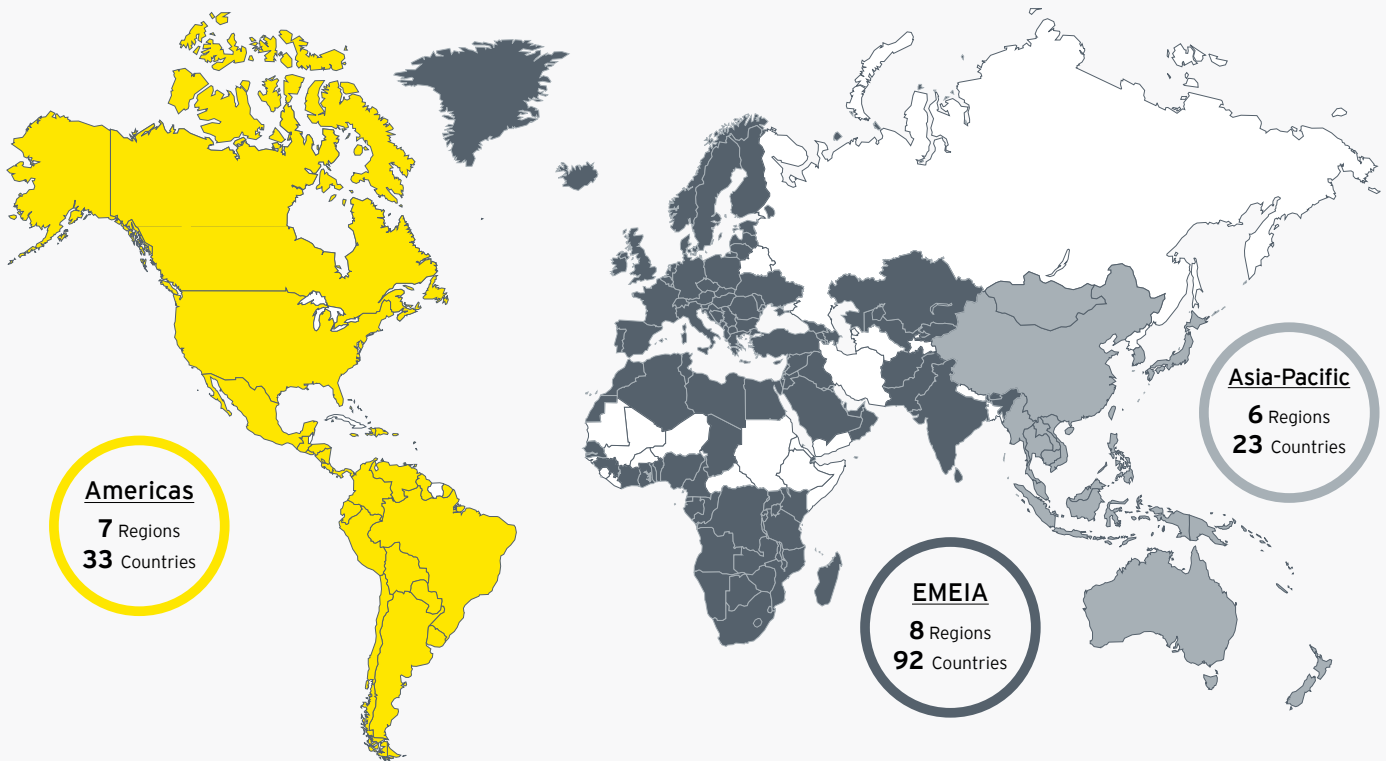
The coordinating body for EY Americas is the Americas Operating Executive (AOE). It oversees the execution of global EY strategy in the Americas and comprises: the Americas Area Managing Partner, the Americas Deputy Managing Partner, the Area Leaders for Accounts and Talent, the Area Leaders for Assurance, Consulting, Strategy and Transactions, and Tax, and the Managing Partners of each of the Regions in the Americas.

Each Region elects a Regional Partner Forum (RPF), whose representatives advise and act as a sounding board for Regional leadership. Most partners who are elected as Presiding Partners of their respective RPF also serve as their Region's representative on the Global Governance Council.

* A separate entity, Ernst & Young L.P., a Manitoba (Canada) limited partnership, provides the services of its non-chartered professional accountant limited partners to Ernst & Young LLP pursuant to a services agreement. All professional services, including the services of all non-CPAs, are provided through Ernst & Young LLP.

EY Areas, Regions and Countries

As of July 1, 2023



Americas Ethics Oversight Board

With membership drawn from the EY Americas leadership, the service lines and the member firms of the Americas Area, the Americas Ethics Oversight Board (AEOB) strives to create an environment that encourages all personnel to act responsibly, including reporting potential misconduct without fear of retaliation. The AEOB also evaluates the findings of investigations and disciplinary actions taken by the EY Americas member firms involving alleged or actual violations of the EY Global Code of Conduct or other ethical standards applicable to the member firms of EY Americas, and their partners and employees for fair and consistent enforcement and imposition of consequences for violations thereof.

Governance of Ernst & Young Canada

The business and affairs of Ernst & Young Canada are managed by its Chair/Chief Executive Officer supported by its Executive Committee and overseen by the Canadian Partner Forum. The Executive Committee consists of the senior management of Ernst & Young Canada, including the Chair/Chief Executive Officer, the Service Line Managing Partners of our four service lines, and certain other members as the Chair/Chief Executive Officer may determine from time to time.

Among other matters, the Executive Committee is responsible for certain partner matters (for example, partner admissions, separations, disciplinary matters and earnings allocations). The Canadian Partner Forum acts in an advisory role to the Chair/Chief Executive Officer on matters of policy, strategy, operational matters, partner-related matters, marketing and other matters as requested. Among other matters, key responsibilities of the Canadian Partner Forum include ratifying significant and material changes to the organization and structure of Ernst & Young Canada and ratifying the appointment, reappointment or removal of the Chair/Chief Executive Office.

Network arrangements

EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, more than 390,000 people in member firms in 148 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional skepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

This integrated approach enables EY member firms to develop and draw upon the range and depth of experience required to perform such diverse and complex audits.

EYG coordinates the various activities of the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client service by member firms worldwide. Each member firm is a separate legal entity. Each member firm's obligations and responsibilities, as a member of EYG, are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organization, described below, reflect the principle that EY, as a global organization, has a common shared strategy.

At the same time, the EY network operates on a Regional level within the Areas. This operating model allows for greater focus on stakeholders in the Regions, permitting member firms to build stronger relationships with clients and others in each country, and be more responsive to local needs.

Global Governance Council

The Global Governance Council (GGC) is a key governance body of EYG. It comprises one or more representative(s) from each Region, other at-large representatives from any member firm and independent non-executives (INEs). The Regional representatives, who otherwise do not hold senior management roles, are elected by their RPFs for a three-year term, with the ability to be reappointed for one additional three-year term. The GGC advises EYG on policies, strategies, and the public interest aspects of its decision-making. The GGC approves, in some instances upon the recommendation of the Global Executive (GE), certain matters that could affect EY.

Independent Non-executives

Up to six global INEs are appointed from outside EY. The global INEs are senior leaders, either from the public or the private sector, and reflect diverse geographic and professional backgrounds. They bring to the global organization, and the GGC, the significant benefit of their varied perspectives and depth of knowledge. The global INEs also form a majority of the Public Interest Sub-Committee of the GGC. The role of the Public Interest Sub-Committee includes public interest aspects of decision-making and dialogue with stakeholders, issues raised under whistleblowing policies and procedures, and engagement in quality and risk management discussions. The global INEs are nominated by a dedicated committee, approved by the GE and ratified by the GGC.

Global Executive (GE)

The GE brings together EY leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leader for Talent; the leaders of the global service lines—Assurance, Consulting, Strategy and Transactions, and Tax; and one EYG member firm partner on rotation.

The GE also includes the Global Vice Chair of Markets, the Global Vice Chair of Transformation, the Chief Client Technology Officer, the Chair of the Global Accounts Committee, the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

The GE and the GGC approve nominations for the Chairman and CEO of EYG and ratify appointments of the Global Managing Partners. The GE also approves appointments of Global Vice Chairs. The GGC ratifies the appointments of any Global Vice Chair who serves as a member of the GE.

The GE's responsibilities include the promotion of global objectives and the development, approval and, where relevant, implementation of:

- ▶ Global strategies and plans
- ▶ Common standards, methodologies and policies to be promoted within member firms
- ▶ People initiatives, including criteria and processes for admission, evaluation, development, and reward and retirement of partners
- ▶ Quality improvement and protection programs
- ▶ Proposals regarding regulatory matters and public policy
- ▶ Policies and guidance relating to member firms' service of international clients, business development, and markets and branding
- ▶ EY development funds and investment priorities
- ▶ EYG's annual financial reports and budgets
- ▶ GGC recommendations on certain matters

The GE also has the power to mediate and adjudicate disputes between member firms.

GE committees

Established by the GE, and bringing together representatives from across the organization, the GE committees are responsible for making recommendations to the GE. In addition to the Global Audit Committee, examples of other committees include Assurance, Consulting, Tax, Strategy and Transactions, Global Markets and Investments, Global Accounts, Emerging Markets, Talent and Risk Management.

Global Practice Group

The Global Practice Group brings together the members of the GE, GE committees, Regional leaders, and sector leaders. It seeks to promote a common understanding of EY strategic objectives and helps drive consistency of execution across the organization.

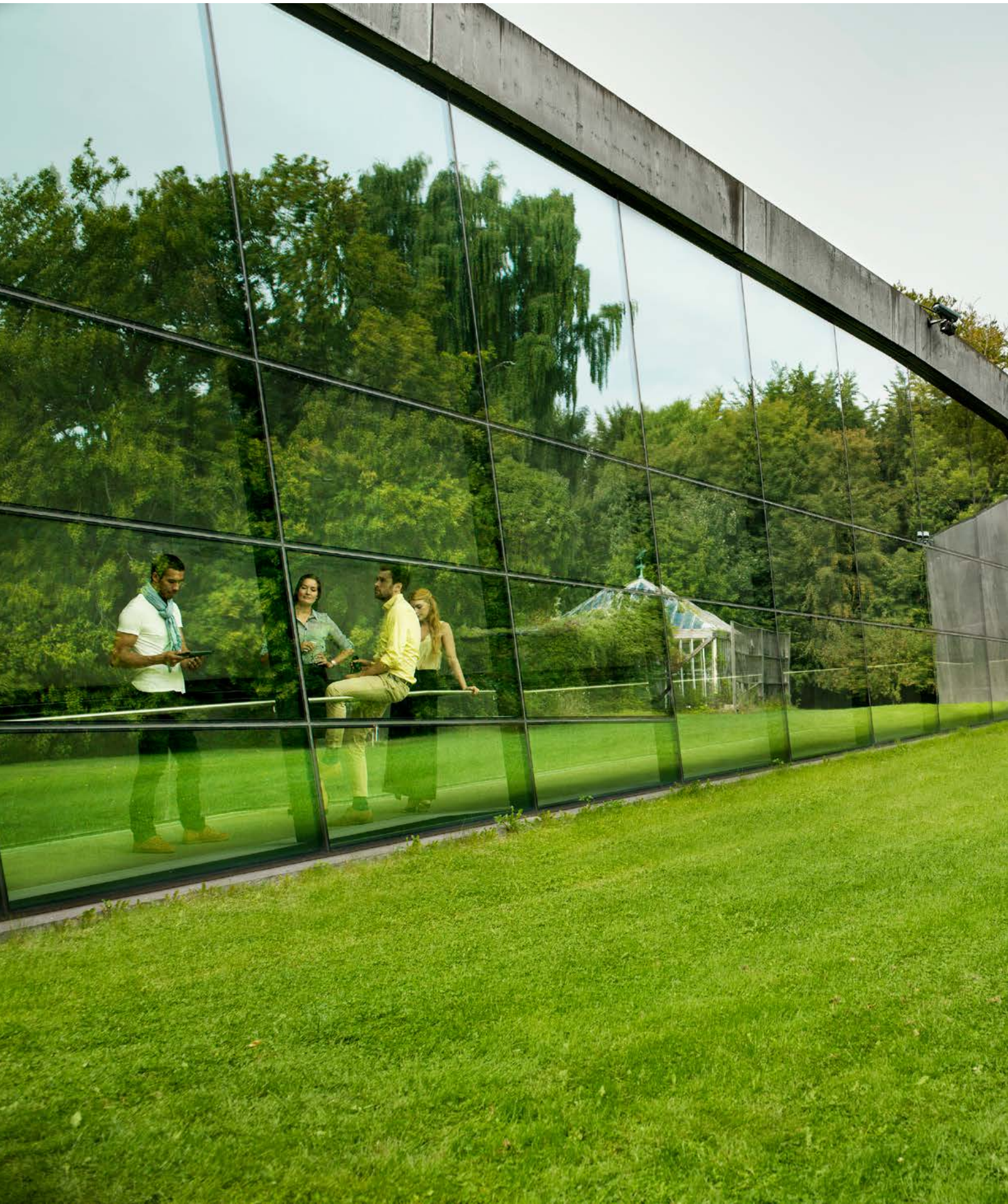
EYG member firms

Under the regulations of EYG, member firms commit themselves to pursue EY objectives, such as the provision of high-quality services worldwide. To that end, the member firms undertake the implementation of global strategies and plans, and work to maintain the prescribed scope of service capability. They are required to comply with common standards, methodologies and policies, including those regarding audit methodology, quality and risk management, independence, knowledge sharing, talent and technology.

Above all, EYG member firms commit to conducting their professional practices in accordance with applicable professional and ethical standards, and all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by the EY Global Code of Conduct and EY values.

Besides adopting the regulations of EYG, member firms enter into several other agreements covering aspects of their membership in the EY organization, such as the right and obligation to use the EY name and share knowledge among member firms.

Member firms are subject to reviews to evaluate adherence to EYG requirements and policies governing issues, such as independence, quality and risk management, audit methodology and talent. Member firms unable to meet quality commitments and other EYG membership requirements may be subject to termination from the EY organization.



EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

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