


# 2022 Transparency report

Ernst & Young PLT


October 2022





# Contents

1.0  04 Message from the leaders: Sustainable audit quality starts with attracting and retaining talent


2.0  07 Executive summary

3.0  13 Commitment to sustainable audit quality

3.1  18 EY Sustainable Audit Quality programme  
 21 Tone at the top  
 22 Exceptional talent  
 34 Audit technology and digital  
 41 Simplification and innovation  
 44 Enablement and quality support  
 48 Accountability

3.2  61 Other critical audit quality components  
 63 Independence practices  
 68 Client acceptance and continuance  
 70 Compliance with legal requirements  
 72 Risk management function  
 73 Audit teams: establishment and supervision

4.0  75 Non-financial reporting

5.0  78 About us  
 79 EY purpose and EY Global Code of Conduct  
 81 About EY, a global organisation  
 86 Creating long-term value for society  
 89 About EY PLT

6.0  93 Appendix: list of PLC audit clients

96 Glossary



# About this Report

Ernst & Young PLT (EY PLT) is a limited liability partnership formed in Malaysia and a member firm of Ernst & Young Global Limited (EYG), a United Kingdom (UK) company limited by guarantee.

We, EY PLT, refer to ourselves as 'we', 'us' or 'our'.

EY refers collectively to the global organisation of the member firms of EYG.

This report relates to EY PLT's principal audit related activities for the financial year from 1 July 2021 to 30 June 2022, unless stated otherwise. This financial year is referred to throughout the report as FY22. The previous financial year is referred to as FY21.



# < 1.0 >

Message from the leaders:

Sustainable audit quality starts with attracting and retaining talent



# Message from the leaders: Sustainable audit quality starts with attracting and retaining talent



*Handwritten signature of Dato' Abdul Rauf Rashid*

**Dato' Abdul Rauf Rashid**  
Malaysia Managing  
Partner,  
Ernst & Young PLT



*Handwritten signature of Ong Chee Wai*

**Ong Chee Wai**  
Malaysia Assurance  
Managing Partner,  
Ernst & Young PLT

Since we wrote our foreword to last year's Transparency Report, countries across the globe have been transitioning to the post COVID-19 endemic phase. Malaysia has returned to economic growth, although we remain cautiously optimistic given the continued uncertainties.

Executing high-quality audits continues to be the top priority. At the heart of our ambition is to serve the public interest by enhancing trust in business and the capital markets, in support of sustainable, long-term value creation. Auditors play a vital role in the functioning of capital markets by promoting transparency and supporting investor confidence.

In this report, you can learn about EY PLT's commitment to Sustainable Audit Quality (SAQ), including how we instil professional values, the performance of audits and internal quality control, as well as our independence practices and how we are creating long-term value for our people and society.

This report has been prepared in accordance with the requirements set out by the Securities Commission (SC)'s Audit Oversight Board (AOB) and includes additional voluntary information about us and our practices.

## Talent is the foundation of executing sustainable quality audits

With the "Great Attrition", the war on recruiting and retaining talent is intense. In Malaysia, the auditing profession is facing an unprecedented challenge to retain talent, as our skilled auditors are highly sought after by commerce and countries worldwide.

Notwithstanding the above, a sustainable audit practice is founded upon high-quality audits. High-quality audits begin with attracting people with the right blend of skills, and then providing them with the appropriate training and support as part of their career development.

EY PLT's SAQ priorities for the fiscal year ended 30 June 2022 are on talent attraction and retention; and improving audit insights and efficiency using technology.

We have increased the focus on our people's wellbeing through the continuation of a hybrid working environment; the promotion of a healthy work culture; the emphasis on leave utilisation and workforce planning; as well as the enhancement of reward and recognition packages.

# Message from the leaders: Sustainable audit quality starts with attracting and retaining talent (continued)

Technology continues to be one of the top priorities of SAQ. We continue to roll out new digital tools this year to enable our people to maneuver vast amount of data, allowing teams to sift through the entire population of transactions to detect anomalies. Our aim is to leverage on automation initiatives to reduce the hours our team spend on time-consuming tasks.

## Our audit quality results

We are pleased to report that for the fiscal year ended 30 June 2022, 90% of our externally inspected audit engagements had no findings, whilst 100% of our internally reviewed audit engagements had no material findings.

There are areas that require strengthening, particularly when we evaluate inspection findings and compare our audit quality indicators with industry benchmarks, the details of which are also disclosed in this report.

## Commitment to sustainability

We also include updates on our continuing commitment to sustainability, within the EY organisation and for EY clients as an important element in creating long-term value for all stakeholders.

The EY organisation is also on its own sustainability journey, which included becoming carbon negative in 2021, following the achievement of carbon neutrality in 2020, and the ambition to be net zero by 2025. EY PLT is doing its part in achieving these goals.

## Final words

We encourage all EY stakeholders – including clients and their investors, audit committee members and regulators – to continue to engage with us on our strategy as well as any of the matters covered in this report. We welcome and are interested in the opportunity to receive feedback on this report and take questions about EY PLT. Please do not hesitate to contact us at: [abdul-rauf.rashid@my.ey.com](mailto:abdul-rauf.rashid@my.ey.com) and [chee-wai.ong@my.ey.com](mailto:chee-wai.ong@my.ey.com)





< 2.0 >

# Executive summary





EY is a purpose-led organisation and is committed to doing its part in building a better working world. EY audits help build trust and confidence in business and the capital markets. Our FY22 strategic priorities are key to us achieving EY purpose and ambition.

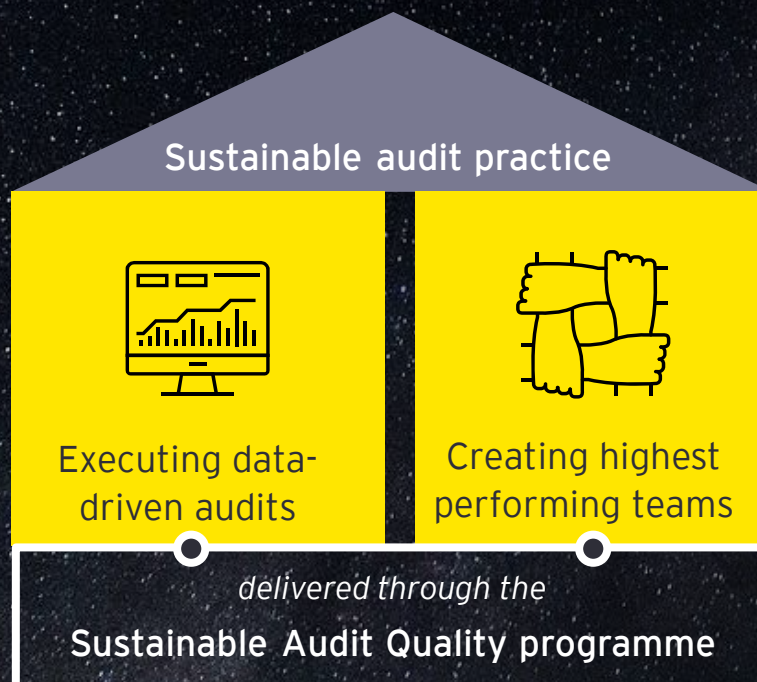
## EY purpose

Building a better working world

## EY ambition

Create long-term value as the world's most trusted and distinctive professional services organisation

## FY22 Strategic priorities



For more details on the EY purpose and ambition, please refer to [page 79](#).



# EY Sustainable Audit Quality programme

Our Sustainable Audit Quality (SAQ) programme helps us to deliver on our purpose of serving the public interest.

## Six Global SAQ pillars



FY22 Audit quality priorities



### Tone at the top

EY leaders have established a culture based on a commitment to quality, an emphasis on values, a global mindset and the importance of teaming in order to set a clear tone at the top.



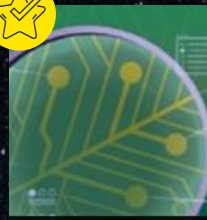
### Exceptional talent

Providing high-quality audits begins with attracting people with the right blend of skills, and then providing them with appropriate training and supporting their career development.



### Accountability

Every individual is accountable for performing quality work and a culture of continuous improvement has been embedded, providing an environment in which auditors can thrive.



### Audit technology and digital

The EY Digital Audit is evolving to meet the challenges of our transformative age, in which new technologies are changing business models and creating new risks.



### Simplification and innovation

The Digital Global Audit Methodology – a set of tools, processes and enablers that provide the foundation for the EY Digital Audit – leverages the power of data to simplify tasks.



### Enablement and quality support

A system of reviews and structures helps to improve working practices, skills and resourcing, and support audit teams in maintaining audit quality.



For more details on the SAQ programme, please refer to [pages 18 to 60](#).



# SAQ initiatives on talent

Our people are at the heart of audit quality. Our talent initiatives are aimed to be in line with the trends of today's workforce.

## Trends

Generational shifts

Focus on wellbeing

Hybrid working

Great attrition

Digital transformation

Diversity, equity & inclusiveness

Flexible and mobile workforce

## EY PLT's FY22 highlights

- 1 Attracting and recruiting talent**
  - ▶ Consistently an employer of choice in Accounting & Professional services
  - ▶ Malaysia's 100 Leading Graduate Employers
  - ▶ Graduates' Choice Award
  - ▶ 843 new hires in FY22 (FY21: 383)

- 2 Retention**
  - ▶ Our retention rate in FY22 is consistent with FY21. Various initiatives were undertaken, including:
    - ▶ Upward salary revision
    - ▶ Recognition programme to reward and recognise exceptional performance

- 3 Wellbeing**
  - ▶ Wellbeing break: One week office closure
  - ▶ Continuation of a hybrid working environment
  - ▶ Promotion of a healthy work culture
  - ▶ External platform for employees to seek professional consultations on wellbeing matters

- 4 Professional development**
  - ▶ 93% of respondents said they have positive learning opportunities
  - ▶ Innovating learning delivery through gamification

- 5 Digital upskilling**
  - ▶ Bootcamps on digital skills
  - ▶ Recruiting digital specialists and data scientists

- 6 Talent engagement**
  - ▶ People surveys
  - ▶ Townhalls



For more details on talent, please refer to pages 22 to 33.



# SAQ initiatives on technology and digital

Our investment in audit technologies is not one-off, we are continuously investing to build our digital capabilities to:

- ▶ Improve audit quality
- ▶ Work more effectively
- ▶ Enhance the audit experience for both our clients and our people

## Our journey: Data-driven audit

### FY16 - FY19: Global audit platform and data analysers

- ▶ Our global audit platforms, EY Canvas and EY Canvas Client Portal, were introduced on audits
- ▶ Audit teams used data analytics (EY Helix) on certain aspects of the audit (i.e., Revenue and Receivables)

### FY20 - FY21: Digital audit methodology and deepened analytics

- ▶ Introduced EY Digital Global Audit Methodology (GAM) which incorporates a data-driven audit approach throughout the audit
- ▶ Developed sector-specific analysers to deepen our data analytics capabilities

### FY22: Robotics process automation and local digital tools

- ▶ Expanded the use of robotics process automation (EY Smart Automation) on audits
- ▶ Developed local automation tools and sector-based analysers for audits in Malaysia

### Coming next

Four-year investment of more than **US\$1b** to develop a **seamless platform** with an intuitive interface embedded with Artificial intelligence (AI), machine learning, and advanced analytics to further enhance audit quality



For more details on technology and digital, please refer to [pages 34 to 40](#).



# EY PLT FY22 audit quality performance

We are encouraged to see improvements in our audit inspection results. The Audit Quality Indicators (AQI), when compared with industry benchmarks, constantly remind us that sustaining quality audits is a journey.

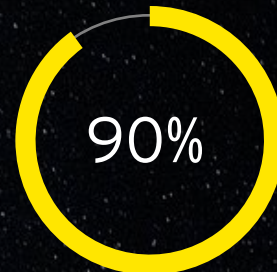
## Internal audit quality review results



(FY21: 100%)

of the audit engagements inspected during FY22 were rated as having no material findings.

## External quality assurance review results



(FY21: 50%)

of the audit engagements inspected during FY22 have ZERO inspection findings.

We consider the above in conjunction with other audit quality leading indicators, as follows:

**1:35**

(FY21: 1:34)

partner to staff ratio

**5.0**

(FY21: 5.4)

average number of PIEs\* per partner

**2.7**

(FY21: 3.0)

average number of listed PIEs\* per partner

**93%**

(FY21: 95%)

audit personnel with / pursuing professional qualifications

**24**

(FY21: 27)

quality control personnel supported by 19 Asia-Pacific quality control partners and their teams

**32%**

(FY21: 32%)

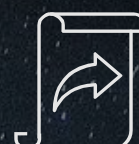
turnover rate of audit personnel

**77**

(FY21: 84)

average learning hours completed for audit partners and staff

\*PIEs - Public interest entities



For more details on our AQIs, please refer to pages 50 to 59.



# < 3.0 >

## Commitment to sustainable audit quality

## Quality in the EY service lines

NextWave is the EY global strategy and ambition to deliver long-term value to clients, people and society. It has put EY in a strong position to adapt and innovate, while the EY purpose of *Building a better working world* continues to inspire EY people not only to serve clients, but also to use EY knowledge, skills and experiences to support the communities in which we live and work.

The insights and quality services EY member firms deliver help enhance trust in business and the capital markets in support of sustainable, long-term value creation.





For EY Assurance services, the NextWave strategy is informed by a recognition that markets are being reshaped profoundly by data and technology disruptions, climate change, demographics shifts and globalisation, creating urgency for EY to respond to increasing demand for trust and confidence.

In response, EY continues to harness the inherent strengths of its member firms' greatest asset in delivering quality and building trust - EY people. By enhancing their skills and experiences, while also transforming the way EY teams work to put data and technology at the center of the assurance services they provide, they better deliver on the EY purpose of serving the public interest.

Through a data-first approach, enabled by analytics and digital tools, EY teams continue to deliver high-quality audits with independence, integrity, objectivity and professional skepticism. EY member firms provide their audit professionals with additional training and enablement to help detect fraud. The data-first approach and enhanced training elevates EY teams' experiences, so they can spend more time addressing risks and exercising professional judgement

EY member firms remain future-focused as they transform, including ever more sophisticated data analytics, efficiently delivering greater insight and assurance in support of the high-quality audits that are valued by the companies that EY member firms audit and the capital markets.

By applying cutting-edge technologies, all while serving the public interest, our EY Assurance services people contribute meaningfully to the overall EY purpose of *Building a better working world*.

EYG member firms and their service lines are accountable for delivering high-quality engagements. EY member firms' service lines manage the overall process for quality reviews of completed engagements and input for the quality of in-process engagements, which helps achieve compliance with professional standards and EY policies.

The Global Vice Chair of Assurance coordinates the member firms' compliance with EY policies and procedures for services provided by Assurance services.

## Effectiveness of the quality control system

EY has designed and implemented a broad set of global audit quality control policies and practices. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). EY PLT has adopted these global policies and procedures and has supplemented them as necessary to comply with local laws and professional guidelines, and to address specific business needs.

We also execute the EY Audit Quality Review (AQR) programme to evaluate whether our system of audit quality control has operated effectively to provide reasonable assurance that EY PLT and our people comply with applicable professional standards, internal policies and regulatory requirements.

The results of the AQR programme and external inspections are evaluated and communicated within EY PLT to provide the basis for continual improvement in audit quality, consistent with the highest standards in the profession.

The Global Executive has responsibility for the coordination of quality improvement implementation. As such, it reviews the results of the internal AQR programme and external audit firm regulatory reviews, as well as any key actions designed to address areas for improvement.

The recent results of such monitoring, together with feedback from independent audit regulators, provide EY PLT with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.



## Implementation of ISQM 1

The foundation created by our existing quality control system puts EY in a good position to introduce the new ISQM 1

In September 2020, the IAASB approved a quality management standard that includes significant changes to the way professional accountancy firms manage quality. The International Standard on Quality Management 1 (ISQM 1) will replace the current International Standard on Quality Control 1 (ISQC 1) and requires a more proactive and risk-based approach to managing quality at the firm level.

ISQM 1 requires firms to design, implement, monitor and evaluate the overall system of quality management (SQM), including annually concluding on the effectiveness of the SQM.

The standard includes more robust requirements for the governance, leadership and culture of professional accountancy firms, and introduces a risk assessment process to quality management in order to focus the firm's attention on mitigating risks that may have impact on engagement quality. It also requires more extensive monitoring of the SQM to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the SQM.

The standard outlines an integrated and iterative approach to the SQM based on the nature and circumstances of the firm and the engagements it performs. It also takes into consideration the changes in the practice and the different operating models of the firms (e.g., use of technology, network, and multidisciplinary firms).

The EY approach is to implement an SQM that is consistently applied across the entire network of member firms to promote engagement quality and operating effectiveness. This is especially important in a global economy where many audits are transnational and involve the use of other EY member firms.

EY has developed consistent frameworks and enablement for implementing the SQM within EY PLT. For example, EY has established an approach to the required risk assessment process that includes input and feedback from across EY services lines, functions and geographic areas to develop global baseline minimums, including quality objectives (based on ISQM 1 requirements), and quality risks and responses (including key controls) assumed to be applicable to EYG member firms.

EYG member firms have the responsibility to evaluate the global baseline minimums (e.g., quality risks, policies, technologies and key controls), and determine if the global baselines need to be supplemented or adapted by the member firm to be appropriate for use (e.g., additional quality risks, if the policy needs to be amended to comply with local laws and regulations and additional key controls).



## Implementation of ISQM 1

We believe that implementing ISQM 1 will be useful to improving quality at the firm and engagement level because an effective SQM is foundational to achieving consistent engagement quality

Utilising this approach for ISQM 1 implementation, EY is building on responses already in place in the current ISQC 1 framework to establish the SQM under ISQM 1.

In addition, frameworks for performing monitoring and remediation activities (such as identifying and evaluating deficiencies, performing root cause analysis and developing remediation plans) have been developed as well as a framework for performing the annual evaluation process. These frameworks are supported by IT applications to drive consistency in the implementation of SQM throughout the EYG member firms.

In addition, the implementation of ISQM 1 builds upon strong EY processes and controls to take quality to the next level; and is the next phase in the journey of continuous improvement, which started with the EY Sustainable Audit Quality program.

EY member firms are ultimately responsible for the design, execution and operation of their SQM, including the annual evaluation conclusion.

The standard requires firms to implement an SQM by 15 December 2022. EY PLT continues to work to implement the new standard alongside the EY SQM transformation program. Key steps have included:

- ▶ Reviewing global baseline quality objectives and quality risks to identify whether additional quality objectives and/or quality risks are needed
- ▶ Reviewing and understanding global resources (i.e., global policies and technologies) and their implementation or use by the country in its SQM
- ▶ Reviewing and customising global baseline key controls
- ▶ Identifying and documenting EY PLT's key controls
- ▶ Performing walkthroughs and sample testing
- ▶ Identifying enhancements to the existing quality control system to achieve compliance with the new standard



# < 3.1 >

## EY Sustainable Audit Quality Programme

- 21 Tone at the top
- 22 Exceptional talent
- 34 Audit technology and digital
- 41 Simplification and innovation
- 44 Enablement and quality support
- 48 Accountability



## EY Sustainable Audit Quality (SAQ) programme

Quality is the foundation of our work and central to EY member firms' responsibility to provide confidence to the capital markets. This is reflected in the SAQ programme, which continues to be the highest priority for EY member firms' Assurance practices.

SAQ establishes a strong governance structure that enables each member firm to provide high-quality audits. It is implemented locally, and coordinated and overseen globally. The word "sustainable" in SAQ is used to demonstrate that this is not a one-off, short-term initiative, but an ongoing process of improvement.

SAQ also puts the implementation of the International Standards on Quality Management, namely ISQM 1 and ISQM 2, at EY in a strong position as:

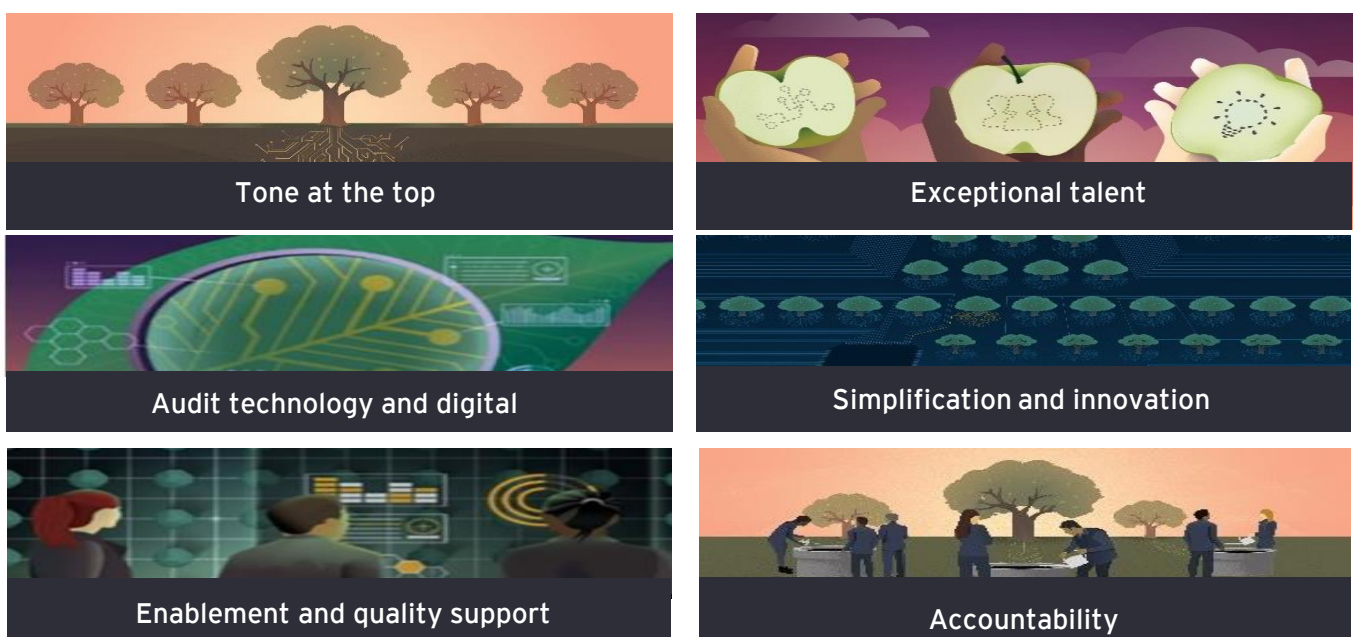
- ▶ SAQ drives consistency and uniformity through various monitoring and remediation activities such as the Global Milestones Program and Global Root Cause Analysis process.
- ▶ SAQ sets out clear objectives and priorities for the distributed assurance leadership team to reinforce a consistent focus - examples of this include the Accountability Framework, Global Audit Quality Indicators and Action Plan response plans

Significant progress has been made through SAQ. EY member firms' internal and external inspection findings globally are improving, and there is greater consistency in execution. The trend in the results also reflects the involvement of the QEL network and a focus on culture and behaviors.

EY has deployed leading technological tools that enhance the quality and value of EY audits, including the EY Canvas online audit platform, the EY Helix analytics platform and the EY Atlas research platform.

EY Canvas facilitates the use of the "Milestones" project management functionality, which helps audit teams stay on pace with their audit execution and drive executive involvement. The EY Canvas Client Portal, which is a component of EY Canvas, magnifies its importance in providing a secure and user-friendly platform to transmit data between the engagement teams and the entities audited, while effectively monitoring the pacing of the audit. The Milestones functionality allows EY member firms to identify delayed engagements, and through the QEL network around the globe, understand the reasons for the delays and take positive intervention to get the teams back on pace.

There are six SAQ pillars as shown below. These pillars are supported by a foundation of serving the public interest. Each pillar is explained in more detail on pages 21 to 60.





Additionally, EY Helix and the entire suite of data analytic tools represent key ways to address the risk of material fraud in audit execution. Increasing the required use of these tools provides a more robust response to audit risks associated with companies facing economic challenges. A broader adoption of these data analytic tools is set to occur this year.

EY Atlas is a cloud-based platform for accessing and searching for accounting and auditing content, including external standards, EY interpretations and thought leadership.

Current SAQ initiatives are focused on understanding, managing and mitigating risk . From an audit engagement perspective, there is a focus on supporting EY teams in understanding the business of the companies audited. By leveraging data and technology and executing enhanced engagement risk assessment, EY is continuing to drive quality audit execution. From an audit portfolio management perspective, EY is focused on enabling the QEL network with the necessary tools to monitor in-process engagements, identify teams that are off pace and provide positive intervention.

Audit quality is something that every team member must understand and be committed to implementing locally. SAQ is essential to all the EY goals and ambitions, and each country, Regional and Area leader has a role in achieving these goals.



The SAQ infrastructure demonstrates that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.



# Tone at the top



EY PLT's leadership is responsible for setting the right tone at the top and demonstrating EY commitment to building a better working world through behaviour and actions. While the tone at the top is vital, EY people also understand that quality and professional responsibility start with them and that within their teams and communities, they are leaders too. EY shared values, which inspire EY people and guide them to do the right thing, and the EY commitment to quality are embedded in who we are and in everything we do.

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies and is embedded in the EY culture of consultation, training programmes and internal communications. Senior leadership regularly reinforce the importance of performing quality work, complying with professional standards, adhering to EY policies and leading by example. In addition, EY member firms assess the quality of professional services provided as a key metric in evaluating and rewarding EY professionals.

The EY culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We believe it is important to determine that engagement teams and the entities they audit correctly follow consultation advice, and we emphasise this when necessary.

The consistent stance of EY PLT has been that no client is more important than our professional reputation – the reputation of EY PLT and the reputation of each of our professionals.

## Global Audit Quality Committee

The EY Global Audit Quality Committee (GAQC) is an important element of the culture of continuous improvement. It comprises senior leaders from across the EY organisation with extensive, diverse and highly relevant experience. The GAQC advises the EY Assurance leadership on the many aspects of the organisation's business, operations, culture, talent strategy, governance and risk management that affect audit quality.

The committee develops innovative ideas and approaches to delivering high-quality audits and is a forum for sharing the best practices of EY member firms. The committee also helps develop audit quality indicators (AQIs) and other forms of quality monitoring that feed into the continuous improvement cycle.

## EY PLT's Audit Quality Board

The Audit Quality Board (AQB) is the GAQC equivalent in EY PLT. The AQB is chaired by the Malaysia Managing Partner and its key members include the Professional Practice Director (PPD), Deputy PPD, Quality Enablement Leader, and the Malaysia Assurance Managing Partner.

AQB is the oversight body on all matters relating to audit quality and aims to meet on a periodic basis.



# Exceptional talent



Investing in people is fundamental to delivering high-quality work. Delivering high-quality audits relies on a combination of technical know-how, sound judgement, efficient working practices, effective teamwork and a continuous dedication to improvement.

This is supported by a talent development system that puts people at the heart of everything: their learning, professional development, career progression and wellbeing.

## Attracting and recruiting talent

Competition for talented people with the relevant skills has never been higher and finding the next generation of high-quality auditors is a top priority. We put a great deal of effort into keeping our network of recruiters around the world up to speed with current trends and hot topics in audit so that they are armed with the information to talk to candidates. We are also exploring several innovations in recruitment that have the potential to make us more attractive to diverse audiences and improve the candidate experience.

In order to recruit people who fit with the organisation's culture, it is important to take into account not just technical excellence, but also other attributes - communication skills, high ethical standards and the ability to collaborate in high-performing teams. All joiners are expected to live up to high standards of integrity, and to have strong business acumen and leadership potential.

Workforce planning is an important enabler as EY seeks to understand, anticipate and lead the changes that will impact the profession. Planning tools enable the business to model different assumptions and identify the actions needed on both a short- and long-term basis.

The tools help to connect the different talent initiatives, starting with recruitment - identifying the number of people and the skills required - and then linking to career development. This knowledge enables the EY organisation to offer meaningful career progression and opportunities.





## Retention and focus on wellbeing

Having recruited the talent, retaining it within the business is a key contributor to the delivery of high-quality audits. Retention can vary based on external drivers such as market conditions. However, there is one factor that is globally consistent: employee expectations.

The issue of work-life balance is becoming increasingly important for EY people. People are now far more focused on getting the balance right between their professional and personal lives. An increasingly important talent priority has, therefore, been a focus on wellbeing and improving the day-to-day experience of EY people. The better the organisation can support people's wellbeing, the more likely it is to provide them with compelling reasons to continue their career journey within the EY network.



The recently launched EY Global Wellbeing Strategy has as its overarching goal to embed a wellbeing culture through the commitment of leadership and the provision of appropriate resources and opportunities to achieve optimal health and performance. The aim is to increase job satisfaction, help people take care of themselves and be more effective.

In Malaysia, we have increased focus on our people's wellbeing through the following efforts:

- ▶ Providing our employees with a wellbeing break through a one-week office closure annually;
- ▶ Continuing with a hybrid working environment;
- ▶ Promoting a healthy work culture, for example, providing flexibility for our people to use Friday afternoons on personal development or team activities;
- ▶ Emphasising leave utilisation to ensure that our people disconnect from work to recharge and refresh; and
- ▶ Providing a platform, through a third-party provider, for employees to seek professional consultations on wellbeing matters.

Additionally, new entrants to the world of work are less likely to stay at the same organisation for their entire careers. Boosting retention, therefore, now means focusing more on the journey than the destination.

As part of this commitment, there is a stronger focus on experience management, scheduling auditors onto engagements, where they can find opportunities to expand their knowledge, as part of longer-term career progression.

EY PLT has undertaken the following initiatives during FY22 to retain our talent:

- ▶ Enhancing the reward and recognition packages, in particular, an upward salary revision; and
- ▶ Introducing a recognition programme to reward and recognise exceptional performance.



## Personalised careers with diverse experiences



We are seeing great success through these redesigned career paths.

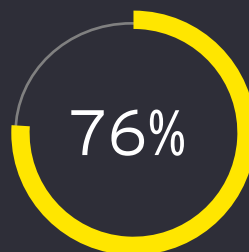
In the March 2022 employee listening survey, globally, 76% (Malaysia: 75%) of respondents agreed that at EY, there are diverse career paths to help them build the career that is right for them (globally up 7% (Malaysia: up 16%) from 2021).

As the workforce becomes more diverse in terms of background, skill sets and education, aspirations also change. With more people with specialised skills entering the organisation, EY member firms are creating a more varied, flexible and agile set of career paths for professionals that are based on a future-focused service delivery model.

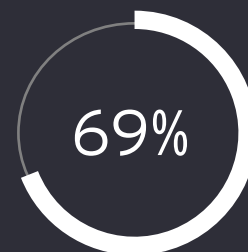
New entrants to the workforce may have different career hopes, so they are being provided with the necessary tools and processes to manage their progression. A more individualised career structure is vital in attracting new talent and in helping to develop and retain the existing workforce.

Promotions focus on people's skills, not the number of years in post. For example, the EY organisation is introducing more "agile promotions," where career progression takes place when an individual is ready rather than at set times in the year.

### Global

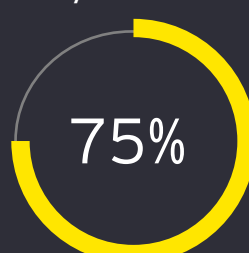


2022

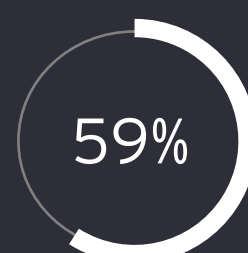


2021

### Malaysia



2022



2021

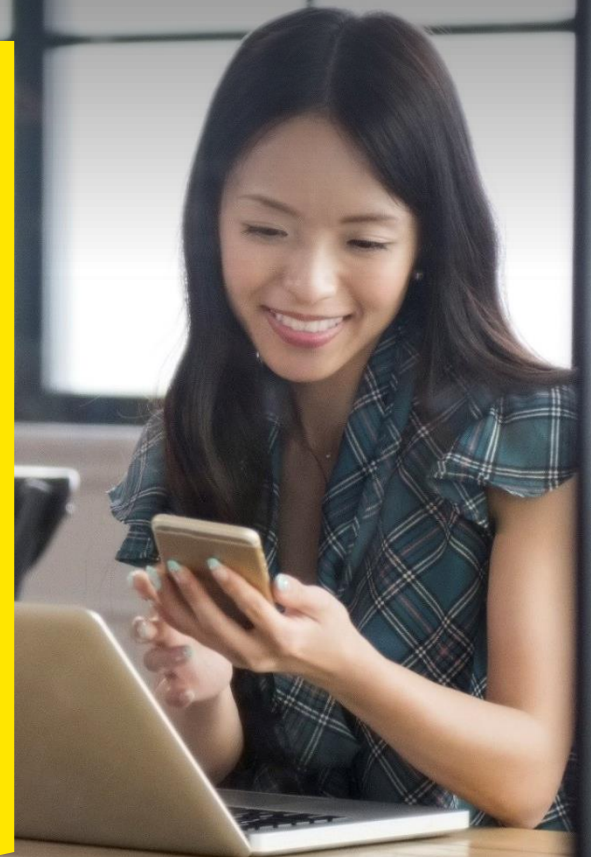


## Performance management

EY has a performance management framework that connects people's career, development and performance. Through ongoing feedback, counselor insights and development conversations, it aligns individuals with the EY strategy and enables a focus on the future. An individual's dashboard provides a snapshot of performance against the Transformative Leadership dimensions, including quality, risk management and technical excellence, and assesses performance against their peers. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programs.

The performance management framework extends to partners, principals, executive directors and directors, and applies to all EYG member firms around the world. It reinforces the global business agenda by continuing to link performance to wider goals and values. The process includes goal setting, ongoing feedback, personal development planning and an annual performance review, all tied to partners' recognition and reward. Documenting partners' goals and performance is the cornerstone of the evaluation process. A member firm partner's goals are required to reflect various global and local priorities across six metrics, the most important one being quality.

At the center of the framework are conversations between counselee and counselor, covering topics such as diverse career journeys, applying emerging technology, experiencing new teams, and learning. These conversations help to identify opportunities for further development and to build future-focused skills.







## Engagement

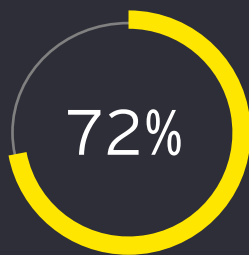
Employee engagement is a vital sign of success in building the right culture. Audit professionals want to feel that their employer cares about their progress and job satisfaction. Understanding the ambitions, concerns and pressures faced by EY people makes it possible to provide a better environment in which they can flourish.

Listening to the views and concerns of EY people is a key element in increasing engagement. The EY professionals listening strategy gives our people a voice at every step of their EY experience, so that we know what they need and what EY can do to help build exceptional experiences. Understanding the evolving perspectives and experiences of EY people is essential to delivering our employer value proposition - The Exceptional EY Experience. It's Yours To Build.

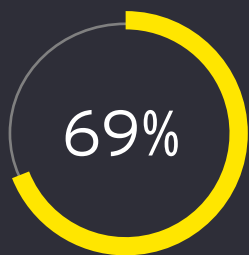
Engagement levels are regularly monitored through a variety of channels.

The March 2022 employee listening survey showed that globally, 72% (Malaysia: 69%) of audit professionals had a favorable attitude in terms of engagement, a figure that continues to rise.

Global



Malaysia



The EY People Pulse survey is run three times per year to gather feedback on key elements that drive engagement and retention. Each survey focuses on different strategic drivers (Careers, Learning and skills, etc.) and includes other relevant topics.

The EY Team Experience survey is another critical element of our employee listening strategy, aimed at improving and unifying the day-to-day experience for our engagement teams. Eligible team members provide feedback on their experience of an engagement across a variety of questions, rated on a five-point scale. This feedback provides actionable insights and pathways for tangible change at the engagement team level.

For discussion of wider issues, the Global Voices network was established in 2021. A group of 200 high-performing people from all levels and all Assurance sub-service lines provide feedback on, or contribute ideas to, a range of different strategic priorities. It effectively works as a "shadow board," providing valuable perspectives and insights, and helping to shape strategy. The initiative also provides an opportunity for senior leadership to detail their vision of the future and then allow that to cascade throughout the organisation.

In addition, we held periodic townhalls during FY22 to share the key updates on our business and to receive feedback and suggestions from our people.



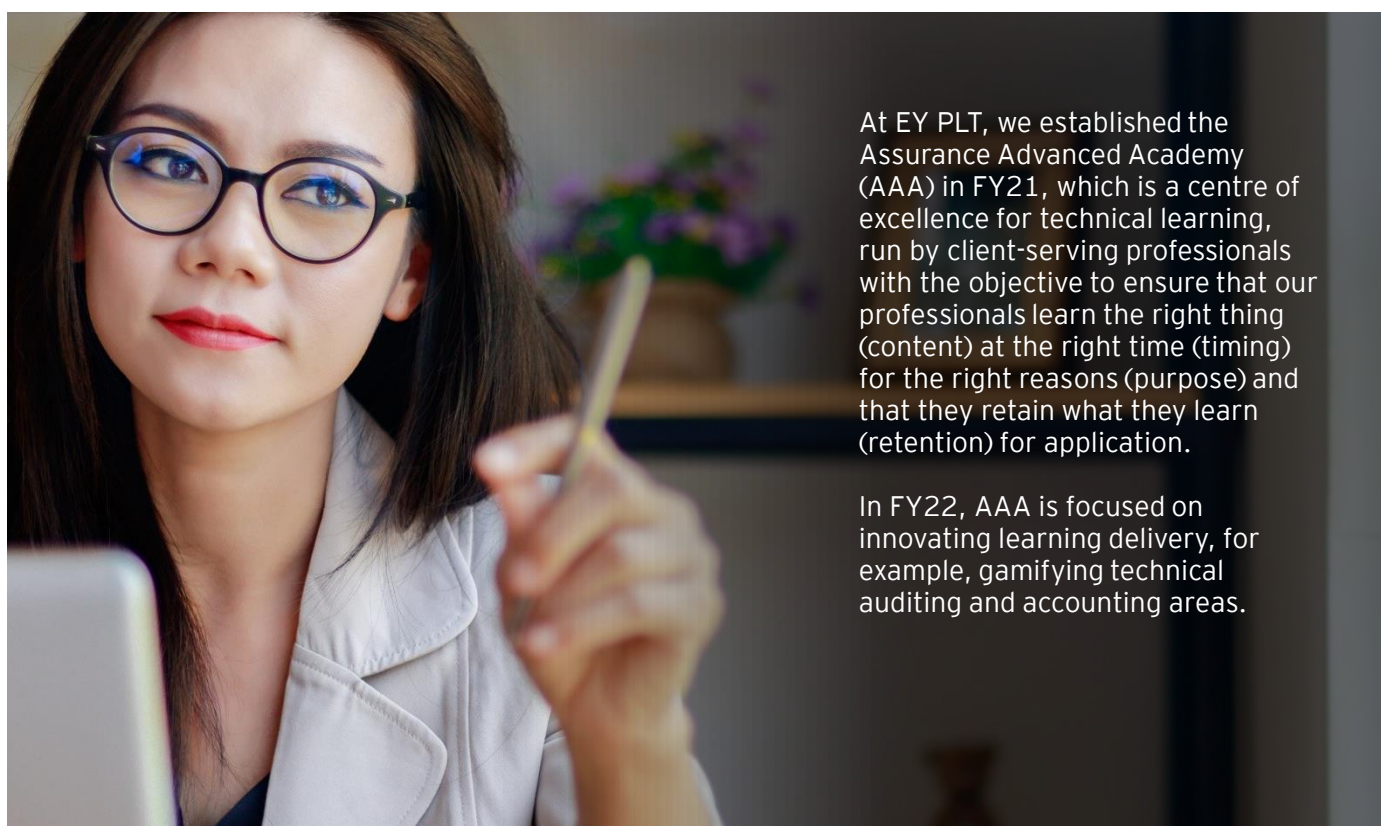
## The Audit Academy

As the EY Digital Audit continues to evolve, it is important to complement the auditor's core skills with an evolving range of new capabilities. Every year, the content and focus of the Audit Academy are adjusted to address new technologies and strategic priorities that promote audit quality. Any changes are agreed by Assurance leadership, following recommendations from the EY Global Assurance Learning Steering Committee.

Inspection and quality review findings are reviewed regularly to assess and address root causes, and the conclusions are then fed into the Audit Academy curriculum to enhance and strengthen continual learning.

Teams can be sure that they are receiving world-class and globally consistent core learning. Whether that involves focusing on changes in regulation, mastering emerging technologies or embedding data analytics into existing audit practices, the Audit Academy has the resources in place to support every need. Moreover, the Audit Academy encourages and empowers individuals to apply professional skepticism, think critically and deliver exceptional client service.

In response to the COVID-19 pandemic, the Audit Academy now delivers a blend of on-demand learning and simulation or case study-based learning that can be deployed either physically or virtually.



At EY PLT, we established the Assurance Advanced Academy (AAA) in FY21, which is a centre of excellence for technical learning, run by client-serving professionals with the objective to ensure that our professionals learn the right thing (content) at the right time (timing) for the right reasons (purpose) and that they retain what they learn (retention) for application.

In FY22, AAA is focused on innovating learning delivery, for example, gamifying technical auditing and accounting areas.

## Professional development

To encourage the building of new skills, the EY Badges program enables professionals to gain future-focused skills in three distinct pillars: technology, leadership and business. Subjects covered in the program include analytics, transformative leadership, sustainability, artificial intelligence, blockchain, robotic process automation, innovation, cybersecurity and digital skills, as well as certain sector capabilities that are in high demand. New badges are added regularly as the program evolves.

Badges are awarded based on globally consistent criteria and act as a digital credential that the recipient can include on their CV, wherever their career may subsequently take them, to demonstrate what they have learned as part of their EY experience. EY was the first professional services organisation to offer such a program, with takeup increasing as more team members recognise the importance of managing their own skills portfolio.

Allied to EY Badges is the EY Tech MBA, an online qualification awarded by Hult International Business School, a triple-accredited university. This is the first time that an organisation of EY size has offered such a qualification to all its people. Following the success of the EY Tech MBA, also in association with Hult, EY has launched Masters' in Business Analytics and Sustainability. Both are the first qualifications of their kind, and both are available free of charge to all EY people.

In total, during the financial year to 30 June 2022, EY audit professionals undertook 8.2m hours of learning (compared with 8.5m hours for the previous year), averaging 86.5 hours each.

As of 30 June 2022,

**37,500**

EY Badges had been awarded to current audit professionals, including 13,100 in analytics and data strategy alone.

In addition, more than

**13,000**

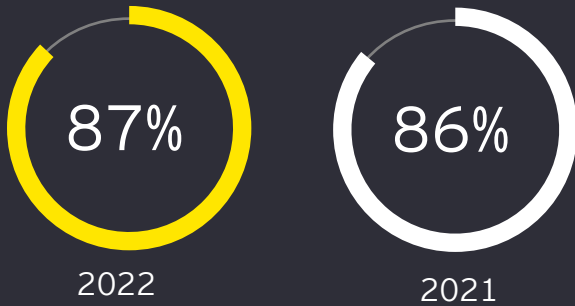
EY Badges have been awarded to people who have since left EY. This is a significant achievement given that EY Badges is a self-directed learning initiative that supplements a substantial program of core mandatory training for auditors.



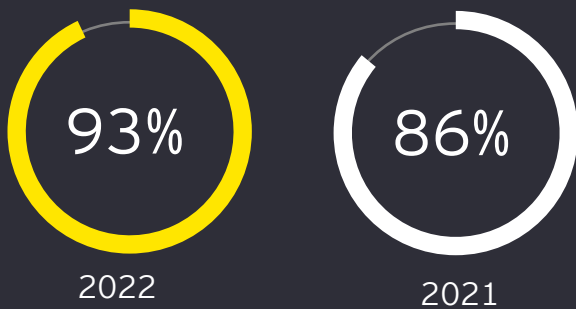
## Professional development

In the March 2022 employee listening survey, globally, 87% (Malaysia: 93%) of respondents said that EY provides them with learning opportunities that build the skills they need to be successful (globally up 1% on March 2021 (Malaysia: up 7%)).

### Global



### Malaysia



In addition, globally, 83% (Malaysia: 86%) said that what they are learning at EY is helping them to achieve their career aspirations (globally up 1% from 2021 (Malaysia: up 8%)).

## Digital upskilling

In Malaysia, we held a number of bootcamps on digital skills throughout FY22 to upskill our employees.

EY PLT has also established a Financial Analytics, Automation and Robotics (FAAR) team comprising digital specialists and data scientists.

The FAAR team focuses on the local development of innovative digital tools to reshape the future of audit.

There are also a variety of learning programs that have been developed specifically for member firm partners. These are available to all member firm partners worldwide and cover topics including Transformative Leadership, Disruptive Technology, and Sustainability. These are supplemented by high-touch, immersive programs for select groups of Partners on topics such as Client Leadership and Disruptive Technology, and there are also regular learning programs on audit-specific topics such as fraud.

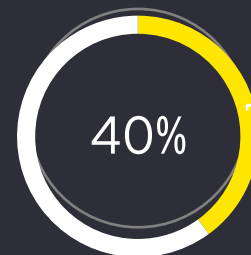
Where an EYG member firm audits and reviews International Financial Reporting Standards (IFRS) financial statements, relevant team members undertake learning to become IFRS-accredited.

EY PLT requires audit professionals to obtain at least:

20 hours  
of continuing  
professional  
education each  
year

120 hours  
over a three-year  
period

Of these hours,



eight hours each  
year and 48 hours  
over a three-year  
period

must cover technical subjects related to accounting and auditing.

## Knowledge and internal communications

In addition to professional development and performance management, we understand the importance of providing audit teams with up-to-date information to help them perform their professional responsibilities. There is significant EY investment in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. This has been of increasing importance to address emerging risks arising as a result of the pandemic. Some EY resources and tools include:

- ▶ EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications such as International GAAP, IFRS developments and illustrative financial statements
- ▶ Global Accounting and Auditing News – a weekly update covering assurance and independence policies, developments from standard-setters and regulators, as well as internal commentary thereon
- ▶ Practice alerts and webcasts covering a range of global and country-specific matters designed for continuous improvement in the member firms' Assurance practices

## Mobility

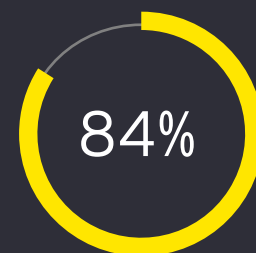
In an organisation that spreads across more than 150 jurisdictions, the opportunities to experience work and life are equally widespread. People join EY for exceptional experiences, including geographical mobility. Mandatory firm rotation and an increased desire for variety and flexibility mean that it is now even more important to have the right people in the right place at the right time, and enough people with enough time to execute audit engagements.

Inevitably, travel restrictions during the pandemic have meant that many cross-border experiences had to be paused. However, in September 2021, legacy mobility programs were streamlined into one new offering – Mobility4U – which provides assurance professionals with a single point of entry to locate global opportunities. Both physical and virtual assignments are covered, including job swaps, where individuals can exchange roles with an EY peer on either a long- or short-term basis.

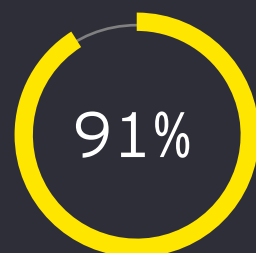
In the March 2022 employee listening survey, globally, 84% (Malaysia: 91%) of respondents said they feel they have access to the work experiences they need to build their career.

And in the survey four months earlier, globally, 82% (Malaysia: 84%) people said they feel EY prepares them to work effectively with clients and colleagues from different countries and cultures.

Global



Malaysia





## Impact of COVID-19

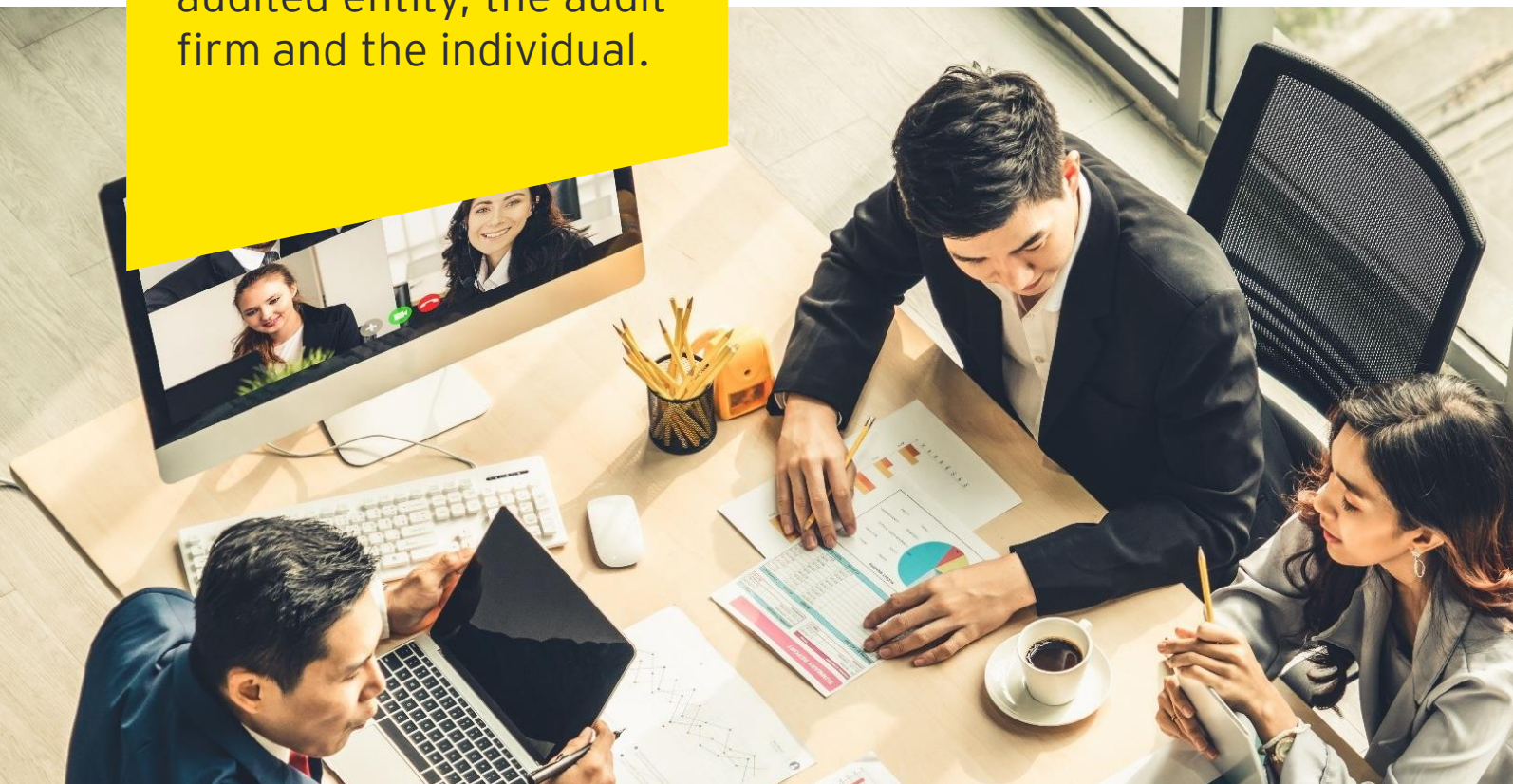
The continuing EY commitment to investing in talent will drive further advances in audit quality, creating real value and insights for companies that are audited by EY teams. Even during a period of unparalleled disruption, EY member firms have continued to invest time and resources, so that they can draw out the very best in their people.

This changing working environment has accelerated the need for auditors to make greater use of available technology, to have an agile mindset that embraces change and disruption, and to operate effectively in teams.

There has also been an increased focus during the pandemic on how teams work together and on improving communication. As part of this, we are using the power of our global network to share best practice ideas across key themes - onboarding, smart ways of working, wellbeing, coaching and mentoring, and engaging and enhancing team experiences.

In addition, the organisation has taken action to address emerging risks, through both training and a focus on increasing awareness of these risks. Common themes that teams need to focus on are communicated throughout the organisation.

The shift to remote working at the start of the COVID-19 pandemic accelerated a trend that was already in place in the auditing profession. Auditors are moving to more flexible ways of working based on the requirements of the audited entity, the audit firm and the individual.



## Diversity, equity and inclusiveness

EY has a long-standing commitment to diversity, equity and inclusiveness (DE&I). This commitment to building high-performing, diverse, equitable and inclusive teams is especially important in audit, where diverse perspectives drive professional scepticism and critical thinking. Greater diversity, equity and inclusive environments drive better decision-making, stimulate innovation and increase organisational agility.

EY has been on a DE&I journey for many years, and while substantial progress has been made, under the global NextWave strategy and ambition EY has committed to increasing DE&I progress throughout the organisation. The Global Executive has made a visible commitment to EY people and to the market to accelerate DE&I at EY through signing the Global Executive Diversity, Equity and Inclusiveness Statement. Not only does this reinforce that DE&I is a key business lever, it ensures that EY member firms hold themselves accountable for progress, starting with the tone at the top.

EY also recently launched the Global Assurance DE&I baseline expectations model in the audit practice to accelerate progress. This includes a set of globally applicable baseline expectations for DE&I across all Assurance talent processes and consists of ideas and initiatives for what can be done to advance DE&I within these processes.



There has been a particular focus on promoting gender diversity over recent years. 33% of new audit partners, globally and locally, promoted on 1 July 2022, were women and a strong pipeline of female leadership has been built, supported by 52.5% of all audit hires by member firms across the globe in 2021 being female. In Malaysia, 65% of our audit personnel as at the end of FY22 are female.

Inclusive organisations maximise the power of all differences. Employees need to feel they are working for an organisation that not only values them as individuals, but also sees their differences as strengths and values their contributions. Fostering this sense of belonging is critical to helping the EY organisation attract the most talented individuals and helping EY professionals stay motivated and engaged.

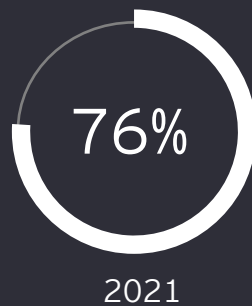
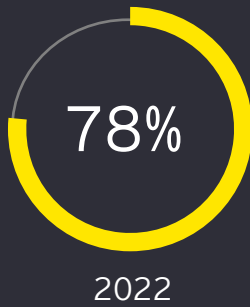




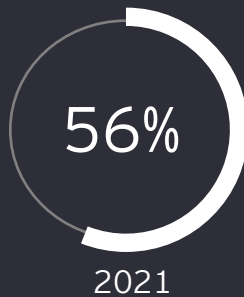
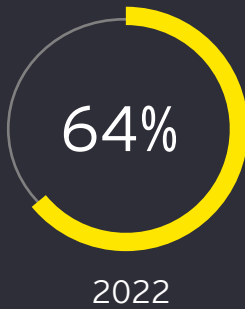
## Diversity, equity and inclusiveness

In the March 2022 employee listening survey, globally, 78% (Malaysia: 64%) of auditors said EY provides a work environment where they feel free to be themselves, globally, up 2% (Malaysia: up 8%) when compared to the March 2021 survey.

### Global



### Malaysia



Leaders across EY make DE&I a priority and it is a key metric across all the organisation's talent management programmes. To enable greater accountability across EY, the Global DE&I Tracker helps track progress with consistent diversity and inclusiveness metrics and reports across the globe in the organisation. EY also created the Global Social Equity Task Force (GSET) to develop cohesive action plans, specifically addressing inequity and discrimination, including racism. As a global organisation, EY has an opportunity to address the impact of inequities and injustice and push for progress within EY and beyond.

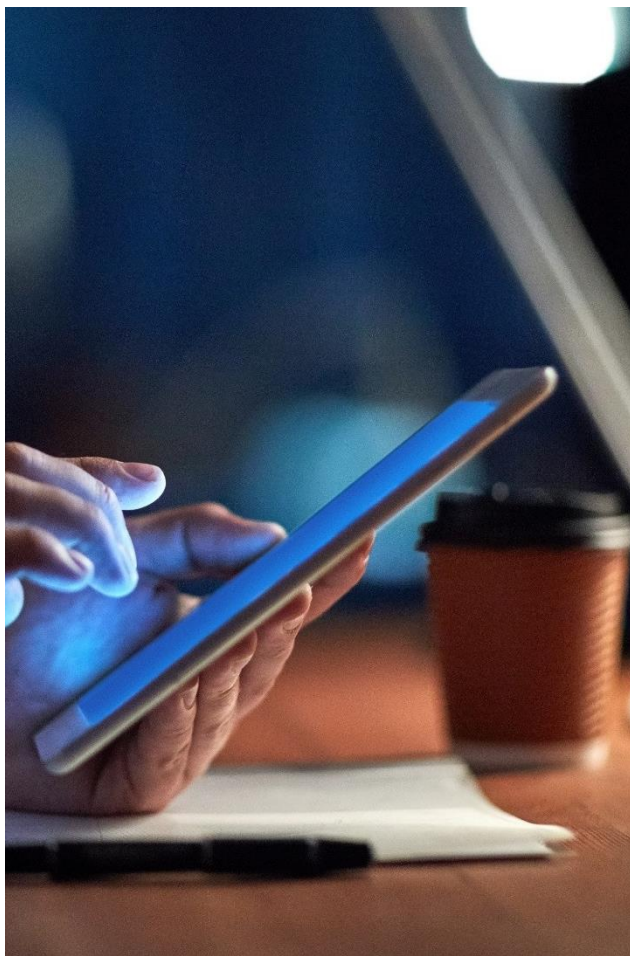
EY commits to advancing social equity and inclusive growth and standing against injustice, bias, discrimination and racism. Social equity means that we aim for each person at EY PLT to have access to the resources and opportunities they need, given different starting points and different needs. It also means removing barriers to opportunities and inclusive experiences, that may lead to unequal outcomes. EY believes businesses have direct influence to address these gaps and build a better working world, through teaming, leadership and culture on teams, and the assignment and value of work, and how performance evaluation, advancement and appointment decisions are made.



# Audit technology and digital



EY continuously invests in improving audit methodologies and tools to digitise the audit from end to end, with the goal of performing the highest-quality audits in the profession. This investment reflects the EY commitment to building trust and confidence in the capital markets, and in economies the world over.



## Working in a virtual world

There are two types of considerations when delivering a high-quality audit in an increasingly virtual business environment. The first category includes how EY member firms work, how their people can work remotely in an effective way, and how that can impact their own risks. The second category covers how businesses continue to work in a virtual world, where transactions are carried out online, across borders, without the need for physical interaction.

EY PLT understands the risks that a virtual world can have on the way its people work; this incorporates concerns about mental health and wellbeing, and the need to establish an appropriate work-life balance for an individual. However, it is also understood that the businesses that EY PLT works with face similar issues. High turnover of staff can create risks, and evolving business practices can create new risks, which in turn require an evolution in audit planning and practices.



## The EY Digital Audit

EY is on a mission to become the most trusted global Assurance services provider, furthering the public interest by proactively addressing stakeholders' needs for trust and confidence in the capital markets. This will be supported through digitally-empowered teams and services that deliver leading-edge insights and value.

EY has invested in the EY Digital Audit, which includes leading-edge technology, data capture processes, and a data-driven, end-to-end, audit approach. The EY Digital Audit helps create higher audit quality through better focus on risks of material misstatement and higher quality audit evidence to respond to those risks.

The EY Digital technology focuses on three core areas: Connecting, Automating and Analysing.

### Connecting teams and companies

Connecting teams to one another and to the companies they audit creates a secure platform for a digital-first approach:

- ▶ EY Canvas
- ▶ EY Canvas Client Portal
- ▶ EY Canvas Mobile Application Suite
- ▶ EY Canvas Dashboard

### Automating audit procedures and processes

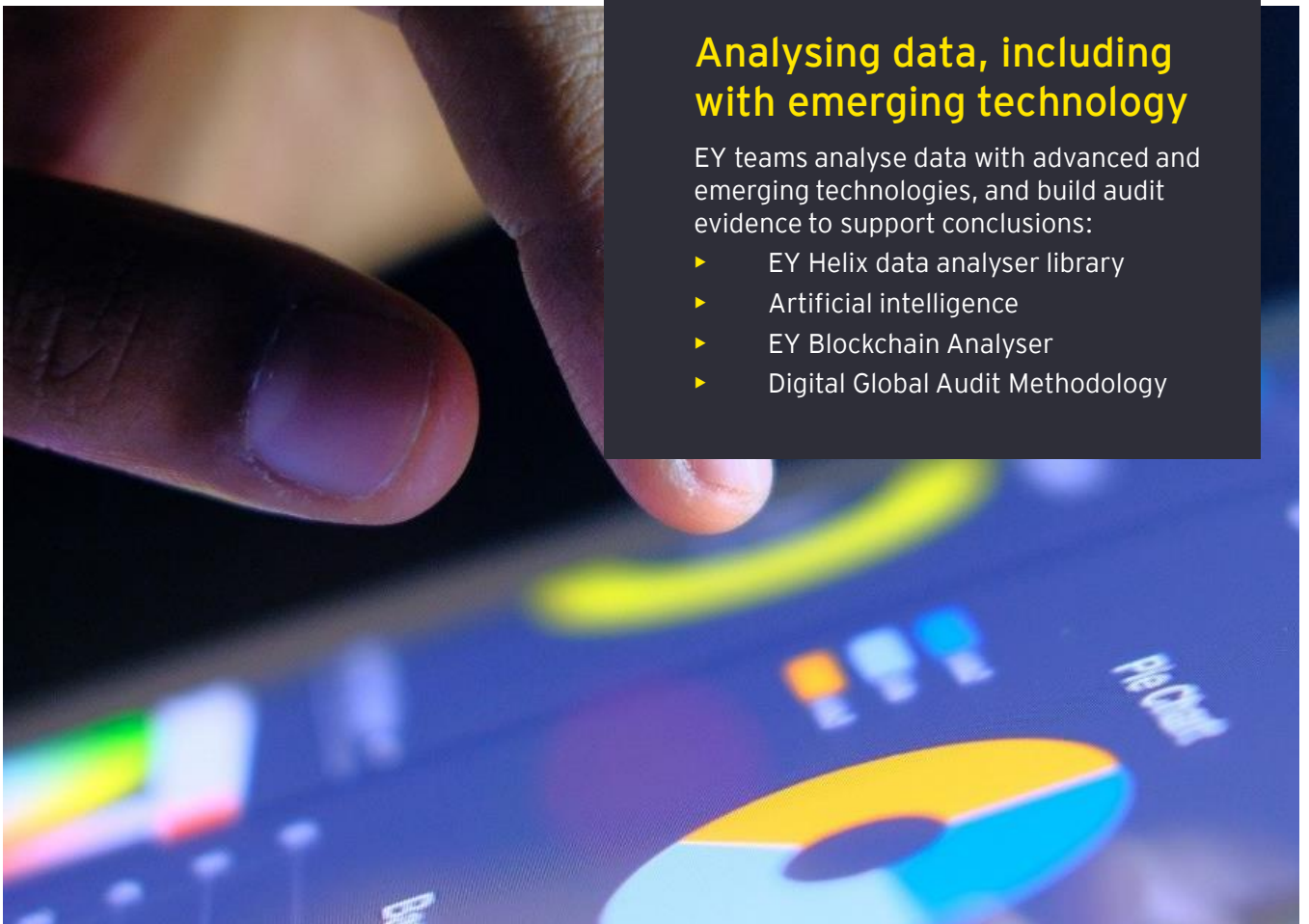
By automating audit procedures and processes, EY teams reduce client burden and are able to focus on areas requiring judgement:

- ▶ Centralisation: data capture
- ▶ Standardisation: Global Delivery Services
- ▶ Automation: EY Smart Automation

### Analysing data, including with emerging technology

EY teams analyse data with advanced and emerging technologies, and build audit evidence to support conclusions:

- ▶ EY Helix data analyser library
- ▶ Artificial intelligence
- ▶ EY Blockchain Analyser
- ▶ Digital Global Audit Methodology



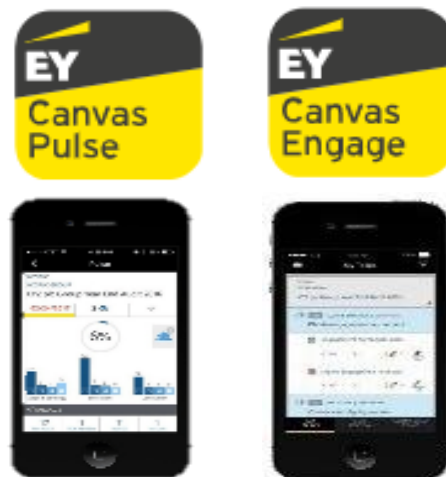
# 1 Connecting

EY Canvas, the global EY audit platform, lies at the heart of the audit and enables the provision of a high-quality audit. EY Canvas is cloud based and is built using state-of-the-art technology for web applications. This allows the provision of data security and the ability to evolve the software to respond to changes in the accounting profession and regulatory environment.

Through the use of profile questions, audit engagements in EY Canvas are automatically configured with information relevant to an entity's type (e.g., listed, public interest entity) and industry. This helps to keep audit plans customised and up-to-date, and provides direct linkage to audit guidance, professional standards and documentation templates. The majority of forms that enable audit documentation are integrated into EY Canvas, leveraging the profile questions to deliver the relevant audit procedures and related documentation requirements.

EY Canvas is built with a user interface that allows the team to visualise risks and their relationship to the planned response and work performed in key areas. It also enables a linkage for group audit teams to communicate relevant information and instructions to component auditors so that group auditor can direct execution and monitor performance of the group audit.

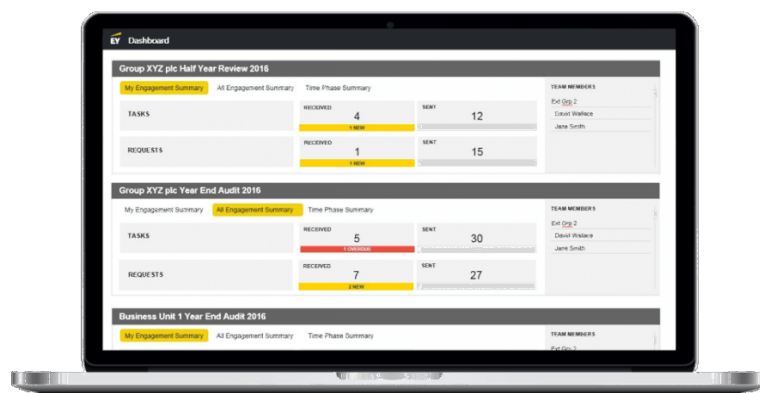
EY Canvas includes the EY Canvas Client Portal to assist teams in communicating with clients and streamlining their client requests. Mobile applications are integrated with EY Canvas to help our people in their audit work – e.g., in monitoring the status of the audit, capturing audit evidence securely and performing inventory observations.



EY Canvas Mobile Application Suite



EY Canvas



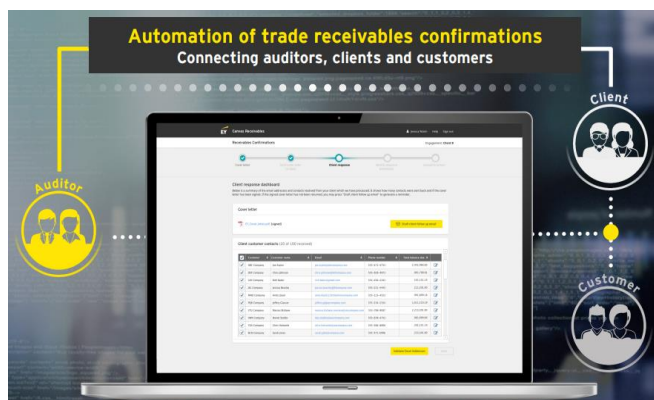
EY Canvas Client Portal



## 2 Automating

Organisations see robotics as an opportunity to enhance individual processes using technology. The EY Digital Audit leverages the global connectivity of EY Canvas to deploy automation globally. This strategy builds on the powerful automation already embedded within EY Canvas through the advanced coding that powers the platform.

EY Smart Automation is the library of smart automation solutions that automate audit procedures and processes. EY Smart Automation is deployed through an automation hub directly integrated within EY Canvas. It maximises the use of robotics and advanced automation techniques to automate administrative and repetitive tasks, including those traditionally executed manually. This, in turn, helps EY member firms' audit teams to focus their time on areas requiring their professional judgement and insight.



EY Canvas Confirmations



EY Intelligent Checklists



# 3 Analysing

EY member firms' audit teams are making data analysis integral to their audits. The use of data and analysis is not about additive procedures or visualisations. It is about taking large populations of entity data and applying globally consistent technology (EY Helix) and methodology (EY Digital GAM) to audit that data, replacing or supplementing more traditional audit procedures, such as sampling.

EY Helix is a library of data analysers, supported by specific audit programs and enablement.

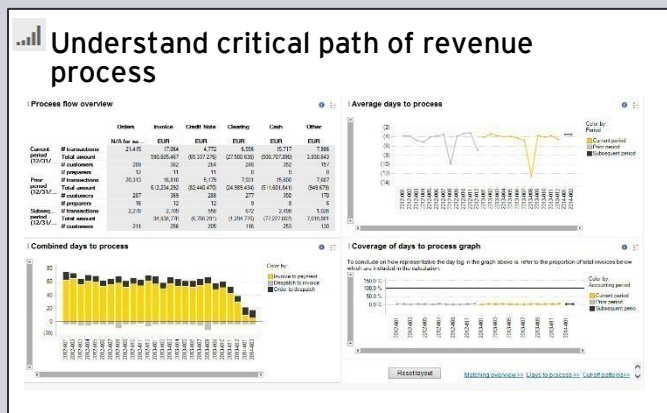
These data analysers are transforming audits through the analysis of larger populations of audit-relevant data; identifying unusual patterns and trends in that data; and helping to direct audit effort.

Using the EY Helix library of data analysers, EY audit teams can enhance their audit risk assessment, enabling the audit of higher-risk transactions, and assisting EY audit teams in asking better questions about audit findings and evaluating the outcomes.

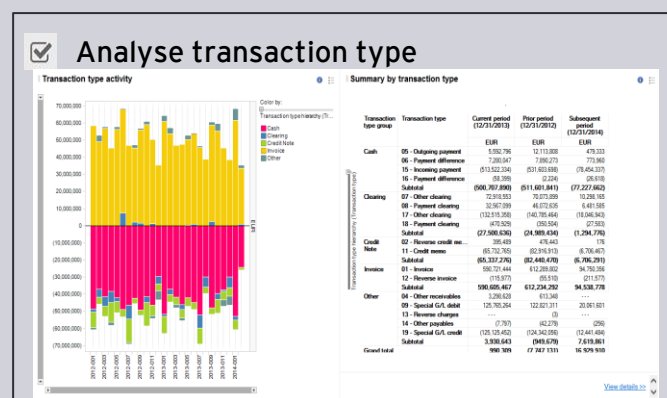
There is a continued investment in new analysers across a range of sectors and accounting areas to enhance the quality of audit procedures in these areas.

## Examples of EY Helix analysis:

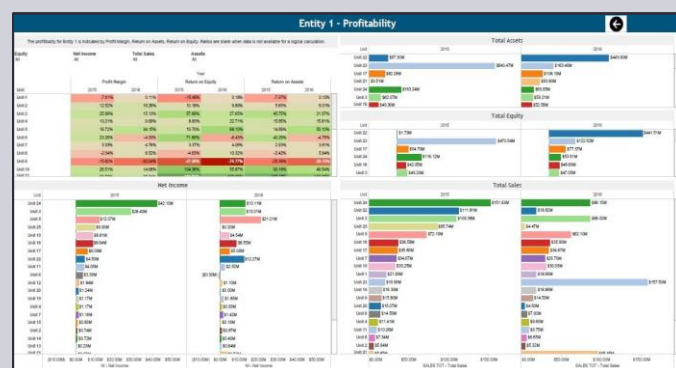
*Illustrative*



*Illustrative*



*Illustrative*

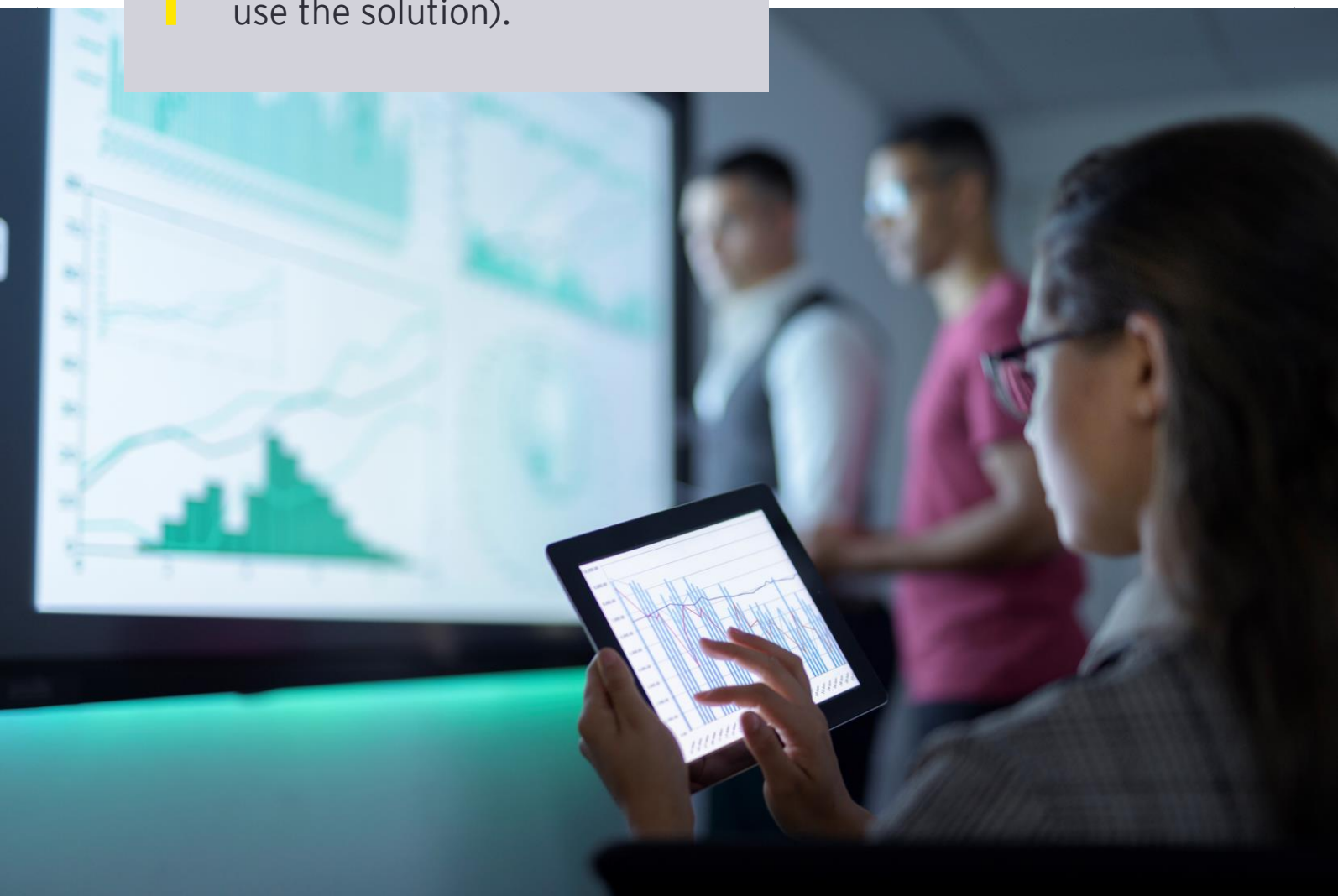




## Certification of technology

With continued developments in technology used in the audit, EY has a robust certification process to ensure technology used in audit engagements is fit-for-purpose (i.e., that the solution meets its objectives and is appropriate for use in the audit circumstances, and that EY People have the appropriate competencies to use the solution).

Certification addresses a range of areas, including that the solution has a clear audit evidence objective, has been widely tested, that methodology and enablement is available to support appropriate application and effective learning is available to practitioners. There are also checks to ensure that data is securely maintained and that there is compliance with relevant data privacy requirements.



## Fraud

As part of ongoing improvement efforts, there is recognition of the need to evolve how audits are performed to better address fraud. At a global level, EY is committed to leading the profession more widely to address stakeholders' questions about the auditors' role in fraud detection.

Companies have never been as data rich as they are today, providing new opportunities to detect material frauds through data mining, analysis and interpretation. Auditors are increasingly using data analytics to identify unusual transactions and patterns of transactions that might indicate a material fraud.

Technology is not a panacea, however, and professional judgement also comes into play. There is a responsibility for all involved, including management, boards, auditors and regulators, to focus more on corporate culture and behaviours to support fraud detection. Additional actions taken to address this important area of the audit, include:

- ▶ The use of data analytics for fraud testing in audits
- ▶ Using additional internal and external data and information to enable more nimble responses to external risk indicators, such as short selling and whistleblowers
- ▶ Utilising electronic confirmations for audit evidence, wherever possible
- ▶ Developing a proprietary fraud risk assessment framework for use with audit committees and those charged with governance
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis





# Simplification and innovation



Simplification and innovation go hand in hand, with one leading to the other as more effective ways of working are developed through audit technology and the adoption of a new, data-driven audit approach. Bigger and better data are combined with innovative ideas, resulting in simplified processes and an opportunity to examine work through a more purposeful lens. This enables a greater focus on risk, and, in return, an increase in audit quality.

## Audit methodology

Driving the application of this innovative technology is EY Digital GAM. Designed, based on extensive research with audit practitioners, this is the profession's first data-driven audit approach. All procedures, including risk assessment and substantive procedures start with a data-first mindset, by analysing relevant financial and non-financial data and supplementing this with traditional audit techniques such as inquiries, observations and inspection.

EY Digital GAM is one of a number of audit approaches available to audit teams to meet the needs of the wide range of entity types audited and sits under the umbrella of EY GAM.

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgements and procedures in all audit engagements, regardless of the size. EY GAM also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments; reconsidering and modifying them as appropriate; and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasises applying appropriate professional scepticism in the execution of audit procedures. EY GAM is based on the International Standards on Auditing (ISAs) and is supplemented in EY PLT to comply with approved standards on auditing in Malaysia and other regulatory or statutory requirements.

## Audit methodology

Using an online tool, EY Atlas, an EY auditor is presented with EY GAM, organised by topic, and designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. EY GAM consists of two key components: requirements and guidance; and supporting forms and examples. The requirements and guidance reflect both auditing standards and EY policies. Examples in EY GAM supplement the requirements and guidance with leading practice illustrations.

EY GAM contains a number of audit approaches which are “profiled” within EY Atlas to present the relevant requirements and guidance, depending on the nature of the entity being audited – e.g., there are profiles for Digital GAM or Core GAM and further profiles to address listed entities and for those considered non-complex entities.

EY continues to develop the methodology to meet changes and revisions in auditing standards and changes within entities' financial reporting processes, such as such as the adoption of emerging technologies

Other enhancements have been made to address revised standards; emerging auditing issues and matters, implementation experiences; and external and internal inspection results. Recently, EY GAM was updated for the requirements of ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement* and a suite of enablement to implement the new and revised requirements was issued.

In addition, current and emerging developments are monitored, and timely audit planning and execution communications are issued. These emphasise areas noted during inspections as well as other key topics of interest to local audit regulators and the International Forum of Independent Audit Regulators (IFIAR).

With respect to the conflict in Ukraine, and related sanctions on Russia, we have issued accounting and auditing considerations when auditing entities that are exposed to risk due to the recent events in these countries.





## Emerging technologies

Emerging technologies are already having a significant influence on EY audits. Whether it is embedding artificial intelligence (AI) into data analytics tools, driving efficiency with robotic process automation (RPA) or using visualisation to enhance audit quality; innovative new tools are being used in intelligent and useful ways.

EY teams are also exploring opportunities involving new data exchange techniques, intelligent automation and the rapid pace of development of cloud, cyber and Internet of Things technologies. To explore this next generation of emerging technologies, EY Assurance professionals lead research and development activities through a network of innovation teams.



## Sharpening focus on risk

The current environment has increased the risks of fraud and going concern, among others, and will require an even greater use of estimates. This environment makes it even more important that we are spending the time where it matters most - on identifying, assessing and responding to risk.

The sharpening focus on risk initiatives introduced certain targeted changes and clarifications in EY GAM to improve the scalability of our audit processes based on an organisation's underlying complexity and inherent risks. These changes and clarifications have the objectives of better enabling our professionals to exercise professional judgement, focus on the appropriate risks at the right time, and take appropriate actions that drive audit quality.

At EY PLT, we have undertaken Project: Sharpening focus on risk (Project S) which is aimed at helping our teams focus on optimising audit strategies and procedures to better identify and address audit risks.



# Enablement and quality support



Across the EY network, there are systems and structures in place to help analyse audit quality and improve working practices, skill sets and resource levels where necessary. To deliver high quality, it is important to support audit teams, who often work in stressful and demanding environments. It is equally crucial to monitor audit quality and engage in open discussions when challenges arise.

## Quality Enablement Leaders

The EY Quality Enablement Leaders (QEL) network is a group of senior Assurance leaders around the world who drive improvements in audit quality by providing support to engagement teams.

Their responsibilities include: coaching teams on the adoption of audit standards and methodology; monitoring in-process engagements; supporting internal and external inspections; advising teams on remediating the root causes of significant audit deficiencies; driving practice and project management; supporting portfolio risk analyses; and implementing processes related to the EY system of quality management, including global AQIs.

Using EY Canvas and the related Milestones functionality (see page 36), as well as ever more sophisticated artificial intelligence (AI) tools, the QELs are able to build a picture of audit quality performance in real time. This, in turn, allows for positive and timely intervention, such as deploying additional resources (including subject-matter specialists), to support audit teams and the companies they audit.

The Malaysia QEL, who is also the Asean QEL, is responsible for the quality enablement function in EY PLT and accountable to the Asia-Pacific QEL.



## Professional Practice

The Global Vice Chair of Professional Practice, referred to as the Global Professional Practice Director (PPD), is overseen by the Global Vice Chair of Assurance and works to establish global audit quality control policies and procedures. Each of the Area PPDs as well as the Global Delivery Service PPD is overseen by the Global PPD and the related Area Assurance Leader. This helps provide greater assurance to the objectivity of audit quality and consultation processes.

The Global PPD leads and oversees the Global Professional Practice group. This is a global network of technical subject-matter specialists in accounting and auditing standards who are consulted on accounting, auditing and financial reporting matters; and perform various practice monitoring and risk management activities.

The Global PPD oversees the development of the EY Global Audit Methodology (EY GAM) and related audit policies and technologies so that they are consistent with relevant professional standards and regulatory requirements. The Global Professional Practice group also oversees the development of the guidance, training and monitoring programmes, and processes used by member firm professionals to execute audits consistently and effectively. The Global, Area, Regional and Country PPDs, together with other professionals who work with them in each member firm, are knowledgeable about EY people, audited entities and processes. They are readily accessible for consultation with audit engagement teams.

The Malaysia PPD is responsible for the professional practice function in EY PLT and is accountable to the Regional PPD.

Additional resources often augment the Global Professional Practice group, including networks of professionals focused on:

- ▶ Internal-control reporting and related aspects of the EY audit methodology
- ▶ Accounting, auditing and risk issues for specific topics, industries and sectors
- ▶ Event-specific issues involving areas of civil and political unrest; pandemics; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement matters and how to work effectively with audit committees

## Consultation requirements

EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. As the environment in which EY member firms work has become more complex and globally connected, the EY culture of consultation has become even more important to help member firms reach the appropriate conclusions for entities that they audit on a timely basis. Consultation requirements and related policies are designed to involve the right resources so that audit teams reach appropriate conclusions.

The EY culture of consultation enables engagement teams to deliver seamless, consistent and high-quality services that meet the needs of audited entities, their governance bodies and all stakeholders.



For complex and sensitive matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialised knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional scepticism, EY policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the entity to which the consultation relates. In these circumstances, other appropriately qualified individuals would be assigned.

EY policies also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution.



## Audit engagement team resolution process for differences of professional opinion

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they are uncomfortable about a matter relating to an engagement. Policies and procedures are designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters.

These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person's responsibility and authority to make their own views heard and seek out the views of others.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, they refer it to the next level of authority until an agreement is reached or a final decision is made, including consultation with Professional Practice if required.

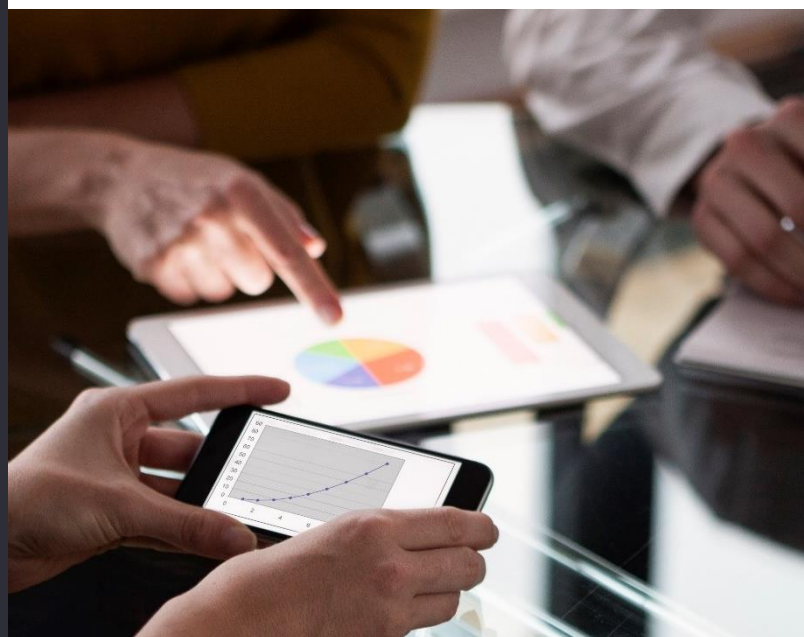
Furthermore, if the engagement quality reviewer makes recommendations that the engagement partner does not accept or the matter is not resolved to the reviewer's satisfaction, the auditors' report is not issued until the matter is resolved.

Differences of professional opinion that are resolved through consultation with Professional Practice are appropriately documented.

## Root cause analysis

Root cause analysis is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie an audit's favourable or unfavourable inspection outcome. This enables the identification of the key factors that can impact audit quality and the taking of responsive actions. The EY Global Root Cause Process is designed to drive consistency in execution and timeliness of completion as well as execution of responsive action plans, actively monitored.

EY PLT's audit practice identifies and evaluates various conditions and events that may have contributed to the favorable or unfavorable outcome. Responsive action plans are developed to address the root causes for significant engagement related findings. EY PLT's audit practice reviews the nature and prevalence of findings and root causes to determine if systemic issues exist and if so, further action plans are developed. EY Global Remediation Taskforce is responsible for addressing the most serious pervasive findings and root causes across the network and implementing responsive action plans on a larger scale.



# Accountability



EY has a duty, in serving the public interest, to help its people take responsibility for performing quality work at all times. To achieve and sustain this, the organisation has embedded a culture of accountability at all levels of the audit process – a culture of doing the right thing. This means that partners, senior managers, managers and the rest of their teams are expected to maximise the use of the digital technology, and be driven by the EY quality agenda in everything they do.

## Measuring audit quality

While the measurement of audit quality is subjective to a certain extent, it can also be assessed using objective measures. These measures include inspection results – both from external and internal inspections – and the results of coaching activities, performance in terms of the timeliness of the audits, and the competencies and experience of EY audit teams.

## Audit quality reviews

The EY Global AQR programme is the cornerstone of the EY process to monitor audit quality. EY PLT executes the Global AQR programme, reports results and develops responsive action plans. The primary goal of the programme is to determine whether systems of quality controls, including those of EY PLT, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures, professional standards and regulatory requirements. The Global AQR programme complies with requirements and guidelines in ISQC 1, as amended, and is supplemented, where necessary, to comply with Malaysian professional standards and regulatory requirements. It also aids EY PLT's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

Executed annually, the programme is coordinated and monitored by representatives of the Global PPD network, with oversight by the Global Assurance leadership.



The engagements reviewed each year are selected on a risk-based approach, emphasising audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The Global AQR programme includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements, and public and non-public interest entities, to measure compliance with internal policies and procedures; EY GAM requirements; and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit assurance engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures that should be applied in executing non-audit assurance services. In addition, practice-level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set out in ISQC 1.

The Global AQR programme complements external practice monitoring and inspection activities, such as inspection programmes executed by audit regulators and external peer reviews. It also informs us of our compliance with regulatory requirements, professional standards, and policies and procedures.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialisation. They have often participated in the Global AQR programme for a number of years and are highly skilled in the execution of the programme. Team leaders and reviewers are independent of the engagements and teams they are reviewing, and are normally assigned to inspections outside of their home location.

The results of the AQR process are summarised globally (including for Areas and Regions), along with any key areas where the results indicate that continued improvements are required. Summarised results are shared within the network. Measures to resolve audit quality matters noted from the Global AQR programme, regulatory inspections and peer reviews are addressed by the Assurance leadership and our PPD. These programmes provide important practice monitoring feedback for our continuing quality improvement efforts.

## External quality assurance reviews

EY PLT's audit practice and our registered statutory auditors are subject to annual inspection by the Audit Oversight Board (AOB) of the Securities Commission Malaysia. As part of its inspections, the AOB evaluates quality control systems and reviews selected engagements.

The last quality assurance inspection by AOB took place during July and August 2022.

The final report on the inspection has yet to be issued.

We benefit from the AOB inspection process. We thoroughly evaluated the matters raised during the inspection in order to identify areas where we can improve audit quality. Engagements with findings are subject to root cause analysis (see page 47). Together with the AQR process, external inspections provide valuable insights into the quality of EY audits. These insights enable us to effectively execute high-quality audits.

Information on the AOB along with publicly available inspection reports can be found at <https://www.sc.com.my/aob>


## Audit quality indicators (AQIs)

Audit quality is not defined in professional standards, and stakeholders may have different views on how it should be measured. While no single reportable metric or set of metrics can be viewed as a sole indicator of audit quality, a set of metrics can be used to give an indication of audit quality.

The Assurance leadership monitors the execution of the EY strategy and vision by local geographies through a combination of metrics or AQIs.

Elements monitored and measured through the AQI dashboard are consistent with the EY accountability framework and are subject to an annual review to ensure they remain relevant and responsive to quality initiatives.

The Global AQI dashboard helps to inform the leadership about whether particular actions are having the intended effect, to provide an early warning where intervention is warranted and to support the effectiveness of the overall EY SQM.



AQIs should not be read in isolation as the level of audit quality can be impacted by a combination of other quantitative and qualitative factors.



Whilst EY PLT utilises many AQIs to monitor audit quality, for the purposes of this report, we provide an overview of the following six selected AQIs:



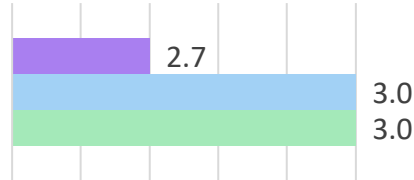
1	Audit partner supervision
2	Fee information
3	Headcount, experience and qualifications of audit personnel
4	Audit engagement supervision
5	Audit firm's investment to uphold audit quality
6	Internal and external monitoring reviews

Where available, we have included the FY21 industry average in each ratio. This information is extracted from the Audit Oversight Board Annual Inspection Report 2021. The FY21 industry average statistics are referred to as FY21 IA in the graphs or charts included in this section.

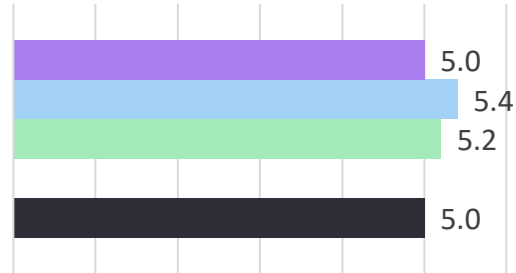
1

# Audit partner supervision

Average number of listed PIEs per partner



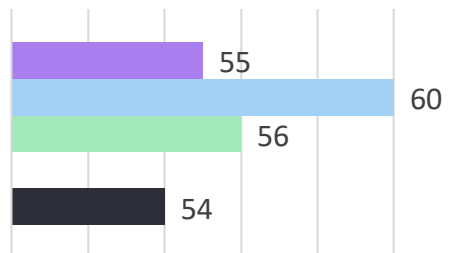
Average number of PIEs per partner



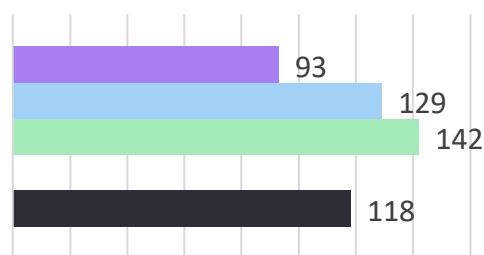
The ratios show the average number of engagements (by type) per partner.

These ratios have decreased in FY22 due to the efforts to streamline our operations by rationalising our portfolio of audit clients as well as our presence throughout Malaysia. This allows us to be more focused at delivering our audits to our clients.

Average number of entities related to PIEs\* per partner



Average number of non-PIEs per partner (excluding entities related to PIEs)



■ FY22 ■ FY21 ■ FY20 ■ FY 21 IA

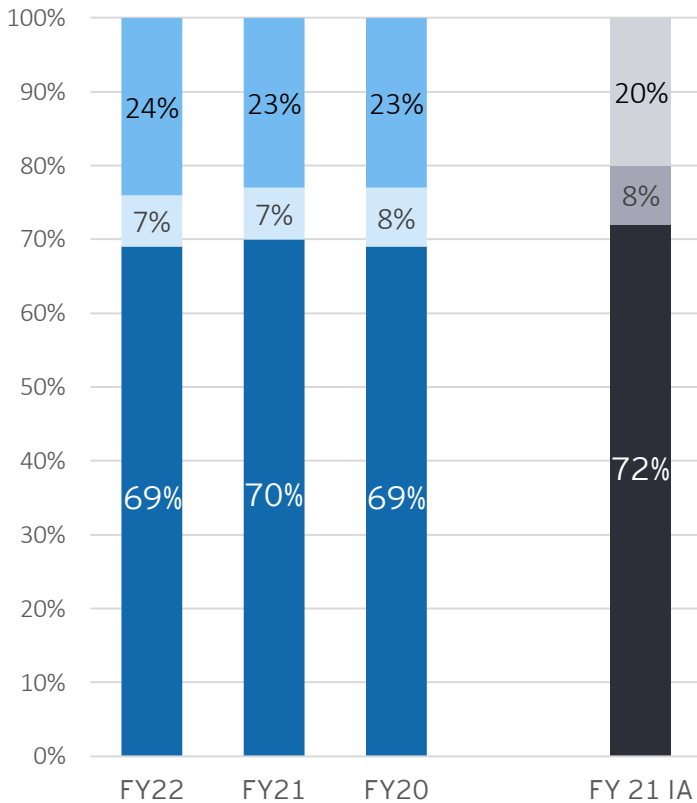
\* Entities related to PIEs refer to non-PIEs within the PIE Group which are audited by EY PLT. Examples include, but are not limited to, subsidiaries, associates and joint ventures of PIEs.



# 2

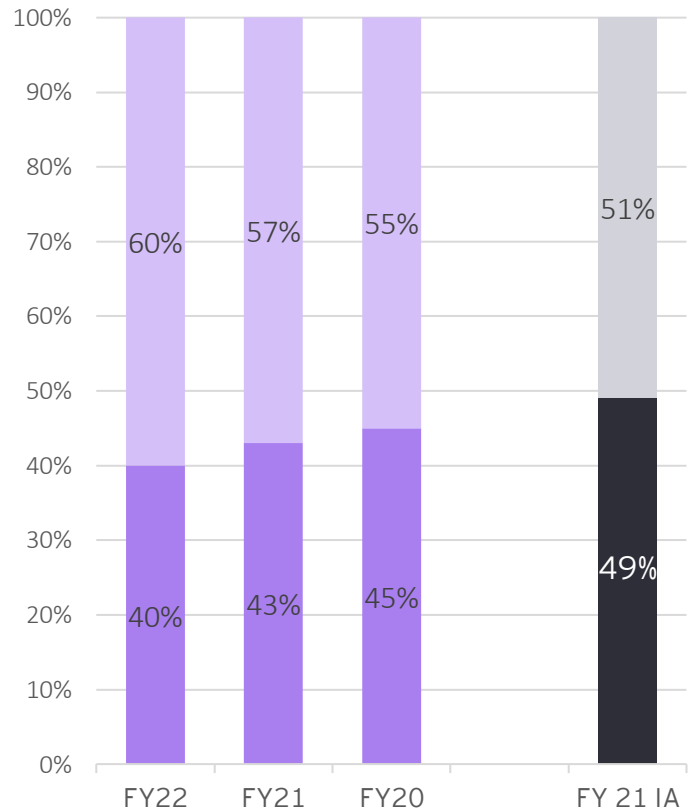
## Fee information

Percentage of fees by type of services provided to audit clients



- Services provided by non-audit practice
- Other assurance services
- Statutory audit services

Percentage of fees by audit practice and non-audit practice



- Audit practice
- Non-audit practice

The proportion of statutory audit fees, other assurance fees and non-audit fees derived from our audit clients have remained stable and largely consistent with the FY21 industry average.

Prior to accepting any non-audit engagements with our audit clients, we undertake a stringent review of the nature of each service to determine the permissibility of the service and apply the necessary safeguards where required.

EY PLT remains in compliance with the relevant provisions of the MIA By-Laws (on Professional Ethics, Conduct and Practice) and other relevant regulatory requirements with respect to fees and non-audit services.

As shown above, our non-audit practice has out-paced the growth of our audit practice.

In particular, the non-audit practice growth in FY22 has been primarily derived from clients where we are not the auditors.

# 3

## Headcount, experience and qualifications of audit personnel

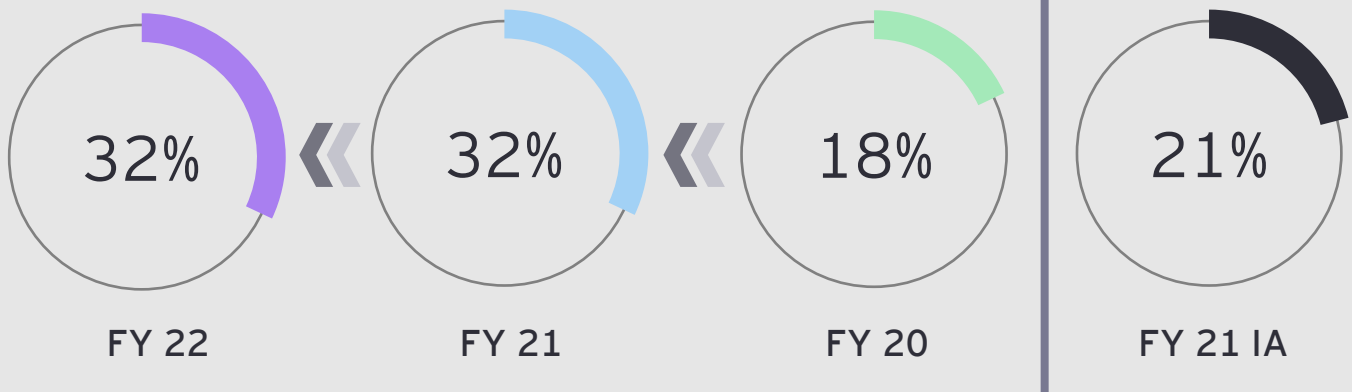
Headcount of audit personnel as at 30 June

	FY22	FY21	FY20
Partners	45	44	45
Managerial staff	188	188	220
Non-managerial staff	1,375	1,306	1,621
<b>Total:</b>	<b>1,608</b>	<b>1,538</b>	<b>1,886</b>

Average headcount of audit personnel for the financial year

	FY22	FY21	FY20
Partners	46	45	45
Managerial staff	205	212	223
Non-managerial staff	1,415	1,500	1,589
<b>Total:</b>	<b>1,666</b>	<b>1,757</b>	<b>1,857</b>

### Turnover rate for audit personnel



The “Great Attrition” that began in FY21 has resulted in an unprecedented audit personnel turnover rate, a trend that continued into FY22. In response, we have:

- ▶ Intensified recruitment activities, i.e., FY22: 843 new hires (FY21: 383)
- ▶ Implemented an upward salary revision and introduced a recognition programme to recognise and reward exceptional performance
- ▶ Rolled-out new and enhanced wellbeing initiatives

We will continue to closely monitor the effectiveness of our response above in addressing the retention rate trends in FY23.






# 3

## Headcount, experience and qualifications of audit personnel (continued)

Percentage of audit personnel with professional qualifications as at 30 June

	FY22	FY21	FY20	FY21 IA
With professional qualifications and/or MIA membership	18%	22%	22%	23%
Pursuing professional qualifications and/or MIA membership	75%	73%	73%	64%
Without professional qualifications and/or MIA membership	7%	5%	5%	13%

Average years of experience of audit personnel

	FY22	FY21	FY20	FY21 IA
 Partners	22.5	22.1	22.1	23
 Managerial staff	9.4	10.7	10.5	10
 Non-managerial staff	1.8	2.4	2.2	3



We are supporting our audit personnel to obtain their professional qualifications.

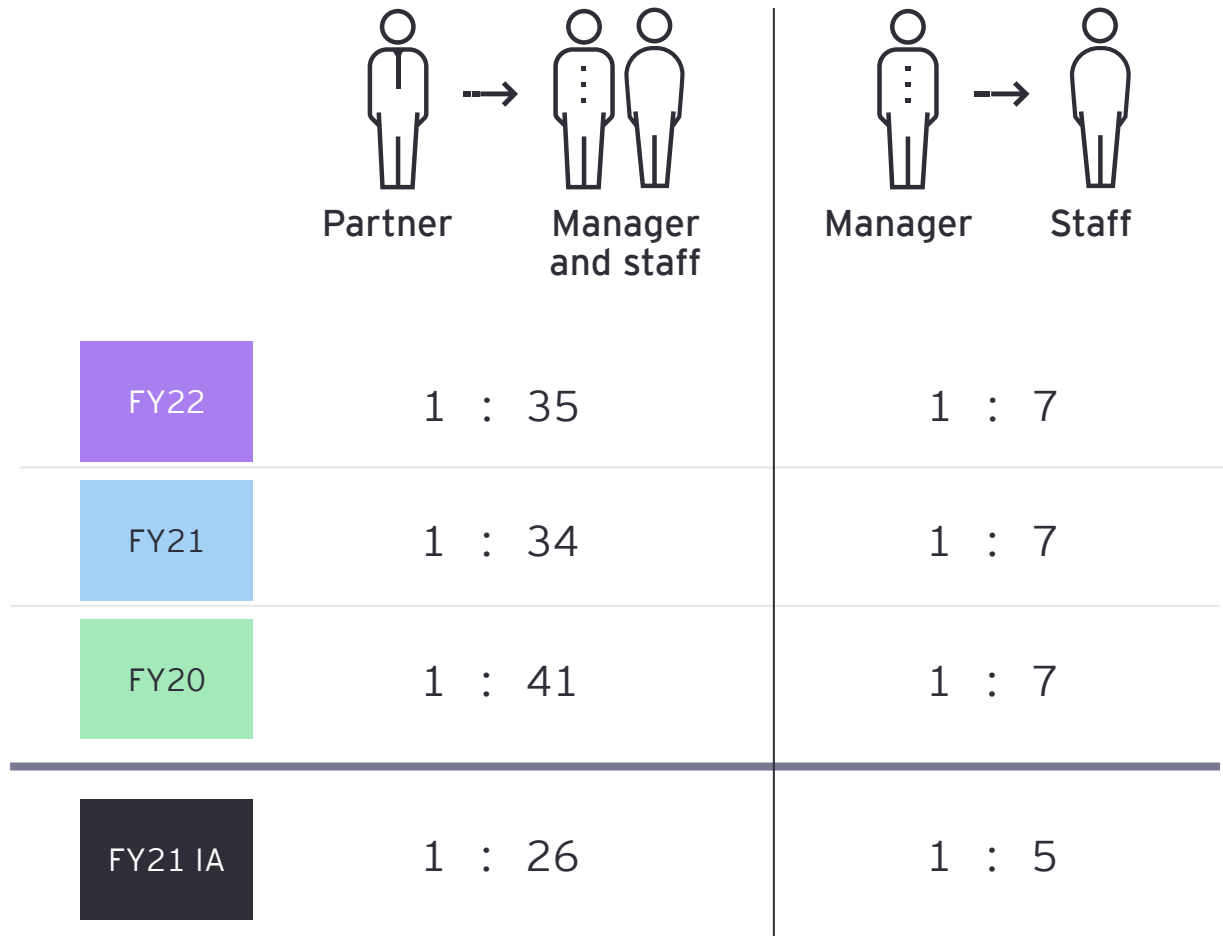
The average years of experience of audit personnel at managerial and non-managerial level in FY22 is slightly lower as compared to prior years and the FY21 industry average.

We have taken the following initiatives to address this:

- ▶ Ensuring the training curriculum is adequate for all ranks, exceeding the minimum training hours set by MIA
- ▶ Innovating learning delivery through AAA (see page 27)

# 4

## Audit engagement supervision



The FY22 partner to manager and staff ratio, and manager to staff ratio, have remained at similar levels to the prior financial year, but they are higher than the FY21 industry average.

These are two important AQIs as both reflect the capacity of the partners and managers to provide audit engagement supervision. Over the longer term, we aim to strengthen these AQIs and align them to industry benchmarks.

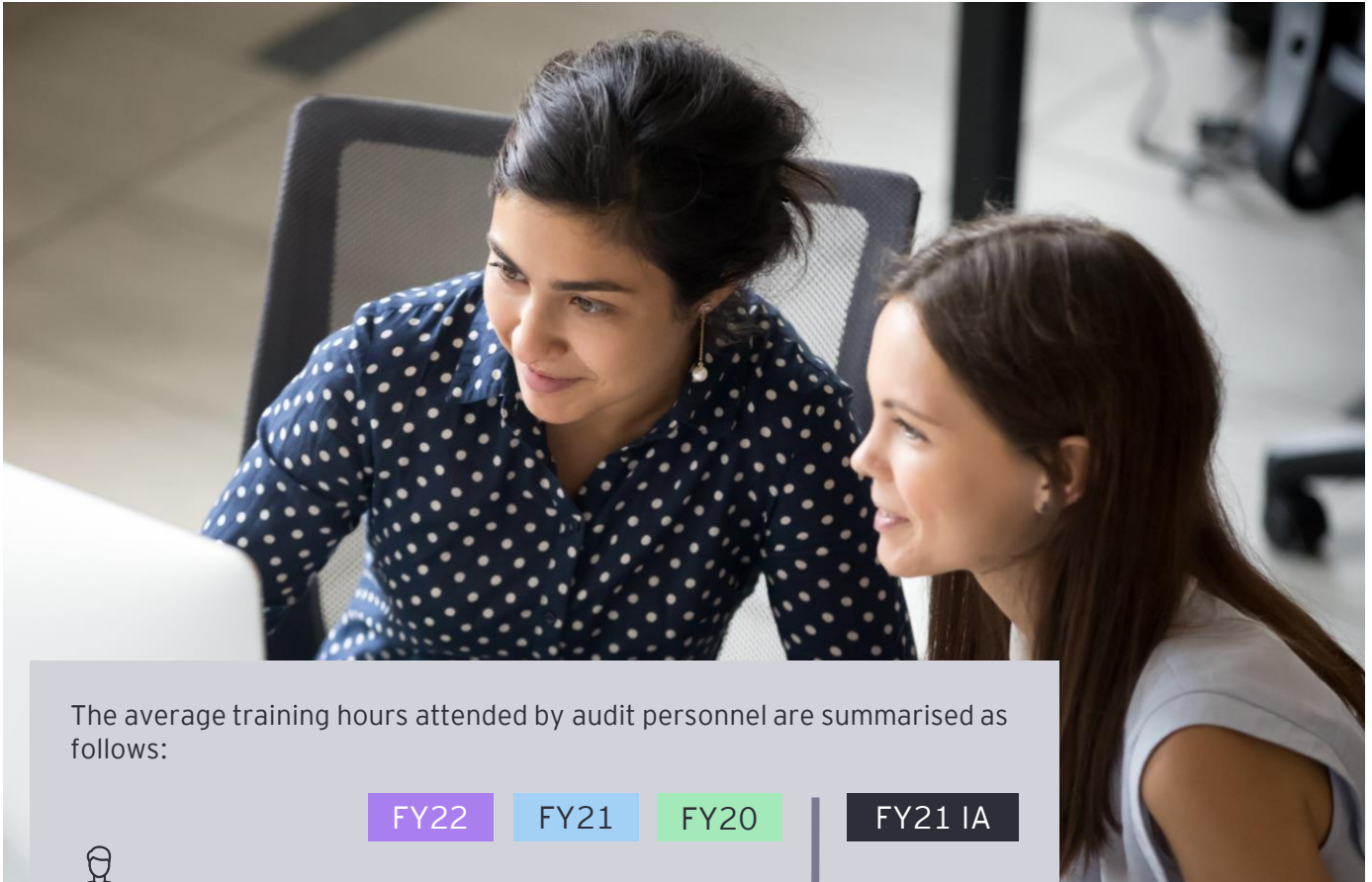
In the interim, we have deployed the following audit quality initiatives to ensure adequate supervision and coaching are being given to engagement teams:

- ▶ Annual review of the audit partners' portfolio to rebalance the partners' capacity and to match to sector strengths
- ▶ Closer monitoring and supervision by our audit quality control function on the identified higher risk audit engagements
- ▶ On-the-job coaching provided by our audit quality control function to selected audit teams
- ▶ Training support for our audit personnel on common pitfalls and focus areas during the key phases of the audit



# 5

## Audit firm's investment to uphold audit quality



The average training hours attended by audit personnel are summarised as follows:

	FY22	FY21	FY20	FY21 IA
Partners	59	66	79	N/A
Managerial staff	85	133	114	76
Non-managerial staff	76	76	87	68

The average training hours attended by our managerial and non-managerial staff for FY20 - FY22 have been higher than the FY21 industry average.

The higher training hours in FY21 as compared to FY22 is predominantly due to the higher e-learning hours in FY21 to upskill our people on Data Analytics and EY Digital GAM.

## 5

## Audit firm's investment to uphold audit quality (continued)

### Headcount of quality control by functions as at 30 June

	FY22	FY21	FY20
Risk Management & Legal	6	6	7
Training	4	6	5
Technical	14	15	18
<b>Total<sup>@</sup></b>	<b>24</b>	<b>27</b>	<b>30</b>

In FY22, our 24 quality control personnel are supported by 19 Asia-Pacific quality control partners and their teams.

We are currently taking the necessary actions to increase our quality control personnel headcount to ensure continued sufficiency of such resources to support our audit engagement teams.

<sup>@</sup> Includes 10 (FY21: 12; FY20: 13) personnel who have other roles within the organisation such as being involved in audit engagements or handle matters for the non-audit practice (i.e. tax, consulting and strategy and transactions) and 2 (FY21: 2; FY20: 2) personnel who are contract employees of the firm.

### Quality control personnel ratios

	FY22	FY21	FY20	FY21 IA
Quality control personnel to total audit personnel ratio	1:67	1:57	1:63	1:51
Quality control personnel to audit partners and managers ratio	1:10	1:9	1:9	N/A
Quality control partners to audit partners ratio	1:9	1:9	1:6	N/A



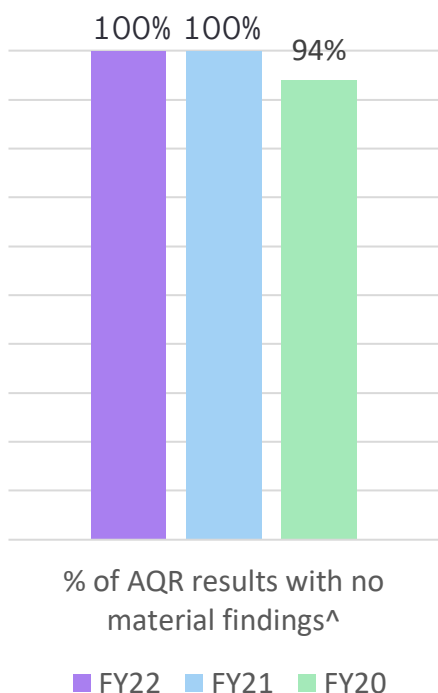
# 6

## Internal and external monitoring reviews

	FY22	FY21	FY20
Number of audit partners/engagements subjected to AQR <sup>+</sup>	18	13	16
External quality assurance reviews - number of audit partners/engagements inspected by AOB <sup>#</sup>	10	4	3

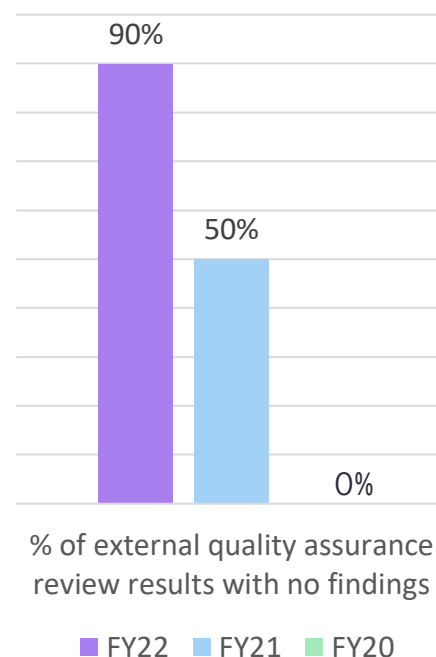
# The FY22 inspection by AOB was carried out in December 2021. The final inspection report was issued in May 2022.

+ Includes 6 (FY21: 4; FY20: 6) of non-PIEs engagements that were subjected to AQR



Overall, our internal and external monitoring review results have continued to improve. In FY22, all of EY PLT's audit engagements subjected to AQR did not have material findings. There were no findings arising from the internal firm-level reviews during the past three years.

With respect to AOB's inspection carried out in December 2021, there were no findings for 9 out of 10 inspected audit engagements. However, there were two findings raised in the firm-level review and we have completed the necessary remedial actions accordingly.



<sup>^</sup> We evaluate and rate the AQR results on a three-point scale: 1 = no or minor findings; 2 = findings that were more than minor but less than material; 3 = material findings. Engagements with no material findings represents those rated 1 and 2.

## Partner remuneration

Quality is at the center of the EY strategy and is a key component of EY performance management systems. EY PLT partners are evaluated and compensated based on criteria that include specific quality and risk management indicators.

Equally, when EY PLT partners do not adhere to quality standards, remedial actions are taken. These may include performance monitoring, compensation adjustment, additional training, additional supervision or reassignment – or, in instances of repeated or particularly serious non-compliance, separation from EY.

EY policies prohibit evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-assurance services to companies they audit. This reinforces to EY partners their professional obligation to maintain independence and objectivity.

“

We operate under a system that requires quality to be a significant consideration in a partner's overall year-end rating.

Specific quality and risk performance measures have been developed to account for:

- ▶ Providing technical excellence
- ▶ Living the EY values as demonstrated by behaviours and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Complying with policies and procedures
- ▶ Complying with laws, regulations and professional duties

The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured within the context of the performance management framework. Partners are assessed annually on their performance in delivering high quality, exceptional client service and people engagement, alongside financial and market metrics.

To recognise different market values for different skills and roles, and attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential



# 3.2

## Other critical audit quality components

- 63 Independence practices
- 68 Client acceptance and continuance
- 70 Compliance with legal requirements
- 72 Risk management function
- 73 Audit teams: establishment and supervision



EY PLT's reputation for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence and professional scepticism. These are fundamental attributes of a high-quality audit.

At EY PLT, our role as auditors is to provide assurance on the fair presentation of the financial statements of the companies audited. We bring together qualified teams to provide audit services, drawing on our broad experience across industry sectors and services. We continually strive to improve quality and risk management processes so that the quality of our service is at a consistently high level.

In today's environment, characterised by continuing globalisation, the rapid movement of capital and the impact of technological changes, the quality of our audit services has never been more important.

While the market and stakeholders continue to demand high-quality audits, they also demand an increasingly effective and efficient delivery of audit services. In addition to the investments mentioned, EY continues to seek ways to improve the effectiveness and efficiency of its audit methodology and processes, while improving audit quality.

EY works to understand where the member firms' audit quality may not be up to their own expectations and those of stakeholders, including independent audit regulators. This includes seeking to learn from external and internal inspection activities, and to identify the root causes of adverse quality occurrences to enable a continual improvement of audit quality.

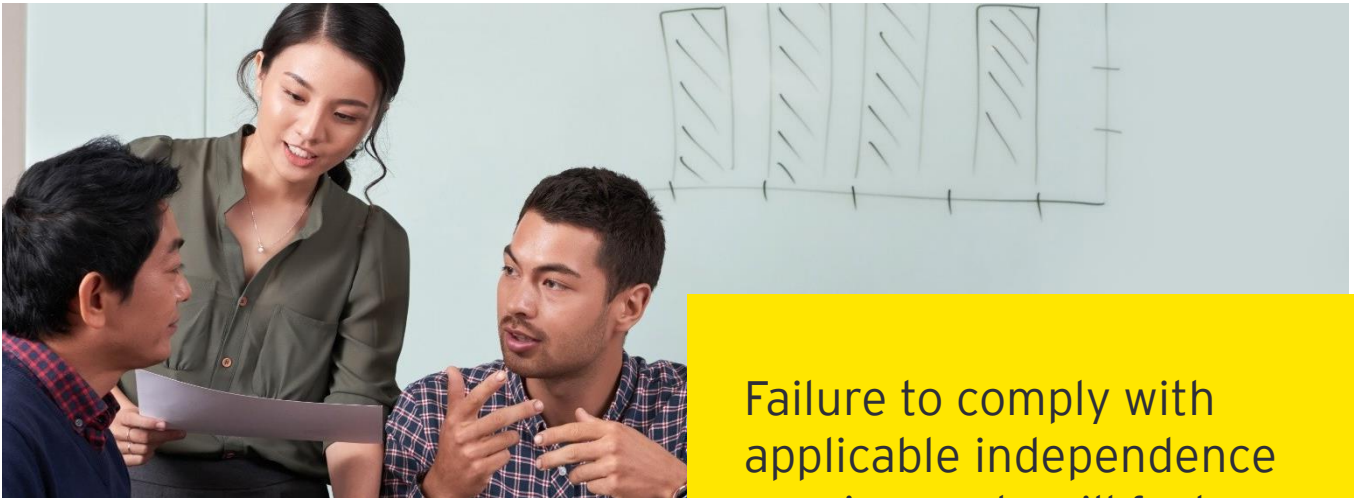
The following sections provide further information on other critical audit quality components in respect of our audit engagements and audit teams.

As part of NextWave, there is a continued and strong investment in the development and maintenance of the EY audit methodology, tools and other resources needed to support high-quality audits.





# Independence practices



Failure to comply with applicable independence requirements will factor into decisions relating to a person's promotion and compensation, and may lead to other disciplinary measures, including separation from EY PLT.

The EY Global Independence Policy requires EY PLT and EY people to comply with the independence standards applicable to specific engagements, e.g., the International Ethics Standards Board for Accountants (IESBA) Code of Ethics and the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

We consider and evaluate independence with regard to various aspects, including our financial relationships and those of our people; employment relationships; business relationships; the permissibility of services we provide to audit clients; applicable firm and partner rotation requirements; fee arrangements; audit committee pre-approval, where applicable; and partner remuneration and compensation.

EY PLT has implemented EY global applications, tools and processes to support us, our professionals and other employees in complying with independence policies.

## 12

### Policy, processes and tools

1. EY Global Independence Policy
2. Global Independence System (GIS)
3. Global Monitoring System (GMS)
4. Independence compliance
5. Independence confirmation
6. Independence compliance reviews
7. Personal independence compliance testing
8. Non-audit services
9. Global independence learning
10. Service Offering Reference Tool (SORT)
11. Business Relationships Independence Data Gathering and Evaluation (BRIDGE)
12. Audit committees and oversight of independence

## 1 EY Global Independence Policy

The EY Global Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code and supplemented by more stringent requirements in jurisdictions, where prescribed, by the local legislative body, regulator or standard-setting body. The policy also contains guidance designed to facilitate an understanding and the application of the independence rules. The EY Global Independence Policy is readily accessible and easily searchable on the EY intranet.

## 2 Global Independence System (GIS)

The GIS is an intranet-based tool that helps EY professionals identify the entities from which independence is required and the independence restrictions that apply. Most often, these are listed audit clients and their affiliates, but they can also be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of listed audit clients and is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.

## 3 Global Monitoring System (GMS)

The GMS is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. Professionals ranked as manager and above are required to enter details about all securities they hold, or those held by their immediate family, into the GMS. When a proscribed security is entered or if a security they hold becomes proscribed, professionals receive a notice and are required to dispose of the security. Identified exceptions are reported through an independence incident reporting system for regulatory matters.

GMS also facilitates annual and quarterly confirmation of compliance with independence policies, as described below.

## 4 Independence compliance

EY has established several processes and programmes aimed at monitoring compliance with the independence requirements of EY member firms and their people. These include the following activities, programmes and processes.

## 5 Independence confirmation

Annually, EY PLT is included in an Area-wide process to confirm compliance with the EY Global Independence Policy and process requirements, and report identified exceptions, if any.

All EY professionals, and certain others, based on their role or function, are required to confirm compliance with independence policies and procedures at least once a year. All partners, EY professionals ranked manager and above, and certain others, based on their role or function are required to confirm compliance quarterly.



## 6 Independence compliance reviews

EY conducts internal procedures to assess member firm compliance with independence matters. These reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and the financial relationships of member firms.

## 7 Personal independence compliance testing

Each year, the EY Global Independence team establishes a programme for testing compliance with personal independence confirmation requirements and with the reporting of information into GMS. The table summarises the planned coverage under the programme.

The personal independence compliance testing is performed on a collective basis for EY PLT and its affiliated entities. For FY22 testing cycle, the personal independence compliance testing covered more than 50 partners and other personnel. We continue to focus on educating our professionals in regard to their responsibilities, ensuring compliance with EY policies, and continue to seek improvement in compliance.

Roles	Testing frequency/timing
Partner in Leadership <sup>#</sup>	Every three years
Partner	Every five years
Promotion to Partner, Associate Partner, Executive Director or Director	Prior to promotion
Random 3% sample of other professionals (Manager and above, not Partners)	Annually

<sup>#</sup>Partner in Leadership includes the Managing Partner and Service Line Leaders.

## 8 Non-audit services

EY monitors compliance with professional standards, laws and regulations governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as PACE (see page 69) and the Service Offering Reference Tool (SORT) (see the following page), training and required procedures completed during the performance of audits and internal inspection processes. There is also a process in place for the review and approval of certain non-audit services in advance of accepting the engagement.

## 9 Global independence learning

EY develops and deploys a variety of independence learning programmes. All EY professionals and certain other personnel are required to participate in annual independence learning to help maintain independence from the companies EY member firms audit.

The goal is to help EY people understand their responsibilities and enable each of them, and their member firms, to be free from interests that might be regarded as incompatible with objectivity, integrity and impartiality in serving an audit client.

The annual independence learning programme covers independence requirements, focusing on recent changes to policy, as well as recurring themes and topics of importance. Timely completion of annual independence learning is required and is monitored closely.

In addition to the annual learning programme, independence awareness is promoted through events and materials, including new-hire programmes, milestone programmes and core service line curricula.

## 10 Service Offering Reference Tool (SORT)

SORT serves as the master list of approved EY services. We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks.

SORT further provides EY people with information about EY service offerings. It includes guidance on which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues and considerations.

## 11 Business Relationships Independence Data Gathering and Evaluation (BRIDGE)

EY people are required to use BRIDGE in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with an audit client, thereby supporting our compliance with independence requirements.

## 12 Audit committees and oversight of independence

We recognise the important role audit committees and similar corporate governance bodies undertake in the oversight of auditor independence. Empowered and independent audit committees perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are committed to robust and regular communication with audit committees or those charged with governance. Through the EY quality review programmes, we monitor and test audit committee communications for compliance with EY standards, as well as the pre-approval of non-audit services, where applicable.



## Rotation and long association

EY PLT complies with the audit partner rotation requirements of the IESBA Code and the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, as well as the U.S. Securities and Exchange Commission (SEC) and Bank Negara Malaysia, where required. EY PLT supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and is an important safeguard of audit quality.

For PIEs, the EY Global Independence Policy requires the lead engagement partner, the engagement quality reviewer and other audit partners who make key decisions or judgements on matters significant to the audit, (together, the key audit partners), to be rotated after seven years. For entities regulated by Bank Negara Malaysia, the lead engagement partner is rotated after five years. For a new PIE, (including a newly listed company), key audit partners may remain in place for an additional two years before rotating off the team if they have served the company for six or more years prior to the listing.

Upon completing the maximum service period for rotation, a key audit partner may not lead or coordinate professional services to the PIE audit client until after completing a cooling-off period. This period is five years for a lead audit engagement partner, three years for an engagement quality reviewer and two years for other partners, subject to rotation.

Where the required cooling-off period for the lead audit engagement partner established by the local legislative body or regulator is less than five years, the higher of that cooling-off period or three years may be substituted for the otherwise required five-year cooling-off period. This jurisdictional exception for the lead audit engagement partner may only be applied for audit periods beginning prior to 15 December 2023.

In addition to the key audit partner rotation requirements applicable to PIE audit clients, EY has established a long association safeguards framework. This is consistent with the requirements of the IESBA Code and includes consideration of the threats to independence created by the involvement of professionals over a long period of time and a safeguards framework to address such threats.

We employ tools to effectively monitor compliance with internal rotation, and requirements for audit partners and other professionals who have had a long association with the audit client.

There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.

# Client acceptance and continuance

## Global policy on client and engagement acceptance

The EY global policy on client and engagement acceptance sets out principles for member firms to determine whether to accept a new client or a new engagement, or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting EY people and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients or engagements that pose excessive risk
- ▶ Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements

In addition, the EY global policy on conflicts of interest defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for mitigating potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing appropriate separations between engagement teams or declining an engagement to avoid an identified conflict.

The EY global policy on conflicts of interest and associated guidance considers the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest International Ethics Standards Board for Accountants (IESBA) standards.





## Putting policy into practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. PACE takes users through the acceptance and continuance requirements and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement and the results of due diligence procedures. Before taking on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process provides that new audit engagements may not be accepted without an approval by representatives from local or Regional PPD and Assurance Managing Partner (AMP) teams.

In the EY annual client and engagement continuance process, we review our service and ability to continue providing a quality service and confirm that the clients share EY PLT's commitment to quality and transparency in financial reporting. The lead audit engagement partner of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate.

As a result of the review, certain audit engagements were identified as requiring additional oversight procedures during the audit (close monitoring), and some audit clients are discontinued. As with the client and engagement acceptance process, our Malaysia PPD and AMP are involved in the continuance process and must agree for the continuance to occur.



The process for the acceptance or continuance of clients and engagements includes consideration of the engagement team's assessment of risk factors across a broad range of categories such as industry, management's attitude, internal controls, audit complexity and related parties.

# Compliance with legal requirements

The EY Global Code of Conduct provides clear guidance about EY actions and business conduct. EY PLT complies with applicable laws and regulations, and the EY values underpin our commitment to doing the right thing. This important commitment is supported by a number of policies and procedures, explained in the paragraphs below.

## Global Confidentiality Policy

Protecting confidential information is ingrained in the everyday activities of EYG member firms. Respect for intellectual capital and all other sensitive and restricted information is required by the EY Global Code of Conduct, which provides a clear set of principles to guide the behaviours expected of all those who work with EY. The Global Confidentiality Policy further details this approach to protect information and reflect ever-changing restrictions on the use of data. This policy provides added clarity for those who work with EY member firms and forms the fundamental broader guidance that includes key policies on conflicts of interest, personal data privacy and records retention. Other guidance includes:

- ▶ Social media guidance
- ▶ Information-handling requirements

In addition, the global policy on reporting fraud, illegal acts and other noncompliance with laws and regulations, and the EY Global Code of Conduct require EY professionals to speak up when observing behaviour that is believed to be a violation of a law or regulation, the applicable standard or the EY Global Code of Conduct. This includes unauthorised or improper disclosure of confidential information.

## Global personal data protection policy

The global policy on personal data protection supports and builds upon provisions within the EY Global Code of Conduct, regarding respecting and protecting personal information, in accordance with applicable law, regulatory frameworks and professional standards. The principles within this global policy are based on the EU General Data Protection Regulation (GDPR) and other local regulations across the globe.

## Data protection

The EY global policy on personal data protection sets out the principles to be applied to the collection, use and protection of personal data, including personal data relating to current, past and prospective personnel, clients, suppliers and business associates. This policy is consistent with the strict requirements of the European Union's General Data Protection Regulation (GDPR), and other applicable laws and regulations concerning data protection and privacy. EY also has binding corporate rules approved by UK and EU regulators to facilitate the movement of personal data within the global EY network. Furthermore, we have a policy to address our specific Malaysia data privacy requirements and business needs.

## Document retention

EY global and related local policies on records and information retention and disposition apply to all engagements and personnel. These policies address document preservation whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceedings involving us or one of our clients that may relate to our work. It also addresses Malaysian legal requirements, applicable to the creation and maintenance of working papers, relevant to the work performed.



## Cybersecurity

Managing the risk of major and complex cyberattacks is a part of conducting business for all organisations. While no systems are immune from the threat of cyberattacks, EY PLT is vigilant in the steps it takes to secure and protect client data.

The EY approach to cybersecurity is proactive and includes the implementation of technologies and processes necessary to manage and minimise cybersecurity risks globally.

EY information security and data privacy programmes, consistent with industry practices and applicable legal requirements, are designed to protect against unauthorised access to systems and data.

There is a dedicated team of cybersecurity specialists, who constantly monitor and defend EY systems.

Beyond technical and process controls, all EY people are required to annually affirm in writing their understanding of the principles contained in the EY Global Code of Conduct and their commitment to abide by them. There are also required security awareness learning activities. Various policies outline the due care that must be taken with technology and data, including, but not limited to, the Global Information Security Policy, and a global policy on the acceptable use of technology. EY cybersecurity policies and processes recognise the importance of timely communication.

EY people receive regular and periodic communications reminding them of their responsibilities outlined in these policies and of general security awareness practice.

## Anti-money laundering (AML)

EY Malaysia is classified as a reporting institution under applicable AML regulations, depending on the activity carried out. Consistent with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 of Malaysia, Malaysia has implemented policies and procedures designed to meet these obligations, including Know Your Client procedures, risk assessments and suspicious activity reporting. EY people are trained on their responsibilities under the regulations, and provided guidance on who to consult when they have questions.

## Anti-bribery

The EY Global Anti-bribery Policy provides EY people with direction on certain unethical and illegal activities. It emphasises the obligation to comply with anti-bribery laws and provides a definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered. In recognition of the growing global impact of bribery and corruption, efforts have been sustained to continue to embed anti-bribery measures across EY.

## Insider trading

Securities trading is governed by many laws and regulations, and EY personnel are obliged to comply with applicable laws and regulations regarding insider trading. This means EY personnel are prohibited from trading in securities, while in possession of material, non-public information.

The EY Global Insider Trading Policy reaffirms the obligation of EY people not to trade in securities when in possession of insider information, provides details on what constitutes insider information, and identifies with whom EY people should consult if they have questions regarding their responsibilities.

## Economic and trade sanctions

It is important that we are aware of the ever-changing situation with respect to international economic and trade sanctions. EY monitors sanctions issued in multiple geographies both at the point when business relationships are accepted and as they continue. Guidance is provided to EY people on impacted relationships and activities.

# Risk management function

Risk Management (RM) coordinates organisation-wide activities designed to help EY people meet global and local compliance responsibilities and support client-facing teams in delivering quality and exceptional client service. Responsibility for high-quality service and ownership of the risks associated with quality is placed with the member firms and their service lines.

Among other things, the Global RM Leader helps monitor the identification and mitigation of these risks, as well as other risks across the organisation as part of the broader enterprise risk management (ERM) framework. The ERM priorities are communicated to member firms.

The Global RM Leader is responsible for establishing globally consistent risk management execution priorities and coordinating risk management across EY.

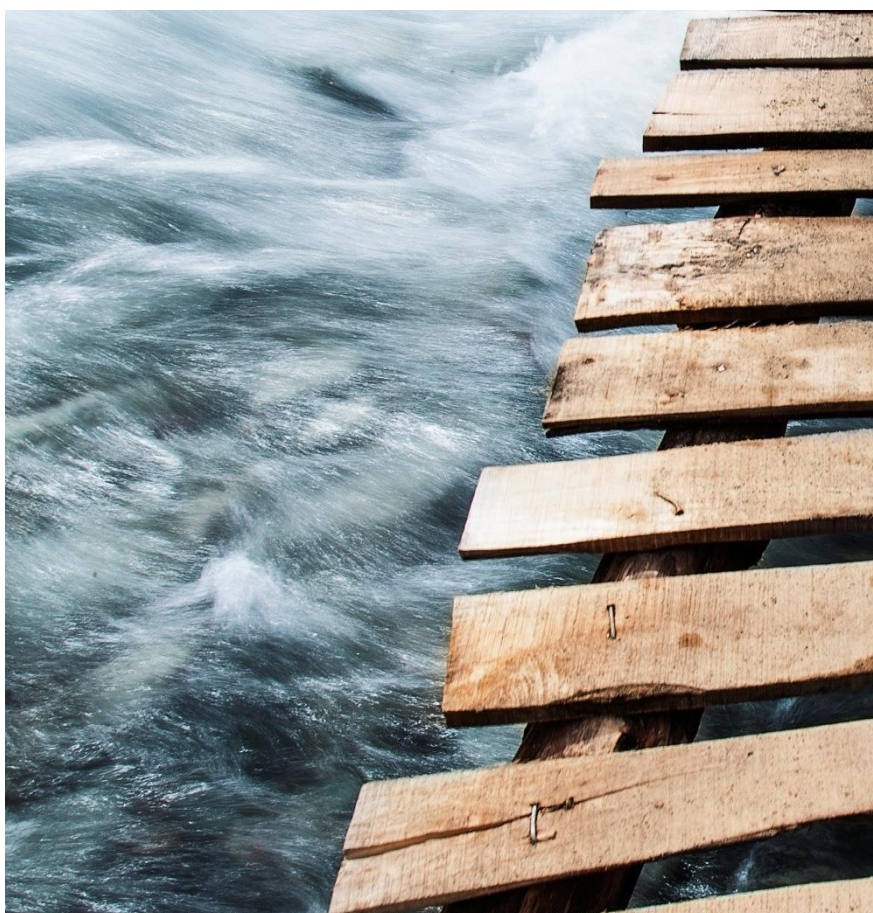
Member firm professionals are appointed to lead risk management initiatives (supported by other staff and professionals), including coordinating with the service lines on such matters.

As the world emerges from the effects of the COVID-19 pandemic, Global Risk Management has actively sought input from EY member firms on lessons learned from both crisis management and business continuity standpoints. This after-action review process has generated significant changes to EY planning around its crisis response and management of crises at the member firm and global levels. The fundamental change is a higher degree of proactiveness especially in identifying emerging risks before they cause significant impact, and the prioritisation of risks by each member firm. This allows EY Global Security team and Region Security Manager network to work directly with its member firm crisis management teams in preparing for the most likely threats by incorporating training and advanced stages of readiness into its crisis management networks.

Additionally, Global Risk Management has placed more focus on business resiliency in business continuity planning efforts in EY. A key component of this approach is the recognition that many crises do not just 'happen;' there are usually indicators of escalating factors as a crisis unfolds. This approach allows EY member firms to begin addressing mitigation of risks while continuing to carry on 'business as usual' at the very early stages of a potential business impact situation.

The creation of 'escalation matrixes' around several ongoing and high chance geo-political events allowed EY member firm and Region Risk Management crisis management teams to respond more rapidly and more effectively as events escalate. Additionally, these escalation matrixes and subsequent action item checklists go beyond traditional workforce life and safety issues by delving into factors that could impact a member firm's ability to effectively conduct business, e.g., disruption to banking systems or sustained cyber attacks against internet systems.

- ▶ These changes are allowing EY member firms to more effectively navigate significant crises via a prepared holistic approach.





# Audit teams: establishment and supervision

## Formation of audit teams

The assignment of professionals to an audit engagement is made under the direction of our Assurance leadership. The factors considered when assigning people to audit teams include engagement size and complexity; engagement risk ratings; specialised industry knowledge and experience; timing of work; continuity; and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialised or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as tax, forensics, information systems, asset valuation and actuarial analysis.

When certain conditions exist, EY PLT's policies require the approval of the assignment of individuals to specific audit roles by our Assurance leadership and the Malaysia PPD.

This is carried out, among other things, to make sure that the professionals leading the audits of listed entities and other public-interest entities possess the appropriate competencies (e.g., the knowledge, skills and abilities) to fulfil their engagement responsibilities and are in compliance with applicable auditor rotation regulations.



## Reviews of audit work

EY policies describe the requirements for timely and direct senior professional participation, as well as the level of review required for the work performed. Supervisory members of an audit team perform a detailed review of the audit documentation for technical accuracy and completeness. Senior audit executives and engagement partners perform a second-level review to determine the adequacy of the audit work as a whole and the related accounting and financial statement presentation. Where appropriate, and based on risk, a tax professional reviews the significant tax and other relevant working papers. For listed and certain other companies, an engagement quality reviewer (described in the next section) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the audited company and the auditors' report.

The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ Risk, materiality, subjectivity and complexity of the subject matter
- ▶ Ability and experience of audit team members preparing the audit documentation
- ▶ Level of the reviewer's direct participation in the audit work
- ▶ Extent of consultation employed

EY policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, as well as the requirements for documenting their work and conclusions.

## Engagement quality reviews

EY engagement quality review policies address audit and assurance engagements. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the engagement team and provide an objective evaluation of the significant judgements the engagement team made, and the conclusions reached in formulating the auditor's report. The performance of an engagement quality review, however, does not reduce the responsibilities of the partner in charge of the engagement for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

Certain policies and practices related to the assignment and eligibility of professionals to serve as engagement quality reviewers, as well as related accreditation and training requirements, and enablement to support execution of the reviews is being modified to conform with the requirements of International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews.

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. In all circumstances, the engagement quality review is completed before the date of the auditor's or assurance report.

For audits, engagement quality reviews are performed by audit partners in compliance with professional standards for the audits of all listed companies, certain public-interest entities and those considered to need close monitoring. The Malaysia Assurance Managing Partner and Malaysia PPD approve the required audit engagement quality review assignments.





# 4.0

# Non-financial reporting



# Non-financial reporting

We believe the audit profession is best placed to provide ESG assurance given our independence in accordance with robust independence standards, and an understanding of the companies' systems of internal controls, risks and processes.

EY member firms provide assurance services on a wide range of non-financial information and reporting-related information. The EY Sustainability Assurance Methodology (EY SAM) is a global framework for the application of a consistent approach to all assurance engagements on ESG and sustainability information. EY SAM provides for the delivery of high-quality assurance services through the consistent application of thought processes, judgements, and procedures in all engagements regardless of the level of assurance required. EY SAM is also adaptable to the nature of both the ESG reporting, and the criteria applied by the reporting entity in producing that report.

The methodology emphasises applying appropriate professional scepticism in the execution of procedures inclusive of the changing landscape in ESG reporting and criteria. EY SAM is based on the International Standards on Assurance Engagements (ISAEs) and supplemented in EY PLT to comply with local assurance standards and regulatory or statutory requirements.

As part of our obligation for high-quality assurance services related to non-financial reporting, EY has developed guidance, training and monitoring programmes, and processes used by member firm professionals to execute such services consistently and effectively. This includes the EY Climate Change and Sustainability Services - a dedicated team of sustainability professionals. Guidance has also been developed for audit engagement teams to assess the impact of climate-risk on financial reporting under International Financial Reporting Standards (IFRS) or other financial reporting frameworks. The Global, Area and Regional PPDs, EY quality functions and IFRS desks, together with other finance and sustainability professionals who work with teams in each member firm, are knowledgeable about the changing regulatory non-financial reporting landscape, EY people, clients and processes. They are readily accessible to support assurance engagement teams.

Additionally, EY has enhanced quality control related processes to address such aspects as the engagement acceptance process, training and accreditation requirements, and resource assignments specifically related to attestation services over non-financial reporting matters.



# Non-financial reporting

EY provides input to a number of public and private initiatives to improve the quality, comparability and consistency of non-financial reporting, including climate-risk. These activities take place at a global, Regional and national level. Examples include drafting ESG metrics and ESG reporting proposals for the Embankment Project on Inclusive Capitalism (EPIC) and the World Economic Forum's International Business Council (WEF-IBC). EY also makes resources available to standard-setters in the area of sustainability reporting, including the development of the Taskforce on Nature-related Financial Disclosures (TNFD) framework.



# < 5.0 >

## About us

- 79 EY purpose and EY Global Code of Conduct
- 81 About EY, a global organisation
- 86 Creating long-term value for society
- 89 About EY PLT



# EY purpose and EY Global Code of Conduct

## EY purpose

### Building a better working world

Every audit, tax return, consulting opportunity, every question we ask and every interaction with a client or colleague should make the working world better than it was before.

Therefore, the insights and quality services we deliver help build trust and confidence in the capital markets and in economies around the world. We develop outstanding leaders and teams that create long-term value for all stakeholders.

This leads to sustainable, inclusive growth.

## EY ambition

EY ambition is to create long-term value as the world's most trusted, distinctive professional services organisation.

We are in the second year of our new strategy, NextWave, to deliver on our ambition, which is outward-facing and ties our success to the success of our stakeholders.

EY purpose and ambition are closely connected: achieving our ambition helps fulfill our purpose.

## EY values

- ▶ 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

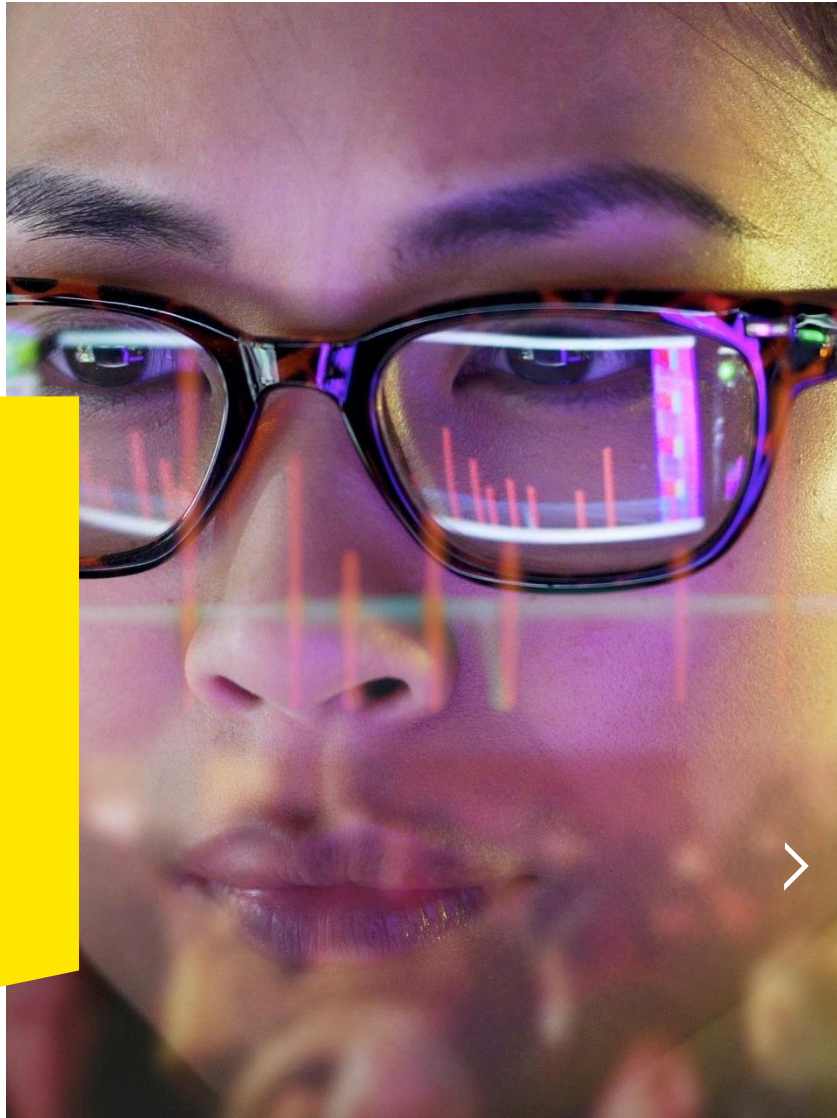
These values influence the way we work with each other, the way we serve our clients and the way we engage with our communities. They reinforce the EY Global Code of Conduct, which guides the decisions we make and the way we do business.

## EY Global Code of Conduct

The EY Global Code of Conduct provides an ethical framework for our behaviour. It draws on our shared values, and builds on our purpose and our ambition.

We promote a culture of integrity among our professionals.

The EY Global Code of Conduct provides a clear set of principles that guide our actions and our business conduct and are to be followed by all EY personnel.



The EY Global Code of Conduct is divided into five categories:

- ▶ Working with one another
- ▶ Working with clients and others
- ▶ Acting with professional integrity
- ▶ Maintaining our objectivity and independence
- ▶ Protecting data, information and intellectual capital

Through our procedures to monitor compliance with the EY Global Code of Conduct and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.

## Whistleblowing

The EY Ethics Hotline provides EY people, clients and others outside of the organisation with a means to confidentially report activity that may involve unethical or improper behaviour, and that may be in violation of professional standards or otherwise, inconsistent with the EY shared values or Global Code of Conduct. Globally, the hotline is operated by an external organisation that provides confidential and, if desired, anonymous hotline reporting.

When a report is received by the EY Ethics Hotline, either by phone or internet, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Talent, Legal or other functions are involved in addressing the report. The same procedures are followed for matters that are reported outside of the EY Ethics Hotline.



# About EY, a global organisation

EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, over 350,000 people in member firms in more than 150 countries share a commitment to build a better working world, united by shared values and an unwavering commitment to quality, integrity and professional scepticism. 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.

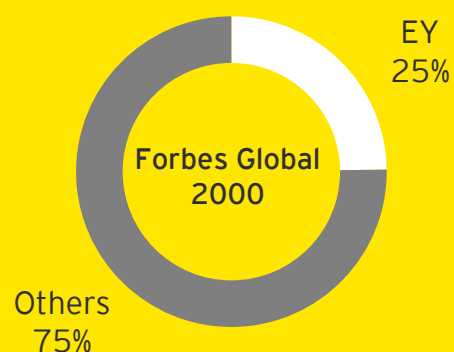
EY leaders are currently conducting a strategic review of EY businesses globally to possibly separate the businesses into two distinct multidisciplinary organisations, as follows:

- ▶ A global network of multidisciplinary member firms committed to assurance, tax and advisory services with all the capabilities required to deliver high-quality audits; and
- ▶ A new corporate organisation which would comprise Consulting, the majority of Tax, Strategy and Transactions, and managed services.

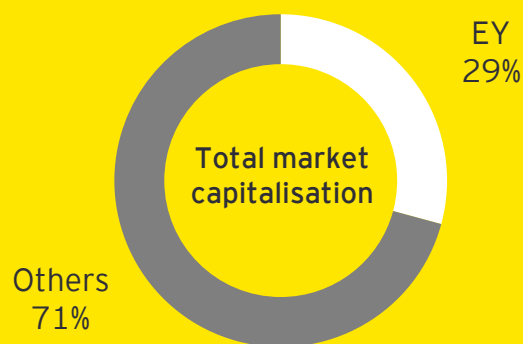
The review does not affect our people and the services we deliver to our clients. Our priorities remain to deliver trust and confidence in the capital markets through sustainable, quality audits.

## Forbes Global 2000 - Market share of statutory auditors as at 5 October 2022

### By number of companies audited



### By market capitalisation of companies audited



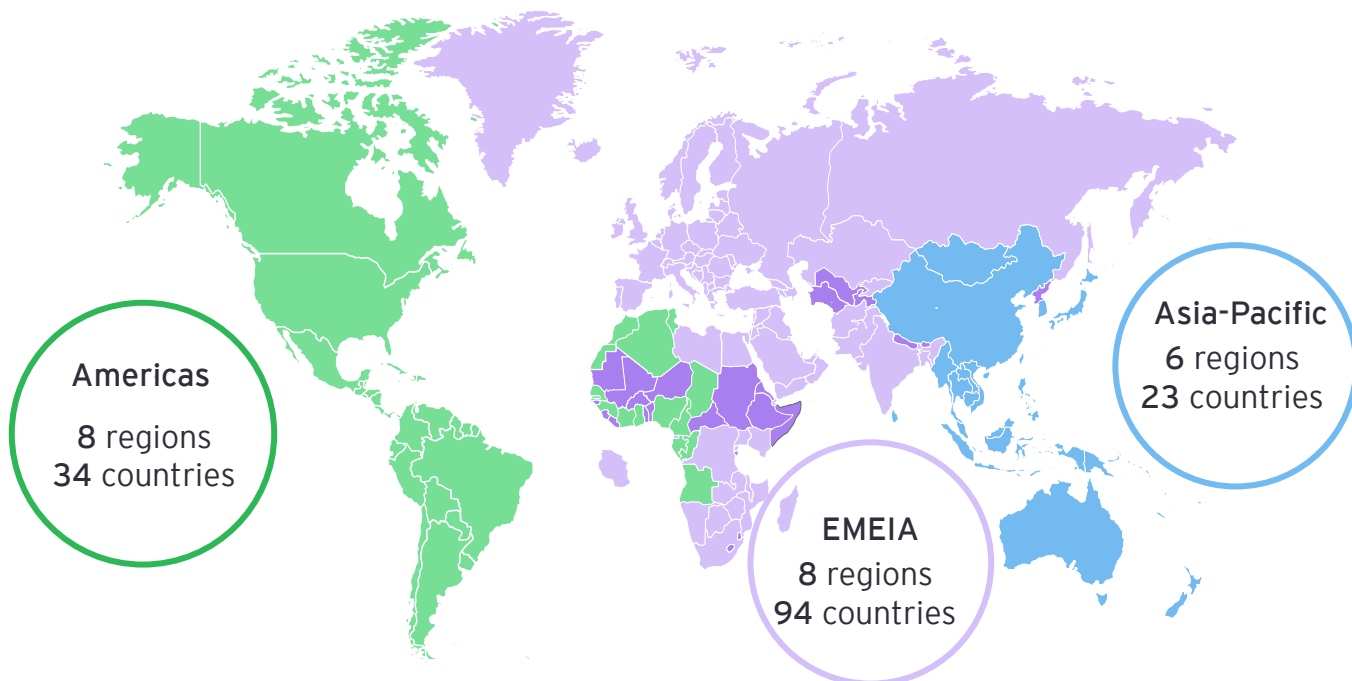
Ernst & Young Global Limited (EYG) is a UK company limited by guarantee. EYG coordinates the various activities of the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client service by the member firms 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 organisation, described below, reflect the principle that EY, as a global organisation, has a common shared strategy.

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

EY PLT is part of Asean and the FSO Asia-Pacific regions, which in turn, form part of the Asia-Pacific area.

### EY areas, regions and countries\*



\*Figures reflect the completion of the separation of the Russian and Belarus EY member firms from the EY global organisation



## Global Governance Council

The Global Governance Council (GGC) is a key governance body of EYG. It comprises one or more representatives 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 Regional Partner Forum (RPF) 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 (INEs)

Up to six global INEs are appointed from outside EY. The global INEs are senior leaders from both the public and private sectors and reflect diverse geographic and professional backgrounds. They bring to the global organisation, and the GGC, significant benefit of their varied perspectives and depth of knowledge. The global INEs also form a majority of the Public Interest Sub-Committee (PIC) of the GGC. The role of the PIC includes public interest aspects of decision-making and dialogue with stakeholders, issues raised under whistleblowing policies and procedures, as well as 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 leadership 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 the 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 the reward and retirement of partners
- ▶ Quality improvement and protection programmes
- ▶ Proposals regarding regulatory matters and public policy
- ▶ Policies and guidance relating to the member firms' service of international clients, business development, and marketing 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 organisation, 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 to drive consistency of execution across the organisation.

## EYG member firms

Under the regulations of the 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 (see pages 79 and 80).

Besides adopting the regulations of the EYG, member firms enter into several other agreements covering aspects of their membership in the EY organisation, 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 HR. Member firms unable to meet quality commitments and other EYG membership requirements may be subject to termination from the EY organisation.

# Creating long-term value for society

At EY, we believe sustainability is everyone's business. EY, as an organisation, is effecting change at scale by building alliances, forging collaboration and rallying everyone and every part of the business to take part. EY continues to focus on creating, protecting and measuring long-term value across all four dimensions of the NextWave strategy – people value, client value, societal value and financial value. It is by integrating all of these dimensions that EY fulfils its purpose of *Building a better working world*.

From advising governments on how to build more sustainable and inclusive economies, to encouraging businesses to focus and report on their creation of long-term value for all stakeholders, EY services already play a vital role in this. However, more can and must be done as all stakeholders define their roles in this journey.

As a proud participant in the United Nations Global Compact (UNGC) since 2009, EY is committed to integrating the UNGC Ten Principles and the UN Sustainable Development Goals (SDGs) into the EY strategy, culture and operations.

Among other things, this commitment is reflected in:

1

Corporate responsibility governance structures

2

The EY social impact ambition

3

Commitment to human rights

4

The EY carbon ambition





## 1

## Corporate responsibility governance structures

Corporate responsibility across EY is coordinated by the EY Corporate Responsibility Governance Council (CRGC). This body includes members of the EY Global Executive and provides senior leadership representation from across EY services lines, functions and geographic areas.

## 2

## The EY social impact ambition

The global corporate responsibility programme, [EY Ripples](#), brings together the global EY network with the goal of positively impacting one billion lives by 2030. To date, EY Ripples initiatives have cumulatively benefited more than 76 million people, aided by:

- ▶ A rigorous focus on three areas (supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability) where the distinctive skills, knowledge and experience of EY people can make the biggest difference.
- ▶ A collaboration with other like-minded organisations to build ecosystems that are capable of creating change at scale. For example, the TRANSFORM initiative with Unilever and the UK Foreign, Commonwealth and Development Office, which aims to change the lives of 150 million people across sub-Saharan Africa and South Asia by 2030, by tackling inequality.
- ▶ Further collaboration to create lasting positive social impact through activities such as the creation of a text-based learning program for underserved students. EY recently received the 2022 SAP Pinnacle Award for Social Impact, for this work.

## 3

## Commitment to human rights

The GE recently signed a statement reaffirming its commitment to uphold and protect human rights. The commitment focuses on the rights of all EY people, the impact of client engagements, stakeholders in EY supply chains, and active inclusiveness. Over the past year, EY has focused on strong governance and reporting around this commitment.



## 4

## The EY carbon ambition

EY achieved carbon negative status in 2021 and aims to become net zero in 2025. EY endeavors to achieve this by significantly reducing absolute carbon emissions, and then removing or offsetting more than the remaining amount every year. To reach net zero by FY25, EY member firms plan to reduce absolute emissions by 40% across Scopes 1, 2 and 3 (versus an FY19 baseline), consistent with a 1.5°C science-based target approved by the Science Based Targets initiative (SBTi). Specific actions include:

- ▶ Reducing business travel emissions, with a target to achieve a 35% reduction by FY25 against the FY19 baseline
- ▶ Reducing overall office electricity usage, and procuring 100% renewable energy for remaining needs, earning RE100 membership by FY25
- ▶ Structuring electricity Power Purchase Agreements (PPAs) to introduce more renewable electricity than EY consumes into national grids
- ▶ Using nature-based solutions and carbon-reduction technologies to remove from the atmosphere or offset more carbon than emitted, every year
- ▶ Providing EY teams with tools to calculate, then work to reduce the amount of carbon emitted in carrying out client work
- ▶ Requiring 75% of EY suppliers, by spend, to set science-based targets by no later than FY25
- ▶ Investing in EY services and solutions that help clients to create value from decarbonising their businesses and provide solutions to other sustainability challenges and opportunities



# About EY PLT

EY PLT is a limited liability partnership formed in Malaysia and a member firm of EYG. EY PLT is part of Asean and the FSO Asia-Pacific regions, which in turn, form part of the Asia-Pacific area.

## Ownership

EY PLT is owned by our partners in Malaysia ("members").

None of our EY PLT partners hold more than 5% equity share in the partnership. None of our partners have any family relationship with partners in a leadership role or who hold a substantial equity in the partnership, or with other partners of the audit firm.

## Affiliated entities

Affiliated entities of EY PLT in Malaysia are as follows:

- ▶ Hanafiah Raslan & Mohamad PLT
- ▶ Ernst & Young Tax Consultants Sdn. Bhd.
- ▶ Ernst & Young Consulting Sdn. Bhd.
- ▶ Agensi Pekerjaan EY Sdn. Bhd.
- ▶ Ernst & Young Trust Ltd
- ▶ EY Technology Solutions Sdn. Bhd.
- ▶ EY Identity Asia Sdn. Bhd.
- ▶ EY Identity Sdn. Bhd.
- ▶ EY Digital CX Sdn. Bhd.
- ▶ EY Insolvency Services PLT
- ▶ EY Associates PLT
- ▶ Ernst & Young Offshore Services Sdn. Bhd.
- ▶ Ernst & Young Transaction Advisory Services Sdn. Bhd.



# About EY PLT (continued)

As at 1 October 2022, EY PLT operates in:



*\*Effective 30 September 2022, our Sandakan and Tawau branches were closed as part of our continuous review and rationalisation of the way we operate our business, in tandem with the business environment.*

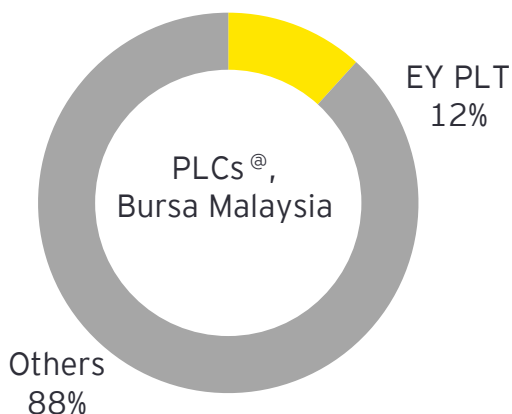
**43**  
Audit partners

approximately  
**1,600**  
Audit personnel

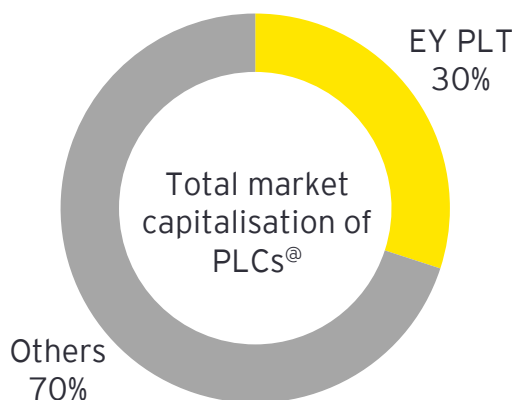
As at 30 June 2022,  
EY PLT audits  
**105** PLCs

## Audit market share of statutory auditors as at 30 June 2022

By number of PLCs<sup>@</sup> audited



By market capitalisation of the PLCs<sup>@</sup> audited





## Organisational structure of EY PLT:

**Dato' Abdul Rauf Rashid**  
Malaysia Managing Partner

helps EY PLT's and its affiliated entities' overall business strategies and ensures the execution of long-term value for our clients, regulators, employees and other stakeholders.

### ASSURANCE BUSINESS

**Ong Chee Wai**  
Malaysia Assurance Managing Partner

leads EY PLT's business growth, strategic direction and execution across industry sectors and geographical locations.

Our specialised industry sectors include, but are not limited to the following:

Advanced manufacturing & mobility

Consumer

Financial services  
- Banking & capital markets  
- Insurance  
- Wealth & asset management

Government & public sector

Health sciences & wellness

Mining & metals

Oil & gas

Power & utilities

Private equity

Real estate, hospitality & construction

Technology, media & entertainment, telecommunications

### ASSURANCE QUALITY CONTROL FUNCTION

#### Professional Practice

**Teoh Soo Hock**  
Professional Practice Director (PPD)

Lead and oversee accounting and auditing consultations, the development of local guidance and the practice of monitoring activities.

**Dato' Megat Shah**  
Deputy PPD

#### Quality Enablement

**Yeah Seok Luan**  
Quality Enablement Leader (QEL)

Leads improvements in audit quality by providing support through various quality initiatives.

### CORE BUSINESS SERVICES

Represents various support services used by EY PLT and its affiliated entities.

Each of these services have leaders located in Malaysia, or is centrally coordinated and led at the Asean or Asia-Pacific levels.

Talent

Brand, Marketing and Communications

Finance

Independence

Legal

Learning & Development

Technology

Admin

Risk Management

Internal Audit

## Representation in industry and professional bodies

Our People also contribute to the wider ecosystem through our participation in various industry and professional bodies in Malaysia.

### Representation in industry and professional bodies

- ▶ Malaysian Institute of Accountants (MIA)
- ▶ Malaysian Accounting Standards Board (MASB)
- ▶ Malaysian Institute of Certified Public Accountants
- ▶ Malaysian chapters of:
  - ▶ Association of Chartered Certified Accountants
  - ▶ Institute of Chartered Accountants in England and Wales
  - ▶ CPA Australia
  - ▶ Chartered Accountants Australia and New Zealand

#### Committees of the MASB :

- ▶ Interpretations Committee
- ▶ Standing Committee on Islamic Financial Reporting
- ▶ MFRS\* Application and Implementation Committee

#### Committees of the MIA:

- ▶ Investigation Committee
- ▶ Disciplinary Committee
- ▶ Auditing and Assurance Standards Board
- ▶ Capital Market Advisory Committee
- ▶ Ethics Standards Board
- ▶ Financial Statements Review Committee
- ▶ Integrated Reporting Steering Committee
- ▶ Islamic Finance Committee
- ▶ MIA-MQA\*\* Joint Technical Committee
- ▶ Nominating Committee
- ▶ Public Practice Committee
- ▶ Public Sector Accounting Committee

\*MFRS - Malaysian Financial Reporting Standards

\*\*MQA - Malaysian Qualification Agency



< 6.0 >

Appendix:  
List of PLC  
audit clients

# List of PLC audit clients

The following 105 PLCs in Malaysia are EY PLT's audit clients as at 30 June 2022:

(1/2)

- |   |   |
|---|---|
| 1. 7-Eleven Malaysia Holdings Berhad              | 37. Innoprise Plantations Berhad                        |
| 2. AirAsia X Berhad                               | 38. Iskandar Waterfront City Berhad*                    |
| 3. AMMB Holdings Berhad                           | 39. Jaya Tiasa Holdings Bhd                             |
| 4. Amway (Malaysia) Holdings Berhad               | 40. JCY International Berhad                            |
| 5. Apex Healthcare Berhad                         | 41. Keck Seng (Malaysia) Berhad                         |
| 6. Asian Pac Holdings Berhad                      | 42. Kenanga Investment Bank Berhad                      |
| 7. Atlan Holdings Bhd.                            | 43. KESM Industries Berhad                              |
| 8. Berjaya Corporation Berhad                     | 44. Kia Lim Berhad                                      |
| 9. Berjaya Food Berhad                            | 45. Kim Hin Industry Berhad                             |
| 10. Berjaya Land Berhad                           | 46. Kim Loong Resources Berhad                          |
| 11. Berjaya Sports Toto Berhad                    | 47. KKB Engineering Berhad                              |
| 12. Bermaz Auto Berhad                            | 48. KLCC Property Holdings Berhad                       |
| 13. Bintulu Port Holdings Berhad                  | 49. Kluang Rubber Company (Malaya) Berhad               |
| 14. Boustead Heavy Industries Corporation Bhd     | 50. KPJ Healthcare Berhad                               |
| 15. Boustead Holdings Berhad                      | 51. Kretam Holdings Berhad                              |
| 16. Boustead Plantations Berhad                   | 52. Kuchai Development Berhad                           |
| 17. Bursa Malaysia Berhad                         | 53. Kumpulan Fima Berhad                                |
| 18. Cahya Mata Sarawak Berhad                     | 54. Lingkaran Trans Kota Holdings Berhad                |
| 19. Capital A Berhad (f.k.a AirAsia Group Berhad) | 55. LTKM Berhad   |
| 20. Chin Teck Plantations Berhad                  | 56. Magnum Berhad                                       |
| 21. CJ Century Logistics Holdings Berhad          | 57. Malayan Banking Berhad                              |
| 22. Concrete Engineering Products Berhad          | 58. Malaysia Airports Holdings Berhad                   |
| 23. Digi.Com Berhad                               | 59. Malaysia Marine & Heavy Engineering Holdings Berhad |
| 24. DKLS Industries Bhd                           | 60. Malaysia Smelting Corporation Berhad                |
| 25. DKSH Holdings (Malaysia) Berhad               | 61. Malaysian Bulk Carriers Berhad                      |
| 26. DRB-Hicom Berhad                              | 62. Manulife Holdings Berhad                            |
| 27. Dutaland Berhad                               | 63. MCT Berhad  |
| 28. Eastern & Oriental Berhad                     | 64. MISC Berhad   |
| 29. Encorp Berhad                                 | 65. MNRB Holdings Berhad                                |
| 30. Fima Corporation Berhad                       | 66. MPHB Capital Berhad                                 |
| 31. Gamuda Berhad                                 | 67. Negri Sembilan Oil Palms Berhad                     |
| 32. Golden Pharos Berhad                          | 68. Nestlé (Malaysia) Berhad                            |
| 33. Guocoland (Malaysia) Berhad                   | 69. NTPM Holdings Berhad                                |
| 34. Hap Seng Consolidated Berhad                  | 70. Olympia Industries Berhad                           |
| 35. Harbour-Link Group Berhad                     | 71. OSK Ventures International Berhad                   |
| 36. Hup Seng Industries Berhad                    |   |

\*Not seeking reappointment





# List of PLC audit clients

The following 105 PLCs in Malaysia are EY PLT's audit clients as at 30 June 2022:

(2/2)

- |   |                                    |
|---|------------------------------------|
| 72. Pacific & Orient Berhad   | 89. Symphony Life Berhad           |
| 73. Paramount Corporation Berhad  | 90. TDM Berhad                     |
| 74. PPB Group Berhad  | 91. Telekom Malaysia Berhad        |
| 75. Progressive Impact Corporation Berhad                                 | 92. Tien Wah Press Holdings Berhad |
| 76. Public Bank Berhad  | 93. TMC Life Sciences Berhad       |
| 77. Quality Concrete Holdings Berhad                                      | 94. Top Glove Corporation Bhd      |
| 78. REDtone Digital Berhad  | 95. Tropicana Corporation Berhad   |
| 79. Rhong Khen International Berhad (f.k.a Latitude Tree Holdings Berhad) | 96. Tune Protect Group Berhad      |
| 80. S P Setia Berhad  | 97. Turbo-Mech Berhad              |
| 81. Sapura Energy Berhad  | 98. UEM Edgenta Berhad             |
| 82. Sapura Industrial Berhad  | 99. UEM Sunrise Berhad             |
| 83. Sapura Resources Berhad   | 100. UMW Holdings Berhad           |
| 84. Sarawak Cable Berhad  | 101. United Malacca Berhad         |
| 85. SEG International Bhd.  | 102. United Plantations Berhad     |
| 86. SKP Resources Bhd   | 103. Velesto Energy Berhad         |
| 87. Sungei Bagan Rubber Company (Malaya) Berhad                           | 104. WCT Holdings Berhad           |
| 88. Suria Capital Holdings Berhad   | 105. WMG Holdings Bhd.             |

# Glossary

AAA	Assurance Advanced Academy
AI	Artificial Intelligence
AML	Anti-money laundering
AMP	Assurance Managing Partner
AOB	Securities Commission Malaysia's Audit Oversight Board
AQB	Audit Quality Board
AQIs	Audit Quality Indicators
AQR	Audit Quality Review
BRIDGE	Business Relationships Independence Data Gathering and Evaluation
CEO	Chief Executive Officer
CRGC	Corporate Responsibility Governance Council
DE&I	Diversity, equity and inclusiveness
EMEIA	Europe, Middle-East, India and Africa
EPIC	Embankment Project on Inclusive Capitalism
ERM	Enterprise risk management
ESG	Environmental, social and governance
EY	The EY organisation
EY PLT	Ernst & Young PLT
EY SAM	EY Sustainability Assurance Methodology
EYG	Ernst & Young Global Limited
FAAR	Financial Analytics, Automation and Robotics
FSO	Financial Services Organisation
FY	Financial year
GAAP	Generally Accepted Accounting Principles
GAM	Global Audit Methodology
GAQC	Global Audit Quality Committee
GDPR	General Data Protection Regulation
GE	Global Executive
GGC	Global Governance Council
GIS	Global Independence System
GMS	Global Monitoring System
GSET	Global Social Equity Task Force
HR	Human resource
IAASB	International Auditing and Assurance Standards Board

IESBA	International Ethics Standards Board for Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
INEs	Independent Non-Executives
ISAs	International Standards on Auditing
ISAEs	International Standards on Assurance Engagements
ISQC 1	International Standard on Quality Control 1
ISQM 1	International Standard on Quality Management 1
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
MIA	Malaysian Institute of Accountants
MQA	Malaysian Qualifications Agency
PACE	Process for Acceptance of Clients and Engagements
PIC	Public Interest Sub-Committee
PIE	Public interest entity
PLC	Public listed company
PPAs	Power Purchase Agreements
PPD	Professional Practice Director
Project S	Project: Sharpening focus on risk
QEL	Quality Enablement Leader
RM	Risk Management
RPA	Robotic process automation
RPF	Regional Partner Forum
SAQ	Sustainable Audit Quality
SBTi	Science Based Targets initiative
SC	Securities Commission Malaysia
SDGs	Sustainable Development Goals
SEC	U.S. Securities and Exchange Commission
SORT	Service Offering Reference Tool
SQM	System of quality management
TNFD	Taskforce on Nature-related Financial Disclosures
UK	United Kingdom
UNGC	United Nations Global Compact
WEF-IBC	World Economic Forum's International Business Council



## EY | Building a Better Working World

EY exists to build a better working world, helping 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 organisation, 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](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organisation, please visit [ey.com](https://ey.com).

© 2022 Ernst & Young PLT  
All Rights Reserved.

APAC no. 07009359  
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com/my](https://ey.com/my)