



Transparency Report 2014  
EY UK – Volume 2

**EY**

Building a better  
working world



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More information about EY can be found at [ey.com](http://ey.com).



## Foreword to Volume 2

In Volume 1 of our 2014 Transparency Report we account to the external stakeholders in our Audit practice on market developments, the over-arching aspects of our performance and how we have delivered value to the capital markets in the United Kingdom. If you are reading this Volume online then Volume 1 may be accessed [here](#).

This Volume 2 accounts to stakeholders on the recurring aspects of our activities as described in the contents page. Taken together, these volumes meet our obligations under the European Union's eight Company Law Directive and the Statutory Auditors (Transparency) Instrument 2008.

We always welcome feedback on our Transparency Reports. Kindly contact your usual EY representative with your thoughts or email us at [UKProfessionalPractice-GB@uk.ey.com](mailto:UKProfessionalPractice-GB@uk.ey.com).

## About us

### Legal structure, ownership and governance

In the United Kingdom, Ernst & Young LLP is a limited liability partnership incorporated in England & Wales and is a member firm of Ernst & Young Global Limited, a UK company limited by guarantee. In this report we refer to ourselves as EY UK, 'we' or 'us' or 'our'. EY refers collectively to the global organization of member firms of Ernst & Young Global Limited (EYG).

Details of related entities of EY UK can be found in its statutory financial statements.

At 1 July 2014, EY UK had 617 partners and operated from 21 offices across the UK as well as in Jersey and Guernsey.

EY is organized in four geographic Areas: Americas, Asia-Pacific, EMEIA (Europe, Middle East, India and Africa) and Japan. The Areas comprise a number of Regions, which consist of member firms or sections of those firms.

Our EMEIA Area comprises EYG member firms in 99 countries in Europe, Middle East, India and Africa.

Ernst & Young (EMEIA) Limited (EMEIA Limited), an English company limited by guarantee, is the principal governance entity for the EYG member firms in the EMEIA Area. EMEIA Limited facilitates the coordination of these firms and cooperation between them, but it does not control them. EMEIA Limited is a member firm of EYG.

In Europe, a holding entity, Ernst & Young Europe LLP (EY Europe) was formed in conjunction with the EYG member firms within the EMEIA Area. EY Europe is an English limited liability partnership, owned by partners of EYG member firms in Europe. It is an audit firm registered with the ICAEW (the Institute of Chartered Accountants in England and Wales) but it does not carry out audits

or provide any professional services. To the extent permitted by local legal and regulatory requirements, EY Europe has acquired or will acquire control of the EYG member firms in the European countries in the EMEIA Area. EY Europe is a member firm of both EYG and EMEIA Limited.

EY Europe acquired control of EY UK in November 2008.

EY Europe's principal bodies are:

#### Europe Executive

The Europe Executive effectively operates as the board of EY Europe. It has authority and accountability for strategy execution and management of EY Europe's operations. It comprises the Europe Managing Partner; the Europe Deputy Managing Partner; the leaders for Accounts, Talent and Risk Management; the service line leaders for Assurance, Advisory, Transaction Advisory Services and Tax; and all European Regional Managing Partners.

The Europe Executive meets at least monthly.

At 1 July 2014 the Europe Executive comprised Abdulaziz Al-Sowailim, Andy Baldwin<sup>1</sup>, Rudi Braes, Andy Embury<sup>1</sup>, Donato Iacovone Jacek Kredizor, Stephan Kuhn, Jean-Pierre Letartre, Pascal Macioce, Eric Mamelund, Rajiv Memani, Mark Otty<sup>1</sup>, Seshni Samuel, Ajen Sita, Joachim Spill, Julie Teigland, Steve Varley<sup>1</sup>, Georg Graf Waldersee, Joe Watt.

<sup>1</sup> Denotes EY UK members.



### Europe Advisory Council

EY Europe has an elected Europe Advisory Council, which comprises a number of partners of the EYG member firms in Europe. It serves in an advisory role to the Europe Executive on policies, strategies and other matters and its approval is required for a number of significant matters, e.g. appointment of the Europe Managing Partner, approval of the financial reports of EY Europe, and material transactions.

The Europe Advisory Council met four times during the year.

At 1 July 2014 EY UK had the following four elected representatives on the Europe Advisory Council:

John Cole, Douglas Nisbet, Penny Stocks, Steve Wills.

BDO LLP is the external auditor of EY UK.

### The UK Board

The Board of Ernst & Young UK (the 'Board') is appointed by the Europe Executive and the UK Country Managing Partner (the 'CMP') who has full authority to deal with the Firm's general and operational management. Board members serve for such term as is appropriate for their experience and their other roles and responsibilities. The CMP is appointed by the Europe Managing Partner who has the right to remove the CMP, with the consent of the Europe Executive, having consulted with the Board and appropriate partners.

The CMP of Ernst & Young UK is Steve Varley. The role of the CMP includes:

- ▶ Representing the Firm
- ▶ Providing leadership for the partners and employees of the Firm
- ▶ Acting as the interface with regulators and governmental authorities

The CMP leads the Board. The Board is responsible for the commercial, financial and reputational standing of the Firm as a whole, implementing the admission of new members, maintaining liaison with members, approving the financial statements and other matters delegated to it from time to time by the Europe Executive. The Board met on seven

occasions during the year ending June 2014 and, in addition, routinely conducts business through electronic fora. The day-to-day management of the UK business is undertaken by two Regional Managing Partners who are members of the Board and of the Europe Executive, and who each lead a Regional Leadership team.

At 1 July 2014 the Board comprised:

Steve Varley	CMP and UK & Ireland Regional Managing Partner
Hywel Ball	UK Head of Audit Regional Managing Partner – UK & Ireland Assurance
Andy Baldwin	EMEIA Financial Services Organisation (FSO) Regional Managing Partner
Andrew McIntyre	Audit Partner (FSO)
Robin Tye	UK & Ireland Chief Operating Officer
Alisdair Mann	Managing Partner, Chief Operating Officer EMEIA FSO
Lisa Cameron	Country & UK & Ireland Regional Risk Management Leader
Robert Overend	UK Country Professional Practice Director and UK Audit Compliance Principal
Robin Heath	EMEIA Coordinating Partner, Regulatory Relations

The day-to-day management of the UK&I Assurance practice is led by Hywel Ball, who reported directly to the Europe Assurance Leader and to the CMP. Hywel is also UK Head of Audit.

The day-to-day management of the Financial Services Assurance practice in the UK is led by the UK FSO Assurance Leader, Victor Veger, who reports to the Europe Financial Services Assurance Leader, Isabelle Santenac, who in turn reports to the Europe Assurance Leader.



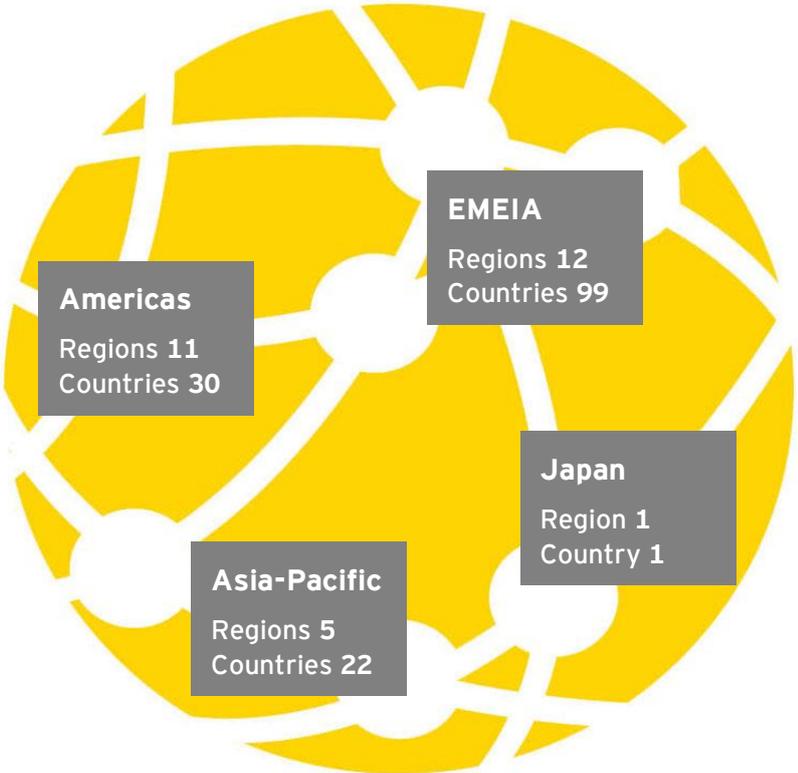
## Network arrangements

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, 190,000 people in member firms in more than 150 countries share a commitment to building a better working world and are united by shared values and an unwavering commitment to quality, integrity and professional skepticism. In today's global market, EY's integrated approach is particularly important in the delivery of high-quality multinational audits, which can span multiple jurisdictions.

EY's central entity, EYG, coordinates the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include promoting the provision of exceptional, high-quality client service by its member firms worldwide. Each member firm is a legally distinct entity. The member firms' obligations and responsibilities are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organization during the year ended 30 June 2014 are described below. They reflect the principle that EY, as a global organization, has one shared strategy.

In July 2013, EY streamlined its operating model by creating the Executive and the Regions. The Executive includes the Global Executive (GE), its committees and teams, and the leadership of the four Areas. This streamlined structure allows EY to further enhance its global scale and the delivery of consistent exceptional client service worldwide, with the Executive responsible for one global approach to strategy, quality, risk management, business planning, investments and priorities. At the same time, this new operating model allows for greater stakeholder focus in the 29 Regions, permitting member firms to build stronger relationships with clients and others in each country and be more responsive to local needs.





### **Global Advisory Council**

The Global Advisory Council (GAC) is the main advisory body of EYG. It comprises a number of member firm partners drawn from across the four Areas and includes independent non-executive representatives (INEs). The partners, who otherwise do not hold senior management roles, are elected by their peers for a three-year term, with provisions for one successive re-appointment. The GAC advises EYG on policies, strategies and the public interest aspects of their decision-making. The approval of the GAC is required for a number of significant matters that could affect EY.

#### **Independent non-executive representatives**

INEs are appointed from outside of EY and bring the global organization, and the GAC, the significant benefit of their varied perspectives and views. The INEs are nominated by a dedicated committee. More information on EY's INEs can be found in the next section.

#### **Global Executive**

The Global Executive (GE) brings together EY's leadership functions, services and geographies. It is chaired by the Chairman and Chief Executive Officer of EYG and includes its Chief Operating Officer; the Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leaders for Talent, Risk Management, and Finance and Corporate Development; the leaders of the global service lines – Assurance, Advisory, Tax and Transaction Advisory Services; and the Global leader for Public Policy. The GE also includes the Chair of the Global Accounts Committee and the Chair of the Emerging Markets Committee as well as a representative from the emerging markets practices.

The GE and the GAC approve nominations for the Chairman, Chief Executive Officer and the Chief Operating Officer of EYG and ratify appointments of the Global Managing Partners. The GE also ratifies appointments of Global Vice Chairs. The GAC ratifies the appointments of any Global Vice Chair who serves as a member of the GE. Furthermore, the Global Executive approves appointments of Area Managing Partners. Such appointments are subject to ratification by the GAC.

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, reward and retirement of partners
- ▶ Quality improvement and protection programs
- ▶ Proposals regarding regulatory matters and public policy
- ▶ Policies and guidance relating to member firms' service of international clients, business development, markets and branding
- ▶ EY's business plans, development funds and investment priorities EYG's annual financial reports and budgets
- ▶ GAC recommendations
- ▶ Any other proposal that supports the global objectives

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

#### **GE committees**

Chaired by members of the GE and bringing together representatives from the four Areas, the GE committees are responsible for making recommendations to the GE. There are committees for Global Markets and Investments, Talent, Risk Management, Assurance, Advisory, Tax, and Transaction Advisory Services.

#### **Global Practice Group**

This group brings together the members of the GE, GE Committees and Regional leaders. The Global Practice Group seeks to promote common understanding across member firms of EY's strategic objectives and consistency of execution across the organization.



### **EYG member firms**

Under the regulations of EYG, member firms commit themselves to pursue EY's objectives, such as the provision of high-quality service, worldwide. To that end, the member firms undertake to implement the global strategies and plans and 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, human resources and technology.

Above all, EYG member firms commit themselves 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 EY's Global Code of Conduct and EY's values (see page 12).

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

Member firms are subject to reviews that evaluate their adherence to EYG requirements and policies governing issues such as independence, quality and risk management, audit methodology, and human resources. As necessary, special focus reviews are performed to address situations or concerns as they arise. Member firms unable to meet the quality commitments and other EYG membership requirements are subject to separation from the EY organization.



## Independent non-executive representatives

EY has invited world-class leaders in related fields to serve as Independent non-executive representatives (INEs). They provide an independent voice to the highest levels of management and offer insight into the interests of EY's key stakeholders. EY follows the UK Audit Firm Governance Code model for INEs by selecting individuals who command respect and collectively enhance shareholder confidence by virtue of their independence, stature, experience and expertise.

### Appointment

The INEs are nominated by the INE Nominating Committee comprising the Chairman/CEO of EYG, the presiding partner of the Global Advisory Council, and other persons as the Chairman/CEO and the presiding partner in their discretion deem appropriate. The nominations require approval by the Global Executive and ratification by the Global Advisory Council.

### Support

INEs are entitled to receive information about global affairs. To facilitate their effectiveness, they receive administrative support and any independent professional advice that may be required.

### Term

The term of an INE is three years with provision for one re-appointment at the request of the INE Nominating Committee and the GE.

### Disagreements

Any disagreement between an INE and others on the GAC would be resolved by mediation by the Chairman/CEO of EYG through a defined process of notification and consultation.

### Independence

EYG has considered the auditor independence standards as they apply to INEs in their role as members of the GAC, and EYG is satisfied these standards have been met.

### EY's INEs

#### *Shyamala Gopinath*

Shyamala Gopinath is the former deputy governor of the Reserve Bank of India (RBI), a post she held from September 2004 to June 2011. She joined the RBI in 1972 and worked in different capacities, including as Executive Director from June 2003 until her elevation to deputy governor. She also served for two years on deputation to the International Monetary Fund.

#### *Sir Richard Lambert*

Sir Richard Lambert is the Chancellor of the University of Warwick, a member of the Supervisory Board for the Foreign and Commonwealth Office (UK), a former Director-General of the Confederation of British Industry and a former editor of the *Financial Times*. Sir Richard was knighted for services to business in the 2011 New Year Honours.

#### *Klaus Mangold*

Klaus Mangold serves as a director at many companies, including Alstom S.A., Continental AG, TUI AG, Metro AG and Rothschild GmbH. His former directorships include DaimlerChrysler Services AG, and he has been the Chairman of the East-West Committee of German Industry. He is Commander of the Legion of Honor (France) and Professor of the European Business School.

#### *Mark Olson*

Mark Olson's former positions include Federal Reserve Board Governor; Chairman of the US PCAOB (Public Company Accounting Oversight Board); Staff Director of the US Senate Securities Subcommittee of the Banking, Housing, and Urban Affairs Committee; Chairman of the American Bankers Association; bank president and CEO of Security State Bank. He was a partner at Ernst & Young LLP from 1988 to 1999.

Volume 1 contains a letter from Sir Richard Lambert describing his role and that of the INEs generally.



## EY UK's Internal control system

### Effectiveness of the Firm's system of internal control

The Audit Firm Governance Code issued by the FRC and the ICAEW (the Code) requires the Firm to conduct, at least annually, a review of the effectiveness of its system of internal control. The table in Appendix 2 maps the disclosure requirements of the Code to the contents of this report.

The UK Board has overall responsibility for risk management and internal control over the entire UK business, including a periodic review of its effectiveness. The Regional Managing Partners are responsible for implementing and maintaining the necessary control systems.

In maintaining a sound system of internal control and risk management and in reviewing its effectiveness, we have used the Turnbull framework issued by the FRC. In particular, the Firm maintains a Key Risk Register containing details of the most significant risks faced by the Firm, the controls and procedures implemented to mitigate these risks, as well as mechanisms for monitoring the most significant controls. The content of the Register is determined through regular discussion between senior management and is reviewed by the Board.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve the objectives of the Firm, and can only provide reasonable and not absolute assurance against material misstatement or loss.

A balanced approach allows the degree of controllability to be taken into account when considering the effectiveness of mitigation, recognizing that some activities carry inherent risk which may be outside the Firm's control.

#### **Statement on the effectiveness of the Firm's system of internal control**

As part of its annual procedures and in compliance with the Code, the Board confirms that it has performed a review of the effectiveness of the system of internal control, including considering the:

- ▶ Process undertaken by the Risk Forum to update the Risk Register for significant risks, controls and monitoring mechanisms. In summary, this involved meetings with senior members of the Firm's management to whom all significant risks are assigned, and who sit on the Risk Forum. This was followed by a meeting of the Risk Forum members to challenge and approve the updated Risk Register
- ▶ Reports and findings from regulatory reviews
- ▶ Review of the conclusions of our external auditors including comments in relation to the control environment

In the course of this review of effectiveness of internal control we have not identified any significant weaknesses but have identified actions which we believe will strengthen controls to mitigate significant risks. On the basis of the reviews carried out the Board is satisfied that the Firm's systems of internal control are operating effectively.



## Commitment to quality

### Infrastructure supporting quality

#### Quality in our service lines

Vision 2020, which sets out EY's purpose, ambition and strategy, calls for EY member firms to provide exceptional client service, worldwide. This is made possible by an unwavering commitment to quality and service that is professionally and globally consistent and means service that is based on objectivity, professional skepticism, and adherence to EY and professional standards.

Our service lines are accountable for delivering quality engagements, including managing quality reviews and real-time quality assurance of engagements, which measures compliance with professional standards and all of our policies.

Vision 2020 has reinforced the ownership of quality within all our service lines, including audit. It has also resulted in increased clarity around the role of Risk Management in overseeing the application of policies and practices that support and improve quality audit.

#### Professional Practice function

The Global Vice Chair – Assurance coordinates member firms' compliance with and implementation of EY's policies and procedures for assurance services.

The Global Vice Chair – Professional Practice, referred to as the Professional Practice Director (PPD), is overseen by both the Global Managing Partner – Risk Management (GMP-RM) and Global Vice Chair – Assurance and works directly with the Area PPDs to establish global audit quality control policies and procedures. The Area PPDs are overseen by the Global PPD, the Area Risk Management Leader and the Area Assurance Leader. This helps provide greater assurance as to the objectivity of audit quality and consultation processes.

The Global PPD and Area PPDs also lead and oversee the Professional Practice group. This is a Global and Area network of technical subject matter specialists in accounting and auditing standards who consult on accounting, auditing and financial reporting matters and perform various practice monitoring and risk management activities.

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

Additional resources are often brought in to augment the Professional Practice group, including networks of professionals focused on:

- ▶ Internal-control reporting and related aspects of our audit methodology
- ▶ Accounting, auditing and risk issues for specific industries and sectors
- ▶ Event-specific issues such as the financial crisis; areas of civil and political unrest; and sovereign debt and related accounting, auditing, and financial reporting and disclosure implications
- ▶ General engagement issues and how to work effectively with Audit Committees



In addition each of those groups is available to support individual engagement teams in the resolution of complex matters.

In EY UK our PPD has responsibility for the following

- ▶ The Accounting Technical Group
- ▶ Audit Reporting Group
- ▶ Capital Markets Group
- ▶ Audit Methodology Group

Each of those groups is available to support individual engagement teams in the resolution of complex matters.

The UK Professional Practice Group has responsibility for ensuring that our Global audit methodology also meets UK requirements.

Our PPD also has responsibility for performance of Audit Quality Reviews (discussed further on page 21) in the UK and ensuring appropriate responses to issues identified.

The EY UK PPD is a member of the EY UK Board which ensures that quality issues are fully considered by the Board.

In the following sections, we describe the principal components of our audit quality-control programme:

- ▶ Instilling professional values
- ▶ Internal quality-control system
- ▶ Client acceptance and continuance
- ▶ Performing audits
- ▶ Review and consultation
- ▶ Audit partner rotation
- ▶ Audit quality reviews
- ▶ External quality-assurance reviews
- ▶ Compliance with legal requirements

## **Risk Management**

The GMP-RM is responsible for overseeing organization-wide quality initiatives across EY's four service line functions in Assurance, Advisory, Tax and Transaction Advisory Services.

The GMP-RM is overseen by the Chairman and Chief Executive Officer and the Chief Operating Officer of EYG and is a member of the Global Executive. Member firm partners are appointed to lead Risk Management initiatives in the service lines and member firms, supported by other staff and professionals. The GMP-RM is also responsible for establishing globally consistent risk management execution priorities. These priorities cascade to member firms and their execution is monitored through a formal Enterprise Risk Management programme.



## Instilling professional values

### Tone at the top

Senior EY leadership is responsible for setting the right tone at the top and demonstrating EY's commitment to building a better working world through its behavior and actions. While tone at the top is vital, our people also understand that quality and professional responsibility start with them. Our shared values, which inspire our people and guide them to do the right thing, and our commitment to quality are embedded in who we are and in everything we do.

Our approach to business ethics and integrity is embedded in our culture of consultation, our training programs and our internal communications. Senior management regularly reinforces the importance of performing quality work, complying with professional standards and adhering to our policies, leading by example and through various communications. Also, our quality review programs assess the quality of professional service as a key metric in evaluating and rewarding all professionals.

Our 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 clients correctly follow consultation advice, and we emphasize this when necessary.

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**Our stance consistently has been that no single client is more important than professional reputation – the reputation of EY UK and the reputation of each of our professionals.**

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### Code of conduct

We promote a culture of integrity among our professionals. The Global Code of Conduct provides a clear set of the standards that guide our actions and our business conduct. It is organized into five categories containing principles that are to be followed by everyone at EY UK to guide behavior across all areas of activity:

- ▶ Working with one another
- ▶ Working with clients and others

- ▶ Acting with professional integrity
- ▶ Maintaining our objectivity and independence
- ▶ Respecting intellectual capital

The Global Code is supplemented by codes applicable to particular parts of the business, such as the Professional Conduct in Relation to Taxation, adopted by the various UK professional bodies/regulators, such as the ICAEW

Through our procedures to monitor compliance with the 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.

The EY/Ethics Hotline provides our people, clients and others outside of the organization with a means to confidentially report activity that may involve unethical or improper behavior and that may be in violation of professional standards or otherwise inconsistent with the Global Code of Conduct. The hotline is operated by an external organization that provides confidential and, if desired, anonymous hotline reporting services for companies worldwide.

When a report comes into the EY/Ethics Hotline, either by phone or internet, it receives immediate attention. Depending on the content of the report, appropriate individuals from Risk Management, Talent, Legal or other functions are involved to address the report. All matters are handled by experienced individuals, with oversight from the global Risk Management function. For those matters that are reported outside of the EY/Ethics Hotline, the same procedures are followed.

### Our values

#### *Who we are*

People who demonstrate integrity, respect and teaming

People with energy, enthusiasm and the courage to lead

People who build relationships based on doing the right thing



## Internal quality-control system

EY UK'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 skepticism. These are fundamental attributes of a high-quality audit.

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

We recognize that in today's environment – characterized by continuing globalization and the rapid movement of capital – the quality of our audit services has never been more important. As part of Vision 2020, EY continues to invest heavily in developing the audit methodology, tools and other resources needed to support quality service delivery – consistent with EY's goal to have the leading Audit practice in our profession by 2020. This reflects the strength of our commitment to building a better working world and specifically to building trust and confidence in the capital markets and in economies world over.

While the market and stakeholders continue to demand high-quality audits, they also demand increasingly efficient and effective delivery of audit services. In addition to the investment mentioned, EY continues to seek ways to improve the effectiveness and the efficiency of the audit methodology and processes, while maintaining audit quality. We work to understand where our audit quality may not be up to our own expectations and those of stakeholders, including external audit firm regulators. We seek to learn from external and internal inspection activities and to identify causes of quality concerns to ensure continuous improvement in audit quality, and we believe that an important part of the audit inspections process is to take effective and appropriate action to improve quality.

## Effectiveness of quality control system

EY has designed and implemented a comprehensive set of global audit quality control policies and practices. These meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). EY UK 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) program in order to evaluate whether our system of audit quality control has operated effectively in a manner so as to provide reasonable assurance that EY UK and our people comply with applicable professional and internal standards and regulatory requirements.

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

The Global Executive is responsible for implementing quality improvement and protection programs. As such, it reviews the results of our internal AQR program and external regulatory reviews, as well as any key actions designed to address areas for improvement.

Although the results of our AQR process provide EY UK with evidence that our controls are operating effectively as set out in Volume 1, we are disappointed with the results of our recent external AQR inspection and are taking the further actions described therein.



## Client acceptance and continuance

### EY policy

The Client Acceptance and Continuance Policy sets out principles to determine whether to accept a new client or a new engagement or to continue an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting our people and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept/continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients 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 Conflicts of Interest Global Policy defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest as quickly and efficiently as possible through the use of appropriate safeguards. Such safeguards range from obtaining the relevant client's consent to act for two or more clients to declining an engagement in order to avoid an identified conflict.

### Putting policy into practice

We use the Global Tool for Acceptance and Continuance (GTAC), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. GTAC 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 and several due diligence procedures. Before we take on a new engagement or client, we determine if 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 is rigorous, and no new audit engagement may be accepted without the approval of our PPD.

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

### Close monitoring

As a result of this review, certain audit engagements are identified as requiring, and are then subjected to, additional oversight procedures during the audit, and some audit clients are discontinued. As with the client acceptance process, our PPD is involved in the client continuance process and must agree with the continuance decisions.

Both client acceptance and client continuance decisions consider the engagement team's assessment of whether the company's management could pressure us to accept inappropriate accounting, auditing and reporting conclusions to undermine quality. Considerations and conclusions on the integrity of management are essential to acceptance and continuance decisions.

### Central government secondments

At any given time a small number of our people will be on secondments to clients and other third parties including central Government departments.

Such secondments enable 'UK Plc' to benefit from the experience, expertise and commercial insights that our partners and staff can bring and enable EY to fulfil its public interest role and commitment to building a better working world. Occasionally we reciprocate with reverse secondments to enable civil servants to experience different organizations and learn different skills.

EY recognizes, however, that Government secondments may raise wider concerns for external observers in relation to perceived



conflicts of interest and confidentiality. EY has specific internal guidance for all secondments, including Government secondments. The information provided in this Transparency Report, and in future Transparency Reports, is intended to address such concerns.

The precise scope of any secondment varies but we are consistent in our approach to actual or perceived conflicts of interest and to confidentiality. We have general secondment guidance and more detailed provisions for certain secondments.

Before any EY secondment, including a Government secondment, we establish whether there are any regulatory constraints prohibiting the secondment. If not, we go on to check if there are any existing or potential conflicts issues and, if there are, we liaise with the relevant Government department to determine how these will be managed should the secondment proceed.

EY secondees act openly and transparently to provide input based on their expertise and experience. Their role is to serve the interests of the Government department to which they are seconded.

EY secondees owe duties of confidentiality to the Government department and do not disclose, either during the secondment or after their return to EY, any confidential information obtained in the course of the secondment, unless the Government department has given permission or where there is a legal or professional right or duty to disclose. We do not use confidential information for EY's own interests or for the advantage of our other clients.



## Performing audits

As part of Vision 2020, EY will spend US\$400mn on improving audit methodologies and tools to continue to enhance audit quality. At the same time a major investment in technology and services, of US\$1.2bn, will deliver transformational technologies to help EY member firms better connect with their clients. This investment is consistent with EY's goal to have the leading Audit practice in its profession by 2020 and reflects our commitment to building a better working world and specifically to building trust and confidence in the capital markets and in economies the world over.

### Audit methodology

EY's Global Audit Methodology (EY GAM) provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgments and procedures in all audit engagements. 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. EY GAM also emphasizes applying appropriate professional skepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing (ISAs) and is supplemented in UK to comply with the local UK auditing standards and regulatory or statutory requirements.

EY GAM is organized into interdependent phases designed to focus on the client's business and financial statement risks and on how those risks affect our audit of the financial statements. EY GAM consists of three key components: requirements; supplemental guidance; and supporting forms, templates and examples. The requirements reflect the typical flow of how EY UK executes an audit. The supplements provide the requirements and guidance for specific situations and circumstances that may arise during an audit. The forms, templates and examples include leading practice illustrations and assist in performing and documenting audit procedures.

Enhancements to the audit methodology are made regularly as a result of new standards, emerging auditing issues and matters, implementation experiences, and external and internal inspection results.

In addition, we monitor current and emerging developments continually and issue timely audit planning and other reminders. These reminders

emphasize areas noted during inspections as well as key topics of interest to the International Forum of Independent Audit Regulators (IFIAR). These include professional skepticism, group audits, revenue recognition and engagement quality reviews.

EY GAM requires compliance with relevant ethical requirements, including independence from the company we audit.

### Technology

Our audit engagement teams use technology to assist in executing and documenting the work performed in accordance with EY GAM. Our primary audit support tool, GAMx, drives uniform execution of EY GAM and appropriate audit documentation, strengthening our ability to deliver consistent, high-quality audits. It provides linked access to knowledge databases (audit guidance and interpretations), professional standards, documentation templates and other tools necessary to execute and document a risk-based audit effectively. GAMx facilitates engagement team collaboration through the sharing of information and the documentation of procedures and conclusions. GAMx also enables secure peer-to-peer communications, so our people can work together as if they were in the same physical location. Audit engagement teams use other software applications, forms and templates during various phases of an audit to assist in making and documenting audit considerations, sourcing data and analysis.

EY has a number of data analysis tools for use in audits. These help our engagement teams analyze a client's data, enhancing our risk assessment processes and enabling the investigation of higher-risk transactions for further investigation.

### Formation of audit engagement teams

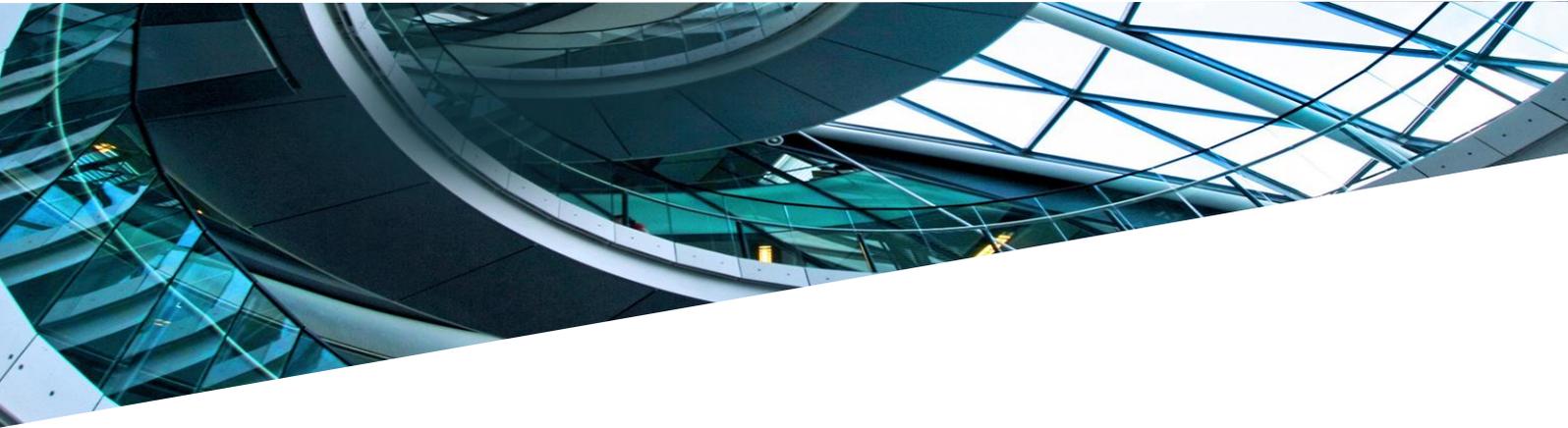
EY UK policies require an annual review of partner assignments by our Assurance leadership and PPD to make sure that the professionals leading listed-company audits possess the appropriate competencies (i.e., the knowledge, skills and abilities) to fulfill their engagement responsibilities and are in compliance with applicable auditor rotation regulations.

The assignment of professionals to an audit engagement is also made under the direction of our Assurance leadership. Factors considered when assigning people to audit teams include competence, engagement size and complexity,



specialized industry knowledge and experience, timing of work, continuity, and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal experts 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 information systems, asset valuation and actuarial analysis



## Review and consultation

### Reviews of audit work

Our 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 the audit engagement team perform a detailed review of the audit documentation for accuracy and completeness. Engagement executives perform a second-level review to determine adequacy of the audit work as a whole and the related accounting and financial statement presentation. A tax representative reviews the significant tax and other relevant working papers. For listed and certain other companies, an engagement quality reviewer (described below) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the company we audit and our audit report. The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ The risk, materiality, subjectivity and complexity of the subject matter
- ▶ The ability and experience of the audit team members preparing the audit documentation
- ▶ The level of the reviewer's direct participation in the audit work
- ▶ The extent of consultation employed

Our 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.

### Consultation requirements

Our consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. Consultation requirements and related policies are designed to involve the right resources, so that audit teams reach appropriate conclusions.

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**Consultation is built into the decision-making process; it is not just a process to provide advice.**

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For complex and sensitive matters, we have a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional skepticism, our policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have served, within a specified period of time, the client to which the consultation relates.

Our policies also require that we document all consultations, including written concurrence from the person or persons consulted, in order to demonstrate their understanding of the matter and its resolution.

### Engagement quality reviews

Engagement quality reviews are performed by audit partners in compliance with professional standards for audits of all listed companies and those considered higher risk. Engagement quality reviewers are experienced professionals with significant subject matter knowledge. They are independent of the engagement team and able to provide objective evaluation of significant accounting, auditing and reporting matters. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual. 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. Our PPD approves all engagement quality review assignments for listed companies and those considered higher risk.

### 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 a client engagement. Policies and procedures are designed to empower members of an audit engagement team by requiring them 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 canvas the views of others.

Differences of professional opinion that arise during an audit generally are resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, he or she has both the right and the obligation to see that the issue is referred to the next level of authority until agreement is reached or a final decision is made. Until such time, the parties to the discussion do not withdraw, step aside or otherwise extract themselves from the process. 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 audit report is not issued until the matter is resolved by following consultation processes for resolving differences of professional opinion. Our documentation requirements for disagreements and their resolution are the same as for other consultations. Anyone involved in the process may separately document his or her personal position in an attachment to the documentation of the final decision.



## Audit partner rotation

EY supports mandatory audit partner rotation to help strengthen auditor independence. We comply with the audit partner rotation requirements of the code of the International Ethics Standards Board for Accountants (IESBA) and the FRC's Ethics Standard (ES), as well as the US Securities and Exchange Commission (SEC), where required. EY UK 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 are important safeguards of audit quality.

We have tools to track partner rotation that enable effective monitoring of compliance with requirements. We have also implemented a process for partner rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.

In exceptional cases ethical standards provide that it might be appropriate for a partner to serve for longer than the maximum period otherwise permitted. Any such extension requires consultation with our Independence Professionals and approval by the PPD.



## Audit quality reviews

The Global Audit Quality Review (AQR) program is the cornerstone of our process to monitor audit quality. EY UK executes the Global AQR program, reports results and develops responsive actions plans. The primary goal of the program is to determine whether systems of quality controls, including those of EY UK, 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 program complies with guidelines in the International Standard on Quality Control No. 1, as amended (ISQC No. 1), and is supplemented where necessary to comply with UK professional standards and regulatory requirements. It also aids EY UK's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

The Global AQR program is implemented annually and is coordinated and monitored by representatives of the PPD network, with oversight by the Assurance Leadership.

The engagements reviewed each year are selected on a risk-based approach emphasizing audit clients that are large, complex or of significant public interest. The Global AQR program includes detailed, risk-focused file reviews covering a large sample of listed and non-listed audit engagements 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 engagements. These measure compliance with the relevant professional standards and internal policies and procedures that should be applied in executing non-audit 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 No. 1. The Global AQR program complements external practice monitoring and inspection activities, such as regulatory inspection programs and external peer reviews.

The results of our current year AQR process are set out in Volume 1 of the Transparency Report together with further details of our process.

For all findings or deficiencies, whether material or minor, EY UK looks at the findings from internal and external inspections to identify causes, develop action plans and seek to improve audit quality.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialization; they often work in the Global AQR program for a number of years and are highly skilled in the execution of the program. Team leaders and reviewers are assigned to inspections outside of their home location and are independent of the audit teams reviewed.

The results of the Global AQR program and external practice-monitoring and inspection activities are evaluated and communicated to improve quality. Any quality improvement plans describe the follow-up actions to be taken, the people responsible, the timetable and deadlines, and sign-off on completed actions. Measures to resolve audit quality issues noted from the Global AQR program, regulatory inspections and peer reviews are addressed by our Assurance leadership and our PPD with input from Risk Management groups. The actions are monitored by our PPD and Assurance leadership. These programs provide important practice monitoring feedback for our continuing quality improvement efforts.



## **External quality-assurance review**

We have included in Volume 1 of our Transparency Report a discussion of our external quality assurance inspection process and our response thereto.



## Compliance with legal requirements

The EY Global Code of Conduct provides a clear set of standards that guide our actions and business conduct. EY UK complies with applicable laws and regulations, and EY's values underpin our commitment to doing the right thing. This important commitment is supported by a number of policies and procedures, including:

### **Anti-bribery**

The Anti-bribery Global Policy provides our people with direction around certain unethical and illegal activities. It emphasizes the obligation of our people to comply with anti-bribery laws and provides greater 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 increased to embed anti-bribery measures across EY, and training is mandated for all our people.

### **Insider trading**

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

### **Trade sanctions**

Given the level of EY's global integration, it is important that we are aware of the ever-changing situation in respect of international trade sanctions. EY monitors sanctions issued in multiple geographies and provides guidance to our people on impacted activities.

### **Data privacy**

The Global Personal Data Privacy Policy sets out the principles to be applied to the use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers and business associates. This policy is consistent with applicable laws and regulations concerning data protection and privacy when processing personal data. It provides a foundation for maintaining the privacy of all personal data used by EY UK. Furthermore, we have a policy to address our specific UK data privacy requirements and business needs.

### **Document retention**

EY UK's record retention policy applies to all engagements and personnel. This policy emphasizes that all documents must be preserved whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceeding involving us or one of our clients that may relate to our work. It also addresses UK legal requirements applicable to the creation and maintenance of working papers relevant to the work performed.



## Independence practices

EY Independence policies require EY UK and our people to comply with the independence standards applicable to specific engagements, including, for example, the independence standards of the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC) and the FRC's Ethical Standards.

We consider and evaluate independence from several perspectives, including: our financial relationships and those of our people; employment relationships; business relationships; the permissibility of non-audit services we provide to audit clients; partner rotation; fee arrangements; Audit Committee preapproval, where applicable; and partner remuneration and compensation.

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**Failure to comply with applicable professional independence requirements will factor into a person's promotion and compensation decisions and may lead to other disciplinary measures.**

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We have implemented EY's global applications, tools and processes to support us, our professionals and other employees in complying with independence policies.

### **EY Global Independence Policy**

The EYG Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code of Ethics, with more stringent requirements where prescribed by a given regulator. The policy also contains guidance to help people apply the independence rules. The EYG Independence Policy is readily accessible and easily searchable through EY's intranet.

### **Global Independence System**

The Global Independence System (GIS) is an intranet-based tool that helps determine the listed entities from which independence is required and the independence restrictions that apply to each.

Most often these are listed audit clients and their affiliates, but they can 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.

### **Global Monitoring System**

The Global Monitoring System (GMS) is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. People ranked as manager and above are required to enter any securities they hold, or those held by their immediate family, into the GMS. When a person enters a proscribed security, they receive a notice and are required to dispose of the security. Identified exceptions are reported through the Global Independence Incident Reporting System (GIIRS) for regulatory matters.

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

### **Independence compliance**

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

#### ***Independence confirmations***

Timely and accurate completion of annual and quarterly independence confirmations is a high priority for the responsible leadership teams.

Annually, EY UK is included in an Area-wide process to confirm compliance with the Global Independence Policy and requirements and to 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 are required to confirm compliance quarterly.



### **Global Independence Compliance Reviews**

EY conducts a number of testing and member firm visits to assess compliance with independence matters. These include reviewing for non-audit services, business relationships with the companies we audit and financial relationships of member firms.

Each year, EY's global Independence team establishes a program for testing compliance with personal independence confirmation requirements and with reporting of information into GMS.

For the 2013 testing cycle, EY UK tested more than 166 partners and 95 other personnel.

EY UK confirms that the Global Internal Audit Independence Compliance Review last occurred in March 2014.

### **Non-audit services**

We monitor compliance with professional standards governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools (e.g., GTAC – see page 14 and Service Offering Reference Tool (SORT) – see below), training and required procedures completed during the performance of audits and internal inspection processes.

### **Global independence learning**

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

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

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The annual independence learning program 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. EY UK supplements this program with local content to cover local independence requirements under FRC Ethical Standards that differ from the EYG Independence Policy.

In addition to the annual learning program, independence awareness is promoted through a number of events and materials, including the new-hire program, milestone programs and core service line curricula.

### **Service Offering Reference Tool (SORT)**

We assess and monitor our portfolio of services on an ongoing basis, confirming that they are permitted by law and professional standards, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. When appropriate, we exit or restrict services that could present undue independence or other risks. SORT provides our people with information about our service offerings. SORT includes guidance around which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues.

### **Business Relationship Evaluation Tool (BRET)**

BRET helps to support our business relationships' compliance with independence requirements. Our people are required to use BRET in many circumstances to evaluate and obtain advance approval of any potential business relationship with an audit client.

### **Audit Committees and corporate governance**

We recognize the important role Audit Committees and similar corporate governance bodies play in the oversight of auditor independence. Empowered and independent Audit Committees play 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 our quality review programs, we monitor and test compliance with our standards for Audit Committee communications, as well as the pre-approval of services, where applicable.



## Creating high-performing teams

EY member firms are building a better working world for their people by developing outstanding leaders and creating a culture of high-performance teaming. Our people are encouraged to build their skills and experiences, learn from each other, and deliver exceptional client service. This culture of high performance is supported by EY member firms' commitment to recruiting, managing and retaining top talent; learning and development; and EY member firms' inclusive culture.

This is why one of our strategic objectives is to attract and build lifelong relationships with a diverse group of talented assurance professionals.

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**We are proud of our inclusive people culture, and we are committed to doing even more to advance our people's development.**

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### Recruitment and hiring

Recruiting for our Audit practice is performed primarily on university campuses and supplemented, when necessary, by hiring people with prior work experience. Candidates are evaluated based on the following competencies:

- ▶ Intellectual competence
- ▶ Leadership skills
- ▶ Team/personal skills
- ▶ Motivation
- ▶ Communication skills

EY aspires to have a leading people culture everywhere in the world. We believe that creating a culture that attracts, retains and develops outstanding people leads to higher quality service.

### Valuing diversity and inclusiveness

The global workforce is becoming more diverse as a result of an increasingly mobile international workforce and demographic and social shifts. For global organizations such as EY, an important aspect of creating the right working environment is a focus on inclusiveness.

Inclusiveness is essential to making the diverse mix work. It is about equity and opportunity – making sure that differences are celebrated so that talented people from any background can rise to the top and ensuring that opportunities to develop and advance are available for all from day one.

It is a source of pride for us that EY member firms are regularly cited by external organizations as being leaders in diversity practices and for providing an excellent working environment.

Led by the Government Equalities Office, the 'Think, Act, Report' voluntary framework supports and encourages organizations to improve gender equality in their organizations. EY has signed-up to 'Think, Act, Report', but will be taking it a step further and look beyond just gender reporting to also include reporting on Black and Minority Ethnic (BME) statistics.

Our UK and Ireland Regional business aims to have at least 30% female and 10% BME representation in our new partner intake, measured over a rolling three year period.

We also have a longer-term aim to achieve these levels of representation on both our leadership team and within our wider partner population. This commitment will drive us towards a more diverse and representative talent pipeline, which will ensure our goals are achievable and sustainable.



## Continuing education of statutory auditors

### Professional development

The EY career development framework, EYU, provides our people with opportunities for the right experiences, learning and coaching to help them grow and achieve their potential.

The learning component of EYU is based on an extensive and globally consistent learning curriculum that helps all of our people develop the right technical and personal leadership skills, wherever they are located around the world. Core audit training courses are supplemented by learning programs that are developed in response to changes in accounting and reporting standards, independence and professional standards, and emerging practice issues. We require our audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40 % 8 hours each year and 48 hours over a three-year period must cover technical subjects related to accounting and auditing.

In addition to formal learning, professional development occurs through coaching and experiences our professionals receive on the job. Coaching helps to transform knowledge and experience into practice. Experienced professionals are expected to coach and develop less experienced personnel to create a continual learning environment. We also manage the assignment of our people to particular engagements in a systematic way that ensures they have exposure to a range of experiences as part of their own development.

### Performance management

A comprehensive performance management process requires our people to set goals, have clear work expectations, receive feedback and talk about their performance. The Performance Management and Development Process (PMDP) is designed to help our people grow and succeed in their careers. Under the PMDP, periodic job performance reviews are combined with annual self-appraisal and annual reviews. As part of the annual review process, each professional, in conjunction with his or her counselor (an assigned, more experienced professional), identifies opportunities for further development. Professionals and their counselors are guided by a set of expectations that articulate the knowledge, skills and behaviors that should be maintained and developed for their respective rank. These expectations derive from, and align with, EY's global strategy and values.



## Knowledge and internal communications

We understand the importance of providing client engagement teams with up-to-date information to help them perform their professional responsibilities.

EY has made significant investments in knowledge and communication networks to enable the rapid dissemination of information and to help people collaborate and share best practice. Examples include:

- ▶ Global Accounting & Auditing Information Tool (GAAIT), EY's standard accounting and auditing research tool, includes local and international accounting and auditing standards and interpretative guidance
- ▶ Publications that keep practitioners and clients informed of the latest reporting regulations and guidance, such as *International GAAP*, IFRS developments and illustrative financial statements, are produced by IFRS Services in Global Professional Practice
- ▶ *Global Accounting and Auditing News* is a weekly newsletter that covers global Assurance and Independence policies and procedures, news from the International Accounting Standards Board (IASB) and International Federation of Accountants (IFAC), and internal commentary and guidance regarding international accounting, auditing and independence developments
- ▶ EY's *Point of view* and *Overviews* are publications that provide important perspectives on current public policy and regulatory developments to our profession, stakeholders and capital markets
- ▶ Practice alerts and webcasts include a range of global and country-specific practice alerts and specific webcasts within the Assurance practice, including those highlighting inspection findings as an opportunity for practice improvement
- ▶ *Your EY Daily News* is an email that alerts colleagues to new content on the intranet, including news about EY's services, clients and people

- ▶ An internal social network, private to EY, is used by colleagues to share information, work collaboratively, find resources and build relationships. It is fully mobile and can be accessed via the internet on any device or network
- ▶ Industry-specific insights and learning are provided by each of EY's 16 industry sectors, supported by a dedicated Sector Knowledge Leader and knowledge managers. Account teams also have access to research and analysis professionals. Sector-specific insights and learning are shared via an intranet space, which also highlights sector-specific news, thought leadership, learning modules and key contacts
- ▶ Client publications address key business issues, such as the biennial global fraud survey, quarterly economic forecasts and insights into issues for businesses considering cross-border investment. Client teams are provided with support materials to take the relevant insights to each client

Quality-control policy and practice manuals and other guidance materials are included on our intranet. These promote consistency, accuracy, quality and accessibility in our internal and external communications, and they function as a risk management tool. This information, along with guidance materials from outside organizations, is updated regularly and maintained in an electronically searchable format.

### Internal surveys and continuous improvement

We regularly gather data from various quality control processes, such as Audit Quality Reviews, consultation processes and other methods, to further improve policies, practices and training. We supplement this data with surveys of our people every year. The Global People Survey gauges what people think about EY's culture and how member firms conduct business, one of the best indicators of their focus on quality. Results from these and other feedback tools help identify where member firms are doing well and where improvements can be made. The results also guide us in establishing action plans and initiatives.

# Revenue and remuneration

## Financial information

The financial information presented below for EY UK represents combined, not consolidated, revenues and includes expenses billed to clients and revenues related to billings to other EYG member firms.

### Financial information for the period ended 27 June 2014

Service <sup>2</sup>	Revenue (£m)	Percent
Assurance	550	30
Advisory	559	30
Tax	470	25
Transaction Advisory	289	15
<b>Total</b>	<b>1,868</b>	<b>100</b>

### Financial information for the period ended 27 June 2013

Service	Revenue (£m)	Percent
Assurance	507	30
Advisory	486	28
Tax	455	26
Transaction Advisory	273	16
<b>Total</b>	<b>1,721</b>	<b>100</b>

Service	Revenue (£m) 2014	
	Audit clients	Non-audit clients
Assurance	376	174
Advisory	32	527
Tax	132	338
Transaction Advisory	65	224
<b>Total</b>	<b>605</b>	<b>1,263</b>

Service	Revenue (£m) 2013	
	Audit clients	Non-audit clients
Assurance	360	147
Advisory	20	466
Tax	122	333
Transaction Advisory	53	220
<b>Total</b>	<b>555</b>	<b>1,166</b>

Service	Revenue (£m) 2014	
	Audit clients	Non-audit clients
Statutory audit	341	0
Other assurance	35	174
<b>Total assurance</b>	<b>376</b>	<b>174</b>

Service	Revenue (£m) 2013	
	Audit clients	Non-audit clients
Statutory audit	333	0
Other assurance	27	147
<b>Total assurance</b>	<b>360</b>	<b>147</b>

<sup>2</sup> Assurance includes statutory audit, accounting advisory, forensics and other assurance services. Advisory includes actuarial, business risk (including internal audit), information security and performance improvement. Tax includes business tax, indirect tax, human capital and international tax services. Transaction Advisory includes M&A advisory, project finance, transaction real estate, restructuring, transaction support and integration valuations and business modelling services.



## Partner remuneration

Quality is at the centre of our business strategy and a key component of our performance management systems. Our partners and other professionals are evaluated and compensated based on criteria that include specific quality and risk management indicators, covering both actions and results.

The Global Partner Performance Management (GPPM) process is a globally consistent evaluation process for all partners in EY's member firms around the world. It reinforces the global business agenda by linking their performance to wider goals and values. GPPM is an ongoing, cyclical process that includes goal setting, personal development planning, performance review, and recognition and reward. It is the cornerstone of the evaluation process to document partners' goals and performance. A partner's goals are required to reflect various global priorities, one of which is quality.

We 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 their audit clients. This reinforces to our partners their professional obligation to maintain our independence and objectivity.

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

- ▶ Technical excellence
- ▶ Living the EY values as demonstrated by behaviors and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Compliance with policies and procedures
- ▶ Compliance with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the EY brand

Our partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured by the GPPM process. Partners are assessed annually on their performance in delivering quality, exceptional client service and people engagement alongside our financial and market metrics.

To recognize different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when calculating total reward:

- ▶ Seniority
- ▶ Role and responsibility
- ▶ Long-term potential
- ▶ Mobility

Instances of non-compliance with quality standards result in remedial actions, which may include compensation adjustment, additional training, additional supervision or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include requiring the partner to withdraw from the firm or withdrawing a person's Responsible Individual status.



## Working with our stakeholders and communities

### Stakeholder dialogue

As an auditor of listed companies and other public interest entities, EY UK is acutely aware of the important public interest role we play in promoting trust and confidence in business, capital markets and economies.

We take our public interest responsibilities seriously, and we work hard to maintain an open and frank dialogue with our stakeholders as part of our broader commitment to building a better working world. When meeting with our stakeholders, we seek to better understand their points of view and provide our perspective. We support improvements in corporate governance, financial reporting and other matters that affect our capital markets more broadly.

Our environment is shaped by a wide range of policy makers, including governments, regulators, standard setters and international organizations. EY is engaging increasingly with global organizations like the Financial Stability Board, the International Forum of Independent Audit Regulators, the Basel Committee on Banking Supervision, the Organisation for Economic Co-operation and Development (OECD) and the International Organisation of Securities Commissions. EY also participates in global forums, such as those held by the World Economic Forum in Davos and elsewhere, that bring together thought leaders on issues important to us and our stakeholders.

#### **Selected stakeholder engagement globally in 2014**

During the past year, international organizations and policy makers around the world have focused on a number of issues affecting our profession, including audit quality, the role and relevance of audit, and developments in corporate and auditor reporting. Policy options such as enhanced auditor reporting, more meaningful corporate disclosure, mandatory audit firm rotation or tendering, and increased transparency of Audit Committee auditor oversight continue to be debated in a number of jurisdictions.

Notably, in 2014 the European Union adopted audit legislation that will have a significant effect in the EU and beyond. Among other provisions, the legislation imposes mandatory audit firm rotation

for the statutory audits of public interest entities across the EU. The legislation will also apply to EU public interest entity subsidiaries of companies headquartered outside the EU. Therefore, while the impacts of the legislation will be greatest in the EU, it will affect many companies and their investors outside the EU.

EY has met regularly with investors, regulators, legislators and other stakeholders in 2014 to discuss all these issues. These conversations have highlighted the importance of strong corporate governance, with active and engaged Audit Committees that are transparent with shareholders about their oversight of the external auditor.

Due to the importance of sound corporate governance to effective financial reporting, EY has also enhanced our engagement with the OECD as it works to revise its Corporate Governance Principles. Significant changes have occurred in corporate governance frameworks in the 10 years since the Principles were last updated, including the growth of independent Audit Committees in many countries. The Principles serve as guidance for corporate governance frameworks in jurisdictions around the world and therefore have a global impact.

Investors are among EY member firms' key stakeholders. This past year EY has continued to increase our investor engagement around the world to make sure we understand investor perspectives on auditing, financial reporting, corporate governance and other capital market issues. The aim is to bring together the key participants in the reporting community for dialogue on issues that are of mutual interest. EY has engaged with investors in several different ways, including co-hosting a conference with the Hungarian Ministry for National Economy in Budapest on corporate governance, attended by investors, companies and academics from several central and eastern European countries.



We also held a workshop with investors in the UK to discuss aspects of EY's audit methodology, governance and other key topics. We continued to hold private dialogue dinners with investors and other stakeholders from around the globe to foster discussion about ways to improve corporate governance. These dinners are independently moderated and held on a Chatham House or off-the-record basis to encourage frank discussion.

EY continues to participate in the Global Auditor Investor Dialogue, an informal network of leading global institutional investors, and major global auditing networks to exchange views on current financial reporting and auditing issues. EY also continues to be a member of the Asian Corporate Governance Association and a frequent sponsor of International Corporate Governance Network conferences. Engagement with these organizations enhances EY's perspectives on a wide variety of policy matters. We value the opportunity to better understand the views of investors and others.

#### **Selected stakeholder engagement in the UK in 2014**

EY welcomes opportunities to contribute to the development of effective and efficient regulation and public policy and to help facilitate communication between policy makers and companies in relevant industry sectors.

In the UK, EY has continued to engage actively in contributing to public consultations and other requests for input from policy makers. During FY14 we have, in particular, engaged on topics such as: accounting; non-financial reporting; the Corporate Governance code; directors' remuneration; banking standards; and, risk management, internal control and the going concern basis of accounting.

During FY14, EY UK has:

- ▶ Shared good practice on corporate governance, regulatory and financial reporting matters through the publication of regulatory updates and points of view and via EY forums such as:
  - ▶ The Independent Director Programme;
  - ▶ The Finance Leaders Programme; and the
  - ▶ The Audit Committee Chair Programme (and related forum).
- ▶ Identified and tracked consultations and draft legislation and submitted over 36 formal responses to public consultations. These

responses covered a broad range of issues affecting the wider public interest including:

- ▶ Proposed revisions to the Corporate Governance Code
- ▶ Transparency & Trust: Enhancing the transparency of UK company ownership and increasing trust in UK business
- ▶ Banking standards review
- ▶ Proposed revisions to the Walker Guidelines
- ▶ Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance
- ▶ Risk Management, Internal Control and the Going Concern Basis of Accounting
- ▶ Social Investment tax relief
- ▶ Directors remuneration
- ▶ Helped clients manage change by tracking key regulatory and public policy developments, engaging with key stakeholders and analyzing possible impacts and timing. When requested by regulators and policy makers, EY has also been pleased to provide input from relevant experts and facilitate contact between regulators and specific industry sectors. For example, in FY14 EY held a discussion breakfast for the FRC on their proposed guidance on Risk Management, Internal Control and the Going Concern Basis of Accounting – which was attended by executive and non-executive directors of listed companies and a representative from the investment community.
- ▶ Gave oral evidence to the House of Lords Economic Affairs Committee, Finance Bill Sub-Committee inquiry into the draft Finance Bill 2014.
- ▶ Been represented by partners and senior professional staff on other UK bodies and organizations such as:
  - ▶ Business Disability Forum
  - ▶ British Venture Capital Association
  - ▶ Confederation of British Industry
  - ▶ FRC Committees
  - ▶ Investor Relations Society
  - ▶ Insolvency Practitioners Association
  - ▶ Institute of Chartered Accountants in England & Wales



- ▶ Institute of Chartered Accountants in Scotland
- ▶ The City UK
- ▶ The Two Percent Club
- ▶ Employers Stammering Network
- ▶ Engaged with stakeholders on developments relating to diversity and inclusiveness. For example, during FY14 EY continued as a signatory of the Government's Think Act Report framework, which encourages a new voluntary approach to gender equality reporting. EY also engages with organizations such as Stonewall, OUTstanding and Working Families and is an active member of organizations such as:
  - ▶ The Agile Futures Forum, providing leadership and support to help increase agile working practices across UK Plc;
  - ▶ The 30% Club: as part of our commitment to change we led a new cross corporate mentoring programme designed to achieve higher representation of women on boards; and
  - ▶ ENEI (the 'Employers Network for Equality and Inclusion'), which works with members to achieve and promote best practice equality and inclusion in the workplace
- ▶ Engaged with stakeholders on developments relating to corporate responsibility: in particular, entrepreneurship and social mobility. EY is represented on The All Party Parliamentary Group for Entrepreneurship Advisory Board, the Cabinet Office's Social Mobility Business Compact, Business in the Community (including Opportunity Now and Race for Opportunity) and the Corporate Responsibility Group and is a Gold Patron of the Prince's Trust. EY is also a founding member of Access Accountancy. EY works with organizations such as Social Enterprise UK, UnLtd and the Social Business Trust to collaborate and multiply our social impact across our priority areas. Examples of stakeholder engagement include a young people led roundtable discussion on "what makes a great experience of work?", which EY co-hosted, with the Rt Hon Alan Milburn, Chair of Social Mobility and Child Poverty Commission.

**For more about our views**

A selection of recent thought leadership is available on the EY Insights application for mobile and tablet devices.



## Commitment to our communities

Our commitment to building a better working world begins with our people and extends to the work we do with clients and other stakeholders in the marketplace. The net effect is the benefit this generates for communities around the world. The most significant impact we have on society is by our support of global and local economic stability and growth, which addresses some of the major issues that the world is facing.

EY supports organizations and activities that contribute to building a better working world at the global, regional and local level. EY is proud to be part of the UN Global Compact and has pledged to uphold its ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. EY reports its progress every year.

### Supporting communities though time and resources

We contribute both through the giving of our people's time and our financial resources to not-for-profit organizations that are aligned with our corporate responsibility strategy, as we believe that this is where we make the biggest impact and address the most pressing needs of the communities in which we live and work.

In FY14, we supported our communities by:

- ▶ Expanding our young people programme 'Smart Futures' providing three-weeks work experience and mentors for the students
- ▶ Hosting workshops for social entrepreneurs and entrepreneurs on a range of issues from Human Resources to VAT to help support and grow their businesses
- ▶ Supporting staff fundraising endeavors by providing over £200,000 of matched funding
- ▶ Working in partnership with a number of organizations to increase our impact including The Prince's Trust, UnLtd., The Social Business Trust and Comic Relief
- ▶ Providing EY volunteers to local schools to assist students with literacy, numeracy and IT development
- ▶ Involving stakeholders in key events, for example we co-hosted a roundtable discussion for young people on "what makes a great experience of work?", with the Rt Hon Alan Milburn, Chair of Social Mobility and Child Poverty Commission

- ▶ Setting up our own independent UK Charity 'The EY Foundation' to help us reach even more young people and entrepreneurs

### Demonstrating environmental stewardship

We believe that we have an important role to play in building an environmentally sustainable world. As such, we're challenging ourselves to work in an environmentally responsible manner and to find new ways to reduce our carbon footprint, which comes mainly from business travel and energy consumption.

EY continues to build out its greenhouse gas measurement and reporting. Working with Climate Change and Sustainability Services professionals in EY member firms, we have established a global methodology for calculating environmental impacts. EY is looking for ways to evolve and employ leading practices to make sure we have a credible global footprint.

In the UK we have been measuring our carbon impact and environmental performance for a number of years. We publish a full set of performance data via our website. To date some of our achievements include:

- ▶ In FY13 (latest data available), our scope 1 + 2 emissions per FTE fell by 3.1% compared to the previous year and by 22.5% compared to the base year (FY10). These reductions show we are making good progress in our energy efficiency programme across our estate, even as we continue to expand our business
- ▶ Paper consumption has also decreased by more than 14% per FTE compared to the base year
- ▶ In 2014, CDP awarded our disclosures on climate change adaptation, mitigation, transparency and supply chain management a score of 92% / A-, our strongest performance yet
- ▶ By FY16 we are aiming to reduce waste generated per head by 10% (against base year FY11) and send zero waste to landfill (for offices where EY controls the building services) – on course to achieve
- ▶ The Facilities Management function within our UK offices is certified to the ISO 14001 environmental management standard
- ▶ Our UK operations have been awarded the Carbon Trust Standard which recognizes



organizations for real carbon reduction. Based on a rigorous independent assessment, it certifies that we have measured, managed and reduced carbon emissions across our business and are committed to reducing them year on year

We will continue to focus on increasing the sustainability of our own operations, but can also offer our clients a range of ways to help them mitigate their own supply chain emissions when working with us. These include:

- ▶ An extensive and growing network of video conferencing and telepresence facilities, enabling face-to-face meetings without the need for travel
- ▶ When travel is necessary, we encourage our people to use the most sustainable transport options and can work with clients to ensure these are fully integrated into their specific engagements
- ▶ We have a strong culture of flexible working and are actively aiming to become the leader in employing such working practices
- ▶ Ensuring that communications and correspondence with clients are conducted via electronic media wherever feasible and practicable

### The UN Global Compact's ten principles

#### *Human rights*

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

#### *Labor*

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labor;
5. The effective abolition of child labor; and
6. The elimination of discrimination in respect of employment and occupation.

#### *Environment*

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

#### *Anti-Corruption*

10. Businesses should work against all forms of corruption, including extortion and bribery.



## Appendix A: EY UK public interest entity audit clients

In the financial year ended on 27 June 2014, EY UK performed statutory audits of the following public interest entities:

3i Group plc	Clydesdale Bank PLC
Aberdeen Asian Smaller Companies Investment Trust PLC	Communis plc
Acal plc	Computacenter plc
AGA Rangemaster Group plc	Core VCT IV Plc
Algeco Scotsman Global Finance plc	Core VCT Plc
Alpha Plus Holdings plc	Core VCT V Plc
AMEC plc	Coventry Building Society
Argo Underwriting Agency Limited	Cranswick plc
ASDA Group Limited	CRH FINANCE (U.K.) plc
Asset-Backed European Securitisation Transaction Eight plc	Dairy Crest Group plc
AVEVA Group PLC	Dialog Semiconductor Plc
Awilco Drilling PLC	Domino's Pizza Group plc
Bank of Georgia Holdings PLC	Eco-Bat Finance PLC
BG Energy Capital plc	Eco-Bat Technologies Ltd.
BG Group plc	Ecofin Water & Power Opportunities plc
Biz Finance Plc	EMF-UK 2008-1 PLC
Blackrock Commodities Income Investment Trust plc	EnQuest PLC
BlackRock Frontiers Investment Trust plc	Enterprise Inns plc
Blackrock Greater Europe Investment Trust plc	EP Global Opportunities Trust plc
Blackrock New Energy Investment Trust plc	Eurosail 2006-1 plc
BlackRock North American Income Trust plc	Eurosail 2006-2BL plc
BlackRock Throgmorton Trust plc	Eurosail 2006-3NC plc
BlackRock World Mining Trust plc	Eurosail 2006-4NP plc
BP Capital Markets p.l.c.	Eurosail Prime-UK 2007-A plc
BP p.l.c.	Eurosail-UK 2006-4NP plc
BrightHouse Group Plc	Eurosail-UK 2007-1NC plc
British Airways Plc	Eurosail-UK 2007-2NP plc
British Assets Trust plc	Eurosail-UK 2007-3BL plc
British Empire Securities & General Trust plc	Eurosail-UK 2007-4BL plc
Britvic plc	Eurosail-UK 2007-5NP plc
Cathedral Capital Ltd	Eurosail-UK 2007-6NC plc
Challenger UK Tank Storage Limited	Everything Everywhere Finance Plc
Clipper Group Holdings Ltd	EVRAZ plc
	F&C Managed Portfolio Trust plc
	F&C Private Equity Trust plc



Ferrexpo Finance plc	Ladbrokes plc
Ferrexpo PLC	Laird PLC
Foresight Solar VCT plc	Land Securities Capital Markets PLC
Fresnillo plc	Land Securities Group PLC
Friends Life Group plc	Landmark Mortgage Securities No. 1 plc
GCP Student Living plc	Landmark Mortgage Securities No. 2 plc
Greene King Finance Plc	LCH.Clearnet Group Limited
Greene King plc	LCP Proudreed Plc
Henderson Value Trust plc	LSL Property Services plc
Herald Investment Trust plc	Majedie Investments PLC
Highway Management (City) Finance Plc	Marble Arch Residential Securitisation No. 4 PLC
Hitachi Capital (UK) PLC	Martin Currie Pacific Trust Plc
Hochschild Mining Plc	Mecom Group plc
Huntsworth plc	Michael Page International plc
IMI plc	Midas Income & Growth Trust PLC
Impax Environmental Markets plc	Money Partners Securities 1 plc
InterContinental Hotels Group PLC	Money Partners Securities 2 plc
Invensys plc	Money Partners Securities 3 Plc
Invesco Perpetual Select Trust plc	Money Partners Securities 4 Plc
Investec Bank plc	Montanaro European Smaller Companies Trust plc
Investec Finance plc	Mortgage Funding 2008-1 plc
Investec Investment Trust PLC	MS INTERNATIONAL plc
Investec plc	Murray Income Trust PLC
Investors Capital Trust plc	Murray International Trust PLC
Jazztel PLC	New India Investment Trust PLC
John Menzies plc	New Star Investment Trust PLC
JPMorgan Brazil Investment Trust plc	Next Plc
JPMorgan Claverhouse Investment Trust Plc	NMC Health plc
JPMorgan Elect plc	Nomura Bank International plc
JPMorgan European Investment Trust plc	Northern Ireland Electricity Limited
JPMorgan Global Emerging Markets Income Trust plc	Ophir Energy plc
JPMorgan Income & Growth Investment Trust plc	Opportunity Investment Management Plc
JPMorgan Russian Securities plc	Optos plc
Jupiter Dividend & Growth Trust PLC	Pacific Horizon Investment Trust PLC
Jupiter European Opportunities Trust PLC	Pearl Group Holdings (No. 1) Limited
Jupiter Second Split Trust PLC	Personal Assets Trust PLC
Kensington Mortgage Securities plc	Peterborough (Progress Health) Holdings Limited
Keystone Investment Trust plc	Preferred Residential Securities 05-1 plc
Ladbrokes Group Finance plc	Preferred Residential Securities 05-2 plc



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Preferred Residential Securities 06-1 plc
Preferred Residential Securities 7 plc
Preferred Residential Securities 8 plc
Premier Energy & Water Trust PLC
Private Equity Investor PLC
Rank Group Finance Plc
Renold plc
Residential Mortgage Securities 19 Plc
Residential Mortgage Securities 20 Plc
Residential Mortgage Securities 21 Plc
Residential Mortgage Securities 22 Plc
Residential Mortgage Securities 23 Plc
Residential Mortgage Securities 26 Plc
Roadchef Motorways Holdings Limited
Royal Mail plc
Schroder UK Mid Cap Fund plc
Scottish Power Ltd
Scottish Power UK plc
Servelec Group plc
Sherwood Castle Funding Series 2004-2 Plc
Sherwood Castle Funding Series 2006-1 Plc
Skyepharma PLC
Smith & Nephew plc
Southern Pacific Financing 04-A plc
Southern Pacific Financing 04-B plc
Southern Pacific Financing 05-A plc
Southern Pacific Financing 05-B plc
Southern Pacific Financing 06-A plc
Southern Pacific Securities 04-1 plc
Southern Pacific Securities 04-2 plc
Southern Pacific Securities 05-1 plc
Southern Pacific Securities 05-2 plc
Southern Pacific Securities 05-3 plc
Southern Pacific Securities 06-1 plc
SP Manweb plc
SPD Finance UK Plc

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Spirent Communications plc
Standard Life UK Smaller Companies Trust plc
Stock Spirits Group PLC
Strategic Equity Capital plc
SVG Capital plc
Temple Bar Investment Trust PLC
The Diverse Income Trust plc
The Go-Ahead Group plc
The Horizon Fund
The Independent Investment Trust PLC
The Innovation Group plc
The Rank Group Plc
The Throgmorton Trust PLC
The Weir Group PLC
Theatre (Hospitals) No. 1 Plc
Theatre (Hospitals) No. 2 Plc
Titan Global Finance plc
TR Property Investment Trust plc
Troy Income & Growth Trust plc
Tyseley Finance plc
UTV Media plc
Veolia Environmental Services (UK) Plc
Virgin Media Finance PLC
Virgin Media Secured Finance PLC
VTB Capital plc
Western Power Distribution (East Midlands) plc
Western Power Distribution (South Wales) plc
Western Power Distribution (South West) plc
Western Power Distribution (West Midlands) plc
Westfield UK & Europe Finance plc
Whitbread PLC
Worldwide Healthcare Trust PLC

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## Appendix B: Audit Firm Governance Code disclosure requirements

Provision	Description	Volume	Page(s)
A.1.2	The Firm should state in its transparency report how its governance structures and management team operate, their duties and the types of decisions they take.	2	3-4
A.1.3	The Firm should state in its transparency report the names and job titles of all members of the Firm's governance structures and its management team, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.	2	3-4
C.2.1	The Firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the Firm's independence as auditors and their independence from the Firm and its owners.	1 2	12-13 8
D.1.3	The Firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	2	14-15, 18-19 and 25

Provision	Description	Volume	Page(s)
D.2.2	The Firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summaries the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.	2	9
D.2.3	In maintaining a sound system of internal control and risk management and reviewing its effectiveness, the Firm should use a recognized framework such as the Turnbull Guidance and disclose in its transparency report the framework it has used.	2	9

## About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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