

A close-up photograph of a wooden pitcher pouring clear water over smooth, dark, wet stones. The water is captured in mid-pour, creating a dynamic, flowing stream. The background is softly blurred, showing more stones and light reflections.

# Transparency report 2015

EY UK - volume 2

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal line is positioned above the 'Y', extending from the top right towards the center of the 'Y'.

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 2015 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](#).

## 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 3 July 2015, EY UK had 647 partners and operated from 20 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.

EY member firms are grouped into 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.

EY UK is part of the EMEIA Area, which comprises EYG member firms in 99 countries in Europe, the Middle East, India and Africa. Within the EMEIA Area, there are 12 Regions. EY UK is made up of the UK element of our UK and Ireland Region together with UK Financial Services office.

Ernst & Young (EMEIA) Limited (EMEIA Limited), an English company limited by guarantee, is the principal coordinating

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 eighth 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).

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 and has no financial operations and does not provide any professional services.

Each Region elects a Regional Partner Forum (RPF), whose representatives advise and act as a sounding board to Regional Leadership. The partner elected as Presiding Partner of the RPF also serves as the Region's representative on the Global Governance Council (see page 5).

In Europe, a holding entity, Ernst & Young Europe LLP (EY Europe), was formed in conjunction with EMEIA Limited. EY Europe is an English limited liability partnership, owned by partners of the EYG member firms operating in Europe. It is an audit firm registered with the Institute of Chartered Accountants in England and Wales (ICAEW), 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 governing bodies are:

#### **Europe Operating Executive**

The Europe Operating Executive (EOE) operates as the board of EY Europe. It has authority and accountability for strategy execution and management of EY Europe's operations. The EOE comprises: the Europe 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 3 July 2015 the Europe Executive comprised

Abdulaziz Al-Sowailim, Andy Baldwin<sup>1</sup>, Rudi Braes, Andy Embury<sup>1</sup>, Donato Iacovone Jacek Kredizor, York Zoellkau, Jean-Pierre Letartre, Pascal Macioce, Jean-Yves Jegourel, Eric Mamelund, Rajiv Memani, Mark Otty<sup>1</sup>, Seshni Samuel, Ajen Sita, Andrea Guerzoni, Julie Teigland, Steve Varley<sup>1</sup>, Georg Graf Waldersee, Joe Watt.

### Europe Advisory Council

Until 3 July 2015, EY Europe had an elected Europe Advisory Council, which comprised a number of partners of the EYG member firms in Europe. It served in an advisory role to the Europe Executive on policies, strategies and other matters, and its approval was required for a number of significant matters, e.g., the 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.

From 4 July 2015, the Europe Advisory Council was replaced with the Europe Governance Sub-Committee, which comprises the Presiding Partner of each Regional Partner Forum in Europe. It has a similar role to the one previously conducted by the Europe Advisory Council.

### The UK Board

The Board of EY 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 EY 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 nine occasions during the year ending 3 July 2015 and, in addition, routinely conducts business through electronic

forums. The day-to-day management of the UK business is undertaken by two Regional Managing Partners who are members of the Europe Executive, and who each lead a Regional Leadership team.

At 3 July 2015 the Board comprised:

Alisdair Mann	Managing Partner, Chief Operating Officer EMEA FSO
Christopher Price	Global Leader - People Advisory Services
Hywel Ball	UK Head of Audit Regional Managing Partner – UK & Ireland Assurance
Lisa Cameron	General Counsel and Country & UK & Ireland Regional Risk Management Leader
Lynn Rattigan	UK & Ireland Chief Operating Officer
Robert Overend	UK Country Professional Practice Director and UK Audit Compliance Principal
Eamonn McGrath	UK Head of Regulatory & Public Policy
Steve Varley	CMP and UK & Ireland Regional Managing Partner
Victor Veger	UK FSO Assurance Leader

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.

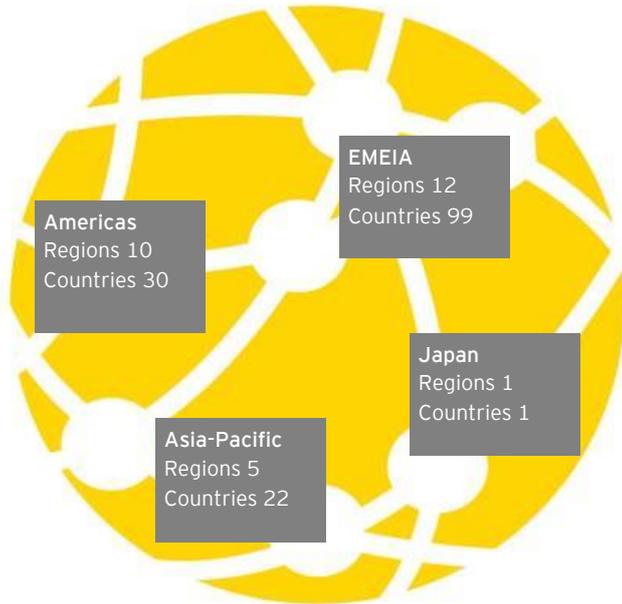
The day-to-day management of the Financial Services Assurance practice in the UK is led by the UK FSO Assurance Leader, Victor Veger, who reports to the Europe Financial Services Assurance Leader, Isabelle Santenac, who in turn reports to the Europe Assurance Leader.

BDO LLP is the external auditor of EY UK.

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

## 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 member firms worldwide. Each member firm is a legally distinct entity. Their 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 3 July 2015 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 28 Regions, permitting member firms to build stronger relationships with clients and others in each country and be more responsive to local needs.

### Global Governance Council

The Global Governance Council (GGC) is the main governance body of EYG. It comprises a representative from each Region and the four independent non-executives (INEs) referenced on page 7 below. The Regional Representatives, who otherwise do not hold senior management roles, are elected by their RPFs for a three-year term, with provisions for one successive re-appointment. The GGC advises EYG on policies, strategies and the public interest aspects of their decision-making. The approval of the GGC is required for a number of significant matters that could affect EY.

A number of sub-committees of the GGC have also been established, one for each Area, and ones for Finance and Audit, Global Chair/CEO performance and remuneration and the Public Interest.

### Global Executive

The GE brings together EY's leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent, Risk Management and Finance; 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 GGC approve nominations for the Chairman and CEO of EYG and ratify appointments of the Global Managing Partners. The GE also approves appointments of Global Vice Chairs. The GGC ratifies the appointments of any Global Vice Chair who serves as a member of the GE. Furthermore, the GE appoints Area Managing Partners and approves appointments of Regional Managing Partners. The appointments of the Area Managing Partners are subject to ratification by the GGC.

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 programmes

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 development funds and investment priorities

EYG's annual financial reports and budgets

GGC 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; Global Accounts; Emerging Markets; 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 10).

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 may be 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 Governance 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 Governance Council (GGC).

### **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 GGC 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 GGC, 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 Chairman of the British Museum, 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 report 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 B 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. 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.

### Enterprise risks

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. 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.

### Internal controls assurance

An Independent Risk Oversight Committee reports to the Board and provides assurance over the effectiveness and operation of the key internal controls related to those risks that have been assessed as 'critical' in the Key Risk Register. The Risk Oversight Committee obtains the assurance through a programme of internal audit reviews focused on these 'critical' risks. It approves the overall plan for each year, confirms the terms of reference for each internal audit, and reviews the final internal audit reports.

### 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
- ▶ Process undertaken by the Risk Oversight Committee, including the reports and findings from the internal audits over the effectiveness and operation of the key internal controls related to those risks that have been assessed as 'critical' in the Key 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 supported 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.

EY 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 EY policies.

Vision 2020 has reinforced the ownership of quality within the service lines, including audit. It has also resulted in increased clarity around the role of risk management in policies and practices that support and improve quality audit.

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

### Professional Practice function

The Global Vice Chair – Professional Practice, referred to as the Professional Practice Director (PPD), is overseen by the 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 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 programmes 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 involving areas of civil and political unrest; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement issues and how to work effectively with audit committees

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 15) 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.

### Risk management function

The Global Risk Management Leader is responsible for enterprise-wide risk management, including oversight of the quality of EY's four service line functions in Assurance, Advisory, Tax and Transaction Advisory Services.

Member firm partners are appointed to lead risk management initiatives in the service lines and member firms, supported by other staff and professionals. The Global Risk Management Leader is responsible for establishing globally consistent risk management execution priorities and enterprise-wide risk management. These priorities cascade to member firms, and their execution is monitored through an Enterprise Risk Management programme.

### Components of audit quality control programme

In the following sections, we describe the principal components of the EY UK 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

## Instilling professional values

### Sustainable Audit Quality

We understand that audit quality is our primary goal. Globally, EY has a multi-faceted Sustainable Audit Quality (SAQ) effort underway to support the execution of the highest-quality audits. SAQ reinforces our quality-driven culture and supports the delivery of the highest-quality audits. It involves a focus on continuous improvement and emphasis on key areas such as professional skepticism.

SAQ includes: tone at the top; resources; simplification; audit transformation/technology innovation; enablement, quality support and monitoring; and accountability.

In the UK the SAQ will be built into our Audit Quality Programme discussed further in Volume 1.

### 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 behavior and actions. While the 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, training programmes and 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 programmes assess 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.

**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.**

### Code of conduct

We promote a culture of integrity among our professionals. The EY 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 EY Global Code of Conduct, and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.

The EY/Ethics Hotline provides our people, clients and others outside of the organization with a means to report activity confidentially that may involve unethical or improper behavior and that may be in violation of professional standards or otherwise inconsistent with the EY 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 proven experience across industry sectors and services. We continually strive 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.

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 its 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 root causes of quality occurrences for 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 policies and practices 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) programme 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 programme 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 GE is responsible for implementing quality improvement and protection programmes. As such, it reviews the results of our internal AQR programme and external regulatory reviews, as well as any key actions designed to address areas for improvement.

The recent results of such monitoring as set out in volume 1, together with the recent feedback from independent regulatory inspection visits, provide EY UK with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.

## Client acceptance and continuance

### EY policy

The Client Acceptance and Continuance Policy sets out principles for member firms to determine whether to accept a new client or a new engagement or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting 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 EY 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 a client's consent for EY member firms to act for two or more clients to declining an engagement in order to avoid an identified conflict.

The EY Conflicts of Interest Global Policy, and associated guidance, was updated in early 2015. The updates take into account the increasing complexity of our engagements and client relationships, and the need for speed and accuracy in responding to our clients. They also align with the latest



International Ethics Standards Board for Accountants (IESBA) standards.

### **Putting policy into practice**

We use the EY 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 are expected to 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 are not permitted to 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 do so.

## **Performing audits**

As part of Vision 2020, EY has invested significantly in improving our audit methodologies and tools, with the goal of performing the highest-quality audits in the profession. This investment is consistent with EY's goal to have the leading Audit practice in the profession by 2020 and reflects our commitment to building trust and confidence in the capital markets and in economies the world over.

### **Audit methodology**

In May 2015, we released a new Global Audit Methodology (EY GAM), which was redesigned to make it easier to follow and use, and to support our new documentation tool, EY Canvas. We have made extensive use of technology to simplify the presentation and, as a result, the content is more accessible and user-friendly. We have made use of intelligent editing, better design and interactive graphics.

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 the UK to comply with the local UK auditing standards and regulatory or statutory requirements.

Using technology, our auditors select the audit approach within our methodology applicable to the reporting requirements of the entity being audited. For example, there are approaches to audit both listed entities and entities considered non-complex.

The auditor is presented with a version of EY GAM organized into interdependent phases and 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 two key components: requirements; and supporting forms and examples. The requirements reflect the typical flow of how EY UK executes an audit. The forms 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. During fiscal year 2015, we began the phased deployment of our next generation global audit platform, EY Canvas. EY Canvas is web-based, built using state-of-the-art technology to provide heightened data security and allow us to easily evolve our software to respond to changes in the accounting profession and regulatory environment.

Audit engagements in EY Canvas are automatically configured with information relevant to our client's listing requirements and industry, helping keep our audit plans customized and up-to-date and providing direct linkage to our audit guidance, professional standards and

documentation templates. It is built with a fresh, clear design and user interface that allows users to visualize risks and their relationship to our planned response and work performed in key areas. EY Canvas also enables a linkage for our group audit teams to communicate interoffice risks and instructions, so that the primary team for each audit has control over planning and monitoring of the group audit. Over the coming year, we will phase out our existing audit support tool, GAMx.

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 audit of higher-risk transactions.

### **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 fulfil 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 specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as 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 partners 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.

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

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. EY UK complies with the audit partner rotation requirements of the code of the International Ethics Standards Board for Accountants (IESBA) and the FRC's Ethics Standards (ES), as well as the U.S. 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) programme is the cornerstone of our process to monitor audit quality. EY UK executes the Global AQR programme, reports results and develops responsive actions plans. The primary goal of the programme 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 programme 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.

Implemented annually, the programme 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 programme 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 programme complements external practice monitoring and inspection activities, such as regulatory inspection programmes 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.

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 programme for a number of years and are highly skilled in the execution of the programme. 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 programme 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 programme, 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 programmes 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 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.

**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.**

EY UK has 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 EY Global Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code of Ethics, supplemented with more stringent requirements where prescribed by a given regulator. The policy also contains guidance to help people apply the independence rules. The EY Global 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 our professionals identify the listed entities from which independence is required and the independence restrictions that apply. Most often these are listed audit clients and their affiliates, but they can be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of listed audit clients and is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.

## Global Monitoring System

The Global Monitoring System (GMS) is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. Professionals ranked as manager and above are required to enter any securities they hold, or those held by their immediate family, into the GMS. When a person enters a proscribed security or if a security they hold becomes proscribed, 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 programmes aimed at monitoring the compliance with independence requirements of EY member firms and their people. These include the following activities, programmes 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 reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and financial relationships of member firms.

EY UK confirms that the Global Internal Audit last occurred during 2014.

Each year, EY's global Independence team establishes a programme for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. For the 2014 testing cycle, EY UK tested more than 320 partners and other personnel.



### **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 12 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 programmes. All professionals and certain other personnel are required to participate in annual independence learning to help maintain our independence from the companies we audit.

**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.**

The annual independence learning programme covers independence requirements focusing on recent changes to policy, as well as recurring themes and topics of importance. Timely completion of annual independence learning is required and is monitored closely. EY UK supplements this programme 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 programme, independence awareness is promoted through a number of events and materials, including the new-hire programme, milestone programmes and core service line curricula.

#### **Service Offering Reference Tool**

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. We restrict services from being provided that could present undue independence or other risks. Service Offering Reference Tool (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**

The Business Relationship Evaluation Tool (BRET) process 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 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 perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are committed to robust and regular communication with audit committees or those charged with governance. Through our quality review programmes, 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.

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

### Recruitment and hiring

Recruiting for our Audit practice is performed primarily on university campuses and through schools and supplemented, when necessary, by hiring people with prior work experience. Student hires are evaluated using a combination of online and face to face assessments based around firm wide strengths, numerical ability and strengths specific to the Assurance Service line

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 from diverse backgrounds 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 organizations such as EY, which serve global clients, an important aspect of creating the right solutions for clients and the right working environment is a focus on inclusive leadership.

Inclusive Leadership is about getting the best from a diverse team that includes our clients and our people. It is about seeking out different perspectives, communicating and working effectively with people who are different from you. In our increasingly interconnected world, developing inclusive leaders who can connect and engage with anyone - regardless of their background, style or culture - is a crucial part of EY's approach to people and clients.

We are proud that EY member firms are regularly cited by external organizations as being leaders in diversity and

inclusiveness 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 has taken it a step further and looks beyond just gender reporting to also include reporting on Black and Minority Ethnic (BME) statistics. We will apply the same principle to pay gap reporting.

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 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 programmes that are developed in response to changes in accounting and reporting standards, independence and professional standards, and emerging practice issues.

EY UK requires 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 helps to ensure they have exposure to a range of experiences as part of their own development.

## Knowledge and internal communications

In addition to professional development and performance management, we understand the importance of providing client engagement teams with up-to-date information to help them perform their professional responsibilities. EY makes significant investments in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. Examples include:

- ▶ Global Accounting & Auditing Information Tool (GAAIT), which includes local and international accounting and auditing standards as well as interpretive guidance.
- ▶ Publications such as International GAAP, IFRS developments and illustrative financial statements.
- ▶ Global Accounting and Auditing News, a weekly update covering assurance and independence policies, developments from standard setters and regulators as well as internal commentary thereon.

- ▶ *Point of view and Overviews*, which provide important perspectives on current public policy and regulatory developments.
- ▶ Practice alerts and webcasts covering a range of global and country-specific matters designed for continuous improvement in the member firms' Assurance practices.

## 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.

# 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 3 July 2015

Service <sup>1</sup>	Revenue (£mn)	Percent
Assurance	585	29
Advisory	584	29
Tax	517	26
Transaction Advisory	324	16
<b>Total</b>	<b>2,010</b>	<b>100</b>

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

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

Service	Revenue (£mn) 2015	
	Audit clients	Non-audit clients
Assurance	407	178
Advisory	26	558
Tax	139	378
Transaction Advisory	65	259
<b>Total</b>	<b>637</b>	<b>1,373</b>

Service	Revenue (£mn) 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 (£mn) 2015	
	Audit clients	Non-audit clients
Statutory audit	370	0
Other assurance	37	178
<b>Total assurance</b>	<b>407</b>	<b>178</b>

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

	2015 £mn	2014 £mn
Revenue	407	376
Profitability <sup>2</sup>	69	66

1 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.

2 We have disclosed profit for statutory audit services and all assurance services provided to audit clients. It is not possible for us to identify profit at the level of reportable segment under the Voluntary Code of Practice on Disclosure of Audit Profitability. Operating profit for statutory audit services is calculated based on direct costs including staff costs recorded on audit engagements, together with an allocation of overheads such as property and IT. Overhead costs have been allocated on a pro-rata basis based on headcount or revenues. The profit relating to other assurance services provided to audit clients is based on the average profit for our other assurance business, since it is not possible to specifically identify the relevant profit.



## Partner remuneration

Quality is at the center of EY business strategy and a key component of our performance management systems. EY UK 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 EYG 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 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 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 2015

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 FY15, EY UK has:

- ▶ Shared good practice on corporate governance, regulatory and financial reporting matters through the publication of regulatory updates and via EY forums such as the:
  - Independent Director Programme;
  - Finance Professionals' Programme; and
  - Audit Committee Chair Programme (and related forum).

- ▶ Worked jointly with the Investment Association to produce a report on "Board effectiveness - continuing the journey", to highlight and share leading practice and new ideas for improving and demonstrating board effectiveness and provoke new thinking, discussion and better outcomes with individual existing and future board members, entire boards, executive management and investors. This report was based on a series of individual meetings and roundtables which brought together leading chairmen, board directors and senior investors to debate the issue of board effectiveness. The report drew on the contributions from these discussions and was supplemented by insights and perspectives from EY and The Investment Association.
- ▶ Identified and tracked regulatory developments and submitted formal responses to public consultations. These responses covered a broad range of issues affecting the wider public interest. In particular, we have focused on EU audit reform and the UK implementation of the Audit Directive and Regulation, including:
  - the Department for Business Innovation & Skills (BIS) discussion document on "Auditor regulation: discussion document on the implications of the EU and wider reforms"; and
  - the FRC consultation paper on "Auditing and Ethical Standards: Implementation of the EU Audit Directive and Audit Regulation."

Example of other issues include:

- Prudential regulation - The Prudential Regulation Authority (PRA) consultation paper CP 8/15, "Engagement between external auditors and supervisors and commencing the PRA's disciplinary powers over external auditors and actuaries";
- The UK implementation of the EU Solvency II Directive - the HM Treasury consultation document on "Resolving the remaining policy issues for UK transposition" and the PRA consultation paper CP16/14 on "Transposition of Solvency II: Part 3"; and



- Accounting – the BIS second consultation on the “UK implementation of the EU Accounting Directive...”
- ▶ Helped clients manage change by tracking key regulatory and public policy developments, engaging with key stakeholders and analysing 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. 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 FY15 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 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 in equality and inclusion in the workplace.

EY is a Social Mobility Business Champion, working with the other 12 Champions to engage businesses with the agenda through the social mobility business compact. EY also initiated Campaign 2020 to engage business leadership on

improving Black and Minority Ethnic (BME) representation on boards.

### **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 purpose and global corporate sustainability strategy. 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 the UK the firm founded a new independent charity - the EY Foundation - to which we have made the same commitment. The charity celebrated its first anniversary on 1 July 2015. We are proud to have played a role in supporting young people disadvantaged in the labour market into education, employment and enterprise through our investment of people’s time and financial resources into the charity’s work.

In FY15, we supported our communities by:

- ▶ Investing time and resource that has helped the EY Foundation to provide great experiences of work, mentoring or business coaching to 240 young people and social entrepreneurs that have directly participated in its programmes: Smart Futures, Our Future and Accelerate. And an additional 172 young people and social entrepreneurs through its work with other charities.
- ▶ Supporting the EY Foundation with expanding its programmes and activities from six to 11 UK locations; and helped scale a number of the EY Foundation’s programmes. For example, Smart Futures supported 30% more young people in FY15.
- ▶ Supporting staff fundraising endeavours by providing £339,992 of matched funding to charities (this does not include the EY Foundation).
- ▶ Working in collaboration with a number of the EY Foundation’s charitable partners to increase the firm’s social and economic impact on young people and social enterprise, including skills based volunteering. EY Foundation charitable partners include The Prince’s Trust, UnLtd, Think Forward, the Social Business Trust and Comic Relief.
- ▶ Being awarded Social Mobility Business Compact Champion status - one of just 12 organisations to receive the award. EY was recognised for its leadership and exemplary practice in the field of social mobility for showing a strong commitment to improving social mobility and for being an employer who creates fair opportunities for young people from all backgrounds.



## 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.

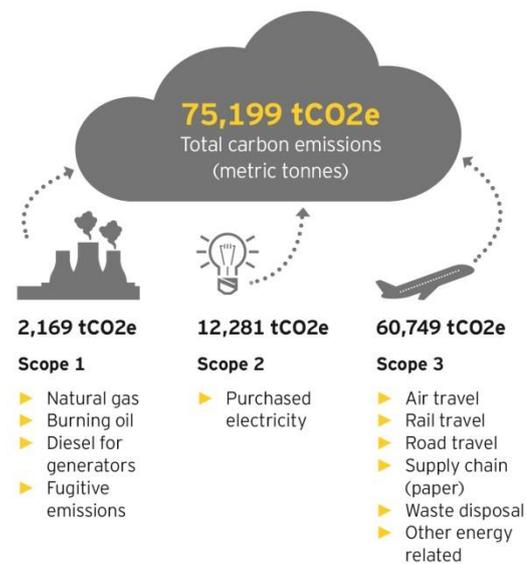
## Environmental sustainability

We recognised that we have an important role to play in building a sustainable world and so challenge ourselves to find ways to reduce our environmental impacts.

EY continues to build 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. In the UK we have been measuring our carbon impact and environmental performance for a number of years, which we publish in full via our website.

### GHG emissions - performance overview

Our most significant sources of carbon emissions are business travel (78%) and energy consumption in our buildings (18%). In FY2014 our total combined GHG emissions (scopes 1 + 2 + 3) increased 12% (by 7,962 tCO<sub>2</sub>e) compared to the previous year. A breakdown of performance in each material area is provided below:



We will continue to strive to improve these numbers but recognise that it may be necessary to invest in extra resources in order to grow the business in line with the organisation's ambitious targets whilst aiming to minimise the environmental impacts from travel.

### Focus on business travel



\* includes employees' vehicle mileage, taxis and car rentals

Travel is an essential element in delivering our advisory, tax, transaction and assurance services to clients and is heavily influenced by the rate at which the organisation is growing and EY's strategy for delivering our services. FY2014 saw a significant rise in our total scope 3 emissions (13% / 7,106 tCO<sub>2</sub>e), 98% of which originated from additional business travel. Whilst emissions from road and rail travel grew relatively modestly compared to FY2013 (by 2% and 8% respectively), those from air travel rose much faster (by 15%).

However, in FY2014 we achieved our target of ensuring GHG emissions from business travel (kg CO<sub>2</sub>e) grew at a lower % rate than our revenue growth. UK revenues grew by 8.5% whilst business travel emissions per kilometre travelled fell by 7.8%. This is an indication that we are generating revenue in a less carbon intensive manner, even as the business continues to grow.

### Continuous improvement in energy efficiency



\*100% of purchased electricity is from renewable sources  
\*in EY controlled buildings where appropriate 'green' tariffs are available

In FY2014, our total scope 1 emissions fell by 5% compared to the previous year, mainly due to a reduction of 10% in both natural gas consumption (kWh) and kerosene (for heating) as a result of a relatively mild winter period. Total energy consumption fell by more than 4% compared in the same period.

However, total combined emissions from energy consumption (scopes 1 + 2) in FY2014 rose by 6% compared to the previous year. This was due to an increase in total scope 2 emissions from purchased electricity, despite a reduction in our total electricity consumption of 541 MWh. The cause of this was an 11% increase in the UK Government's emissions conversion factors for electricity compared with the prior year.

We continue to identify opportunities for increased energy efficiency across our real estate, investing in upgrades to plant and equipment as well as new office locations. Recent examples include the replacement of eight building chillers at our More London office at a cost of approximately £2 million, as well as the decision to relocate our FS employees to 25 Churchill Place in London's Canary Wharf – a building which features elevators that store and reuse energy elsewhere, the latest ultra-efficient air conditioning equipment that recycles the energy from exhaust air, photo voltaic cells and a 'green' roof to enhance biodiversity and energy efficiency.

## Waste not, want not...

FY2014 waste disposal stats:

-  **Recycled: 2,268 tonnes (metric)**
-  **Non-recycled: 370 tonnes (metric)**
-  **Waste per FTE: 197kg**



By FY2016 we are aiming to reduce waste generated per head by 10% (against base year FY10) and send zero waste to landfill (for offices where EY controls the building services). To meet these targets, we have introduced a wide range of initiatives in place including:

- ▶ Unsold food items from London sites are donated to a local vocational training centre for homeless and vulnerably housed people.
- ▶ 'Follow-me' printing to reduce paper and toner consumption and unclaimed document waste.
- ▶ Food waste from London, Birmingham and Liverpool offices is sent for anaerobic digestion.
- ▶ Used cooking oil from our London offices' restaurants is re-processed into biofuel.

### External recognition

- ▶ In 2015 EY achieved certification to the Carbon Trust Waste Standard, recognising our actions to measure, manage and reduce waste output year on year.
- ▶ Our response to CDP's 2014 Climate Change Information Request received a score of 98%.
- ▶ The Real Estate & Facilities Management functions within our UK offices are certified to the ISO 14001 environmental management standard.
- ▶ Since 2011 EY has been certified to the Carbon Trust Standard, confirming to that we have measured, managed and reduced carbon emissions across our UK operations.
- ▶ We received an award from the Mayor of London's 2014 Business Energy Challenge following our actions to reduce energy consumption across EY's London estate.

To find out more about our approach to environmental sustainability in the UK, please visit [www.ey.com/UK/en/About-us/Corporate-Responsibility/About-EY---Cmt-to-Corp-Resp---environment](http://www.ey.com/UK/en/About-us/Corporate-Responsibility/About-EY---Cmt-to-Corp-Resp---environment).



## Supporting our clients' sustainability programmes

We offer a range of options to reduce the environmental impacts of our service delivery to clients, including:

- ▶ Audio conferencing, web-based meetings and extensive video conferencing and tele-presence facilities.
- ▶ 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 specific engagements.
- ▶ We have a strong culture of flexible working and can work with clients to integrate this approach into each project where appropriate.
- ▶ Ensuring that communications and correspondence between our organisations are conducted via electronic media (i.e. email, scanned documents, source files etc.) wherever feasible and practicable.

EY also provides knowledge-based services to clients in optimising market opportunities as we shift towards a resource-efficient and low-carbon economy:

- ▶ Our **Power & Utilities** service line can help clients respond to the challenges of the energy 'trilemma' - the need to define and create the right balance between low carbon, security of supply and cost pressures.
- ▶ EY's **Climate Change and Sustainability Services** team is grounded in assurance, tax, transactions and advisory and can assist in navigating the evolving sustainability landscape. They help organisations understand commercial and regulatory threats and opportunities, explore and execute transactions, monitor performance and assure public disclosures on progress whilst embedding climate change and sustainability into the business.
- ▶ Our Energy Optimisation practice builds energy management and procurement strategies, minimising consumption costs and associated emissions.
- ▶ Our **Energy and Environmental Finance** team helps maximise value from renewable energy activity and are ideally placed to help clients tackle the challenges and seize the opportunities presented by developing renewable energy markets.



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

In the financial year ended on 3 July 2015, EY UK performed statutory audits of the following public interest entities:

3i Group plc	Eurosail 2006-1 plc
AA PLC	Eurosail 2006-2BL plc
Aberdeen Asian Smaller Companies Investment Trust PLC	Eurosail 2006-3NC plc
ABP Finance Plc	Eurosail 2006-4NP plc
Acal plc	Eurosail Prime-UK 2007-A plc
AGA Rangemaster Group plc	Eurosail-UK 2007-1NC plc
Aggregate Industries Holdings Ltd	Eurosail-UK 2007-2NP plc
Algeco Scotsman Global Finance plc	Eurosail-UK 2007-3BL plc
Alliance Automotive Finance Plc	Eurosail-UK 2007-4BL plc
Alpha Plus Holdings plc	Eurosail-UK 2007-5NP plc
Amec Foster Wheeler plc	Eurosail-UK 2007-6NC plc
Argo Underwriting Agency Limited	EVRAZ plc
ASDA Group Limited	Exova Group plc
AVEVA Group PLC	F&C Managed Portfolio Trust plc
Awilco Drilling PLC	F&C Private Equity Trust plc
Bank of Georgia Holdings PLC	Ferrexpo Finance plc
BG Energy Capital plc	Ferrexpo PLC
BG Group plc	Fresnillo plc
Biz Finance Plc	Friends Life Holdings plc
Blackrock Commodities Income Investment Trust plc	GCP Student Living plc
BlackRock Frontiers Investment Trust plc	Greene King Finance Plc
Blackrock Greater Europe Investment Trust plc	Greene King plc
Blackrock Throgmorton Trust Plc	Henderson European Focus Trust plc
BlackRock World Mining Trust plc	Henderson Global Trust plc
BP Capital Markets p.l.c.	Herald Investment Trust plc
BP p.l.c.	Hitachi Capital (UK) PLC
BrightHouse Group Plc	Hochschild Mining Plc
Brit PLC	Huntsworth plc
British Airways Plc	IMI plc
British Assets Trust plc	Impax Environmental Markets plc
British Empire Securities & General Trust plc	InterContinental Hotels Group PLC
Britvic plc	Invesco Perpetual Select Trust plc
Burford Capital PLC	Investec Bank plc
Castle Trust Direct plc	Investec Finance plc
Capital Holdings Limited	Investec Investment Trust PLC
Clipper Logistics plc	Investec plc
Clydesdale Bank PLC	Investors Capital Trust plc
Communisys plc	Jazztel PLC
Computacenter plc	John Menzies plc
Coventry Building Society	JPMorgan Brazil Investment Trust plc
Cranswick plc	JPMorgan Claverhouse Investment Trust PLC
CRH Finance (U.K.) plc	JPMorgan Elect plc
Dairy Crest Group plc	JPMorgan European Investment Trust plc
Dialog Semiconductor Plc	JPMorgan Global Emerging Markets Income Trust plc
Dignity (2002) Ltd	JPMorgan Income & Growth Investment Trust plc
Dignity Finance PLC	JPMorgan Russian Securities plc
Dignity Plc	Jupiter European Opportunities Trust PLC
Domino's Pizza Group plc	Kensington Mortgage Securities plc
Eco-Bat Technologies Ltd.	Laird PLC
Eco-Bat Finance PLC	Land Securities Capital Markets PLC
Ecofin Water & Power Opportunities plc	Land Securities Group Plc
EE Finance plc	Landmark Mortgage Securities No. 2 plc
EMF-UK 2008-1 PLC	Landmark Mortgage Securities No. 3 plc
EnQuest PLC	Landmark Mortgage Securities No. 1 plc
Enterprise Inns plc	Lannraig Master Issuer Plc
EP Global Opportunities Trust plc	London Stock Exchange Group plc



LSL Property Services plc  
Majedie Investments PLC  
Marble Arch Residential Securitisation No. 4 PLC  
Martin Currie Asia Unconstrained Trust plc  
Marubeni Finance Europe plc  
Mecom Group plc  
Michael Page International plc  
Money Partners Securities 1 plc  
Money Partners Securities 2 plc  
Money Partners Securities 3 plc  
Money Partners Securities 4 plc  
Montanaro European Smaller Companies Trust plc  
Mortgage Funding 2008-1 plc  
Murray Income Trust PLC  
Murray International Trust PLC  
Nanoco Group plc  
New India Investment Trust PLC  
New Star Investment Trust PLC  
Next Plc  
NMC Health plc  
Nomura Bank International plc  
Nomura International plc  
Northern Ireland Electricity Limited  
Nostrum Oil & Gas PLC  
Ophir Energy plc  
Opportunity Investment Management Plc  
Optos plc  
Orange Brand Services Limited  
Orange Telecommunications Group Limited  
Pacific Horizon Investment Trust PLC  
Pearl Group Holdings (No. 1) Limited  
Pennon Group Plc  
Personal Assets Trust PLC  
Pirelli International plc  
Polypipe Group plc  
PPL WW Holdings Limited  
PPL WEM Limited  
Preferred Residential Securities 05-1 plc  
Preferred Residential Securities 05-2 plc  
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  
Royal Mail plc  
Saga plc  
Schroder UK Mid Cap Fund plc  
Scots Road Partnership Holdings Limited  
Scottish Oriental Smaller Companies Trust PLC  
Scottish Power Ltd  
Scottish Power UK plc  
Midas Income & Growth Trust PLC  
Servelec Group plc  
Sherwood Castle Funding Series 2004-2 Plc  
Sherwood Castle Funding Series 2006-1 Plc  
Shortline Plc  
Skyepharma PLC  
Smith & Nephew plc  
South West Water Finance 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 Distribution plc  
SP Manweb plc  
Spire Healthcare Group plc  
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 Biotech Growth Trust PLC  
The Diverse Income Trust plc  
The Go-Ahead Group plc  
The Independent Investment Trust PLC  
The Innovation Group plc  
The Rank Group Plc  
The Scottish Oriental Smaller Companies Trust 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  
Volution Group plc  
VTB Capital plc  
The Weir Group 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  
Western Power Distribution plc  
Westfield Stratford City Finance PLC  
Whitbread PLC  
ZEAL Network SE

## Appendix B: Audit Governance Code disclosure requirements

Provision	Description	Volume	Page(s)	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.	1	16	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	8												
		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	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	8	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	4-5
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	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	8												
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	4-5																
		2	6-7	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	11-12, 13-14, 17-18												
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	11-12, 13-14, 17-18																



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## 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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