

Transparency Report 2022

EY US



Building a better
working world

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Message from our leaders



Julie A. Boland
US Chair and
Managing Partner
Ernst & Young LLP

Welcome to the Transparency Report 2022 of Ernst & Young LLP (EY US). We believe that how we advance audit quality, identify and mitigate risk, and maintain our independence as auditors should be transparent to stakeholders.

Executing high-quality audits continues to be the top priority and at the heart of our ambition is to serve the public interest by promoting transparency and supporting investor confidence.

We are focused on building trust and confidence through the audits we perform, investing in tools to improve what we do, and creating high-performing, diverse and inclusive teams.

We embrace the transparency objectives of the European Union's (EU) Regulation 537/2014, which requires US statutory auditors of public interest entities (PIEs) to publish annual transparency reports. The EY US Transparency Report 2022 complies with Regulation 537/2014 and covers the fiscal year ending 1 July 2022 as well as any more recent relevant events.



John L. King
US Vice Chair – Assurance
Ernst & Young LLP

This report is intended to be read in conjunction with EY US' annual audit quality report, which can be found [here](#). EY US publishes an audit quality report voluntarily to provide more information about how we manage our US public company audit practice, support our people and take actions to continue to enhance audit quality.

We encourage all of our stakeholders – including the companies we audit and their investors, audit committee members and regulators – to continue to engage with us on our strategy as well as any of the matters covered in this report.

Julie A. Boland
US Chair and Managing Partner
Ernst & Young LLP

John L. King
US Vice Chair – Assurance
Ernst & Young LLP

EY purpose: *Building a better working world*

The EY organization is committed to doing its part in building a better working world.

The audits delivered by EY people help build trust and confidence in business and the capital markets. EY auditors serve the public interest by delivering high-quality, analytics-driven audits with independence, integrity, objectivity and professional skepticism. In so doing, the EY organization helps protect and promote sustainable and long-term value for stakeholders.



About us

About us



Legal structure, ownership and governance

In the US, Ernst & Young LLP and its affiliate Ernst & Young U.S. LLP are limited liability partnerships organized in Delaware and are member firms of Ernst & Young Global Limited, a UK company limited by guarantee (EYG). In this report, we refer to ourselves as “EY US,” “we,” “us” or “our.” EY refers collectively to the global organization of the member firms of EYG.

EYG member firms are grouped into three geographic Areas: Americas; Asia-Pacific; and Europe, Middle East, India and Africa (EMEIA). The Areas comprise multiple Regions. Regions are grouped within geographical lines with the exception of the Financial Services Organization (FSO) Region, which is responsible for audits of financial institutions.

EY US is part of the Americas Area, which comprises member firms in 34 countries. Within the Americas Area, there are eight Regions, of which four comprise EY US.

EY US is a member of Ernst & Young Americas LLC (EY Americas), the coordinating entity for the Americas Area.

Partners and principals (referred to collectively as “partners”) of the EY member firms in the Americas are also members of EY Americas. EY Americas has no financial operations and does not provide services to clients.

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

Each Region elects a Regional Partner Forum (RPF), whose representatives advise and act as a sounding board for Regional leadership. Most partners who are elected as Presiding Partners of their respective RPF also serve as their Region’s representative on the Global Governance Council. Some Region/National Service Line’s of EY US have more than one representative on the Global Governance Council.



Americas Ethics Oversight Board

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



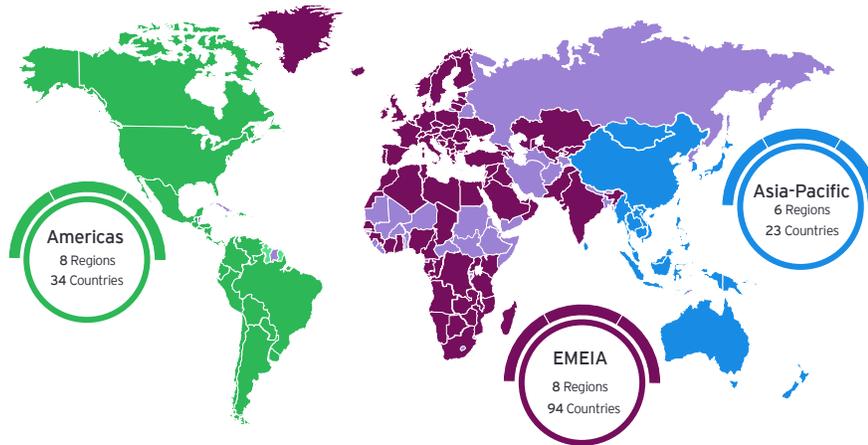
EY US Governance

The EY US Executive Committee (Executive Committee), which is responsible for managing EY US, comprises the Chair and Managing Partner; the Deputy Chair; the US Regional Vice Chairs; the Service Line Vice Chairs for Consulting, Assurance, Tax, and Strategy and Transactions; the Vice Chairs of Accounts, Finance & Operations, Risk Management, Office of Strategic Execution, and Talent; and the Diversity, Equity & Inclusiveness Officer. Among other basic matters, the Executive Committee is responsible for certain partner matters (for example, partner admissions, separations, disciplinary matters and earnings allocations).

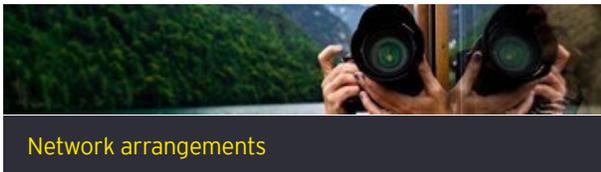
In addition, at least 24 EY US partners, none of whom serve on the Executive Committee, are elected by the EY US partners to serve as the Partner/Principal Council (PPC). The PPC’s approval is required for the nomination of the EY US Managing Partner and the appointment of the Deputy Chair, among other things, and the PPC serves in an advisory role to the Executive Committee.

The US Ethics Oversight Committee comprises the EY US members of the AEOB and one US PPC representative and is established at the direction of the US Executive Committee to promote consistency and best practices within EY US with regard to investigations and disciplinary actions under the EY Global Code of Conduct and other ethical standards applicable to EY US.

EY Areas, Regions and Countries*



* Figures are as of 1 July 2022 and reflect the completion of the separation of the Russian and Belarus EY member firms from the EY global organization



EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, over 350,000 people in member firms in more than 150 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional skepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

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

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

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

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

Looking ahead, the partners at EYG member firms are evaluating a proposal to separate their respective firms into two distinct multidisciplinary organizations. Under this proposal, the global network of assurance firms would continue to have all of the capabilities and technical support required to deliver high-quality audits and serve the public interest.



Global Governance Council

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



Independent Non-Executives (INEs)

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



Global Executive (GE)

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

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

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

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

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

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



GE committees

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



Global Practice Group

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



EYG member firms

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

Above all, EYG member firms commit to conducting their professional practices in accordance with applicable professional and ethical standards, and all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by the EY Global Code of Conduct (see page 11) and EY values.

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

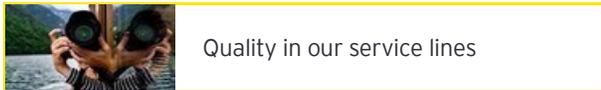
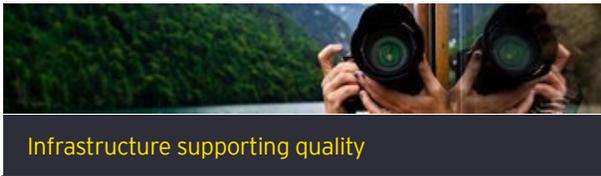
Member firms are subject to reviews to evaluate adherence to EYG requirements and policies governing issues, such as independence, quality and risk management, audit methodology and talent. Member firms unable to meet quality commitments and other EYG membership requirements may be subject to termination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

For more information, see the EY US audit quality report.



Commitment to Sustainable Audit Quality

Commitment to Sustainable Audit Quality



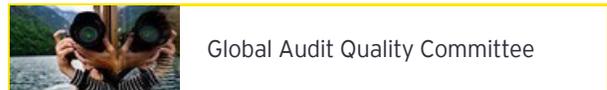
NextWave is the EY global strategy and ambition to deliver long-term value to clients, people and society. It has put EY in a strong position to adapt and innovate, while the EY purpose of *building a better working world* continues to inspire EY people not only to serve clients, but also to use EY knowledge, skills and experiences to support the communities in which we live and work. The insights and quality services EY member firms deliver help enhance trust in business and the capital markets in support of sustainable, long-term value creation.

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

Using a data-first approach, enabled by analytics and digital tools, EY teams continue to deliver high-quality audits with independence, integrity, objectivity and professional skepticism. The data-first approach also enhances EY teams' risk assessments. EY US provides its audit professionals with additional training and enablement to help detect fraud.

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

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

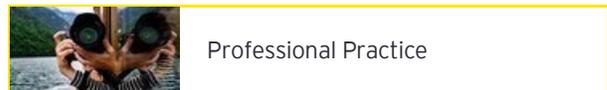


The EY Global Audit Quality Committee (GAQC) is an important element of the culture of continuous improvement. It comprises senior leaders from across the EY organization with extensive, diverse and highly relevant experience. The GAQC advises EY Assurance leadership on the many aspects of the organization's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

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



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



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

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

Our US Professional Practice Group customizes the requirements of EY GAM to comply with the relevant auditing standards applicable in the US (e.g., standards of the Public Company Accounting Oversight Board and the American Institute of Certified Public Accountants). It also develops and deploys guidance and training on US auditing and accounting standards and financial reporting requirements.



Risk Management

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

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

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

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

As the world emerges from the the COVID-19 pandemic, Global Risk Management has actively sought input from EY member firms on lessons learned from both crisis management and business continuity standpoints. This process has generated significant changes to EY planning around its crisis response and management of crises at the member firm and global levels. The fundamental change is a higher degree of proactiveness, especially in identifying emerging risks before they cause significant impact, and the prioritization of risks by each member firm.

Additionally, Global Risk Management has placed more focus on business resiliency in business continuity planning efforts in EY. A key component of this approach is the recognition that many crises do not just 'happen;' there are usually indicators of escalating factors as a crisis unfolds. This approach allows EY member firms to begin addressing mitigation of risks while continuing to carry on 'business as usual' at the very early stages of a potential business impact situation. The creation of 'escalation matrixes' around several ongoing and high chance geo-political events allowed EY member firm and Region Risk Management crisis management teams to respond more rapidly and more effectively as events escalate.



Global Confidentiality Policy

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

- ▶ Social media guidance
- ▶ Information-handling requirements



Global personal data protection policy

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



Components of our audit quality control program

In the following sections, we describe the principal components of the audit quality control program, which EY US follows:

- ▶ Instilled professional values
- ▶ Internal quality control system
- ▶ Client acceptance and continuance
- ▶ Performance of audits
- ▶ Review and consultation
- ▶ Rotation and long association
- ▶ Audit quality reviews
- ▶ External quality assurance reviews
- ▶ Root cause analysis
- ▶ Compliance with legal requirements



Instilled professional values



Sustainable Audit Quality

The Sustainable Audit Quality (SAQ) program has given us a head start on implementing the International Standards on Quality Management, namely ISQM 1 and ISQM 2, because:

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

There are six SAQ pillars: tone at the top, exceptional talent, simplification and innovation, audit technology and digital, enablement and quality support, and accountability.

Significant progress has been made through SAQ. EY US' internal and external inspection findings provide us with valuable information about how we can continuously improve audit quality.

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

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



Tone at the top

EY US' 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. EY people also understand that quality and professional responsibility start with them, and that within their teams and communities, they are leaders too. EY shared values, which inspire EY people and guide them to do the right thing, and the EY commitment to quality are embedded in who we are and in everything we do.

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

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



Global Code of Conduct

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

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



Whistleblowing

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

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

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



Diversity, equity and inclusiveness

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

EY has been on a DE&I journey for many years, and while substantial progress has been made, under the global NextWave strategy and ambition, EY has committed to increasing DE&I progress throughout the organization.

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



Internal quality control system



Structure

EY US' 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.



Effectiveness of the 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 US 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.



Implementation of ISQM 1

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

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

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

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

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

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

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

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

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

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

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

The results of the SQM testing program, our Audit Quality Review (AQR) program and external inspections are evaluated within EY US to provide the basis for continual improvement in audit quality, consistent with the highest standards in the profession.



Audit quality indicators

Assurance leadership monitors the execution of the EY strategy and vision by local geographies through a combination of internal metrics or audit quality indicators (AQIs). These include: external and internal inspection results; Milestones performance, which helps audit teams stay on pace with their audit execution; people surveys; and retention rates.

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

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



Client acceptance and continuance



Global policy on client and engagement acceptance

The EY global policy on client and engagement acceptance sets out principles for member firms to determine whether to accept a new client or a new engagement, or to continue with an existing client or engagement. The objectives of the policy are to:

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

In addition, the EY global policy on conflicts of interest defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for mitigating potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards.



Putting policy into practice

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

Before taking on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and whether the services the client wants are appropriate for us to provide.

In the EY annual client and engagement continuance process, we review our service and ability to continue to provide a quality service and confirm that clients share EY US' 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.



Performance of audits

EY continuously invests in improving audit methodologies and tools.



The EY Digital Audit

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

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

1. **Connecting** teams and companies

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

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

2. **Automating** audit procedures and processes

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

- ▶ Centralization: data capture
- ▶ Standardization: Global Delivery Services
- ▶ Automation: EY Smart Automation

3. **Analyzing** data, including with emerging technology

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

- ▶ EY Helix data analyzer library
- ▶ Artificial intelligence
- ▶ EY Blockchain Analyzer
- ▶ Digital Global Audit Methodology

Connecting

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

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

Automating

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

Analyzing

EY member firms' audit teams are making data analysis integral to their audits. Audit teams take large populations of entity data and apply globally consistent technology (EY Helix) and methodology (EY Digital GAM) to audit that data and replace or supplement more traditional audit procedures, such as sampling.

EY Helix is a library of data analyzers, supported by specific audit programs and enablement. These data analyzers are transforming audits through the analysis of larger populations of audit-relevant data, identifying unusual patterns and trends in that data, and helping to direct audit effort.



Audit methodology

Driving the application of this innovative technology is EY Digital GAM. All procedures, including risk assessment and substantive procedures start with a data-first mindset, by analyzing relevant financial and non-financial data and supplementing this with traditional audit techniques, such as inquiries, observations and inspection.

EY Digital GAM sits under the umbrella of EY GAM.

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgments and procedures in all audit engagements, regardless of the size. EY GAM also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments; reconsidering and modifying them as appropriate; and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also 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 EY US to comply with the Public Company Accounting Oversight Board (PCAOB) and American Institute of Certified Public Accountants (AICPA) auditing standards and regulatory or statutory requirements.

EY auditors access EY GAM via EY Atlas, an online proprietary tool. EY GAM is organized by topic and helps EY auditors focus on financial statement risks. EY GAM further helps EY auditors design and execute the appropriate audit response to the identified risks. Recently, EY GAM was updated for the requirements of ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, and a suite of enablement to implement the new and revised requirements was issued.



Certification of technology

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

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



Formation of audit teams

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

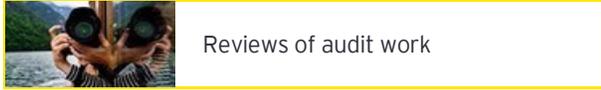


Fraud

At a global level, EY is committed to addressing stakeholders' questions about the auditor's role in fraud detection.

Actions the EY organization has taken to address this important area of the audit, include:

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



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

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

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

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



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

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

In the interests of objectivity and professional skepticism, EY policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the entity to which the consultation relates. In these circumstances, other appropriately qualified individuals would be assigned.

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



Engagement quality reviews

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

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

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



Audit engagement team resolution process for differences of professional opinion

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

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

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

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

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



Rotation and long association

EY supports mandatory audit partner rotation to help reinforce auditor independence. EY US complies with the audit partner rotation requirements of the International Ethics Standards Board for Accountants (IESBA) Code, as well as the U.S. Securities and Exchange Commission (SEC), where required. EY US supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and is an important safeguard of audit quality.

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

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

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

For US SEC issuer audit clients, including Foreign Private Issuers, the EY Global Independence Policy requires the lead audit engagement partner and the engagement quality reviewer to rotate after five years with a cooling-off period of five years. Other audit engagement team partners for a US SEC issuer audit client are required to rotate off after seven years with a cooling off period of two years.

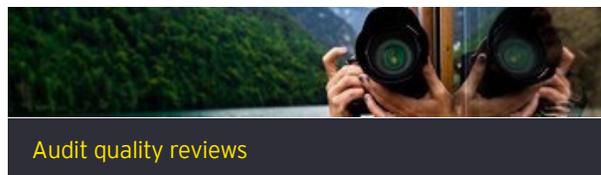
EY also has established a long association safeguards framework. It is consistent with the requirements of the IESBA Code and includes consideration of the threats to independence created by the involvement of professionals over a long period of time and a safeguards framework to address such threats.

We employ tools to effectively monitor compliance with internal rotation, and requirements for audit partners and other professionals who have had a long association with the audit client. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.



External rotation

For EU public interest entities, we comply with the external audit firm rotation requirements of Article 17(1) of the EU Audit Regulation.



The EY Global AQR program is the cornerstone of the EY process to monitor audit quality. EY US executes the Global AQR program, reports results and develops responsive action plans. The Global AQR program complies with requirements and guidelines in ISQC 1, as amended, and is supplemented, where necessary, to comply with US professional standards and regulatory requirements.

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

The Global AQR program includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements, and public interest entities and non-public interest entities, to measure compliance with internal policies and procedures, EY GAM requirements, and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit assurance engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures for executing non-audit assurance services. In addition, practice-level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set out in ISQC 1.

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

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

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



External quality assurance review

The PCAOB issued Part I of its report on the 2020 inspection of EY US, dated 30 September 2021, on 1 November 2021.

We expect the PCAOB to issue Part I of its report on the 2021 inspection of EY US in the coming months. The PCAOB is still conducting procedures for the 2022 inspection of EY US.

Part II observations about a firm's system of quality control are only released publicly if the PCAOB determines that a firm has not addressed the deficiencies to its satisfaction within 12 months of the report date. In October 2022, the PCAOB updated our 2018 inspection report posted on its website to include Part II after determining that the Firm had unsatisfactorily addressed its criticisms related to compliance with the Firm's independence policies for reporting personal financial relationships. We understand and accept the criticisms and are taking actions, including proactively reaching out to our professionals and working with them to update their reporting. While the remedial measures we have taken have contributed to improvements in compliance, we agree with the PCAOB that we have more work to do.

Information on the PCAOB along with publicly available inspection reports can be found at www.pcaobus.org.

EY US also participates in the peer review program of the American Institute of Certified Public Accountants (AICPA) that requires a triennial review of our system of quality control for EY US' accounting and auditing practice for non-SEC filers. In a peer review, firms can receive a rating of pass, pass with deficiency(ies) or fail. Grant Thornton LLP issued a report with a pass rating, dated 12 December 2019, in connection with EY US' 2019 peer review. The report is available on the AICPA website at www.AICPA.org. We expect Grant Thornton LLP to issue its report on EY US' 2022 peer review within the coming months.



Root cause analysis

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



Compliance with legal requirements

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



Anti-bribery

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



Insider trading

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

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



Economic and trade sanctions

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



Data protection

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



Document retention

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

For more information, see the EY US audit quality report.



Independence practices

Independence practices

Our independence in fact and appearance is critical to the public interest and the proper functioning of capital markets.

The EY Global Independence Policy requires EY US and our people to comply with the independence standards applicable to specific engagements (e.g., the IESBA Code of Ethics and AICPA Code of Professional Conduct along with the SEC, PCAOB and other federal and state regulations).

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



Independence Policies

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

The EY US Independence Policy sets forth the requirements for EY US and its professionals with respect to the most common independence matters and is designed to comply with or exceed the applicable independence requirements of SEC Rule 2-01 of Regulation S-X, the PCAOB independence standards, and the AICPA Code of Professional Conduct. The US Independence Policy meets the requirements of the EYG Independence Policy. EY US and its professionals, by following the US Independence Policy and Guidance, will be in compliance with the EYG Independence Policy. Both the EY Global and the EY US Independence policies are readily accessible and easily searchable on the EY intranet.



Global Independence System (GIS)

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



Global Monitoring System (GMS)

The GMS is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. When a proscribed security is entered or if a security professionals already holds becomes proscribed, they receive a notice and are required to dispose of the security. Identified exceptions are reported through an independence incident reporting system for regulatory matters.

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



Independence compliance

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



Independence confirmation

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

All EY professionals, and certain others, are required to confirm compliance with independence policies and procedures at least once a year. Audit executives are required to confirm compliance quarterly.



Independence compliance reviews

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



Personal independence compliance testing

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



Non-audit services

EY monitors compliance with professional standards, laws and regulations governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as PACE (see page 16) and the Service Offering Reference Tool (SORT) (see below), and training and required procedures completed during the performance of audits and internal inspection processes. There is also a process in place for the review and approval of certain non-audit services in advance of accepting the engagement.



Global independence learning

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

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

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



Service Offering Reference Tool (SORT)

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

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



Business Relationships Independence Data Gathering and Evaluation (BRIDGE)

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



Audit committees and oversight of independence

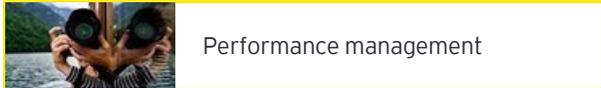
We recognize the important role audit committees and similar corporate governance bodies undertake in the oversight of auditor independence. Empowered and independent audit committees perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are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

For more information, see the EY US audit quality report.



Investing in
exceptional
talent and
continuing
education

Investing in exceptional talent and continuing education



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

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

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



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

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

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



Professional development

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

Badges are awarded based on globally consistent criteria and act as a digital credential that the recipient can include on their CV, wherever their career may subsequently take them, to demonstrate what they have learned as part of their EY experience.

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

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

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

In June 2022, the US SEC announced a settled order against EY US concerning conduct that was discovered in an extensive internal investigation and voluntarily shared with the PCAOB. The order refers to incidents in the past of inappropriate and unacceptable answer sharing on continuing professional education and, by some individuals, on the ethics exams required to earn or maintain a Certified Public Accountant (CPA) license. EY US's response to this unacceptable behavior has been thorough, extensive and effective. EY US has reinforced the EY commitment that all EY people act with integrity and ethics through training, communications, ongoing monitoring and discipline.



Knowledge and internal communications

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

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



Revenue and remuneration

Revenue and remuneration



Financial information

Revenue includes expenses billed to clients, and revenues related to billings to other EYG member firms. Revenue amounts disclosed in this report include revenues from both audit and non-audit clients.

Financial information for the period ended on 1 July 2022 expressed in US dollars

Service	Revenue (in billions)	Percent
Audits and directly related services for companies we audit listed in EU	\$0.1	0.5%
Other audits and directly related services	\$4.8	25.1%
Non-audit services provided to companies we audit listed in EU	\$0.01	0.1%
Non-audit services provided to other entities	\$14.2	74.3%
Total revenue	\$19.1	100%



Partner remuneration

EY US partners are evaluated and compensated based on criteria that include specific quality and risk management indicators. Equally, when EY US partners do not adhere to quality standards, remedial actions are taken. These may include performance monitoring, compensation adjustment, additional training, additional supervision or reassignment – or, in instances of repeated or particularly serious non-compliance, separation from EY.

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

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

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

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

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

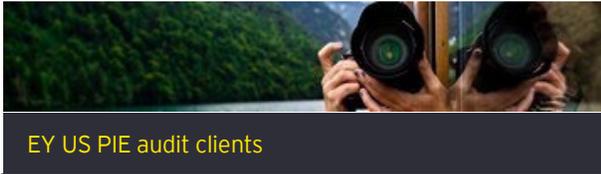
To recognize different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

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



Appendix 1: list of PIE audit clients

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In the most recent EY US annual report filed with the PCAOB at the end of June 2022, we listed all audit reports issued during the annual period ended 31 March 2022 with respect to the financial statements of US SEC issuers. The information on such audit reports and public interest entities was provided in Item 4.1 of PCAOB Form 2 – Annual Report Form. The PCAOB website can be found at pcaobus.org, where such information is available electronically. The list below includes EY US’ relevant audit clients whose transferable securities are admitted to trading on a regulated market within the EU as of 1 July 2022.

AT&T Inc.

IKB Funding Trust I

McDonald’s Corporation

Nestlé Holdings, Inc.

Walmart Inc.



Appendix 2: approved EYG member firms

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List of approved EYG member firms in an EU or EEA Member State

As of 1 July 2022, the following EYG member firms are approved to carry out statutory audits in an EU or European Economic Area (EEA) Member State:

Member state	Statutory auditor or audit firm
Austria	Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.
Belgium	EY Assurance Services SRL
	EY Bedrijfsrevisoren SRL
	EY Europe SRL
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young d.o.o.
Cyprus	Ernst & Young Cyprus Limited
	Ernst & Young
	Ernst & Young CEA (South) Services Ltd
	Ernst & Young CEA (South) Holdings Plc
Czech Republic	Ernst & Young Audit, s.r.o.
Denmark	EY Godkendt Revisionspartnerselskab
	EY Grønland Godkendt Revisionsanpartsselskab
Estonia	Ernst & Young Baltic AS
	Baltic Network OU
Finland	Ernst & Young Oy
France	Artois
	Auditex
	Ernst & Young Audit
	Ernst & Young et Autres
	EY & Associés
Picarle et Associes	
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young Heilbronner Treuhand-GmbH Wirtschaftsprüfungsgesellschaft
	EY Revision und Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Treuhand-Süd GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
	TS GmbH Wirtschaftsprüfungsgesellschaft
	TS Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Schitag Schwäbische Treuhand GmbH Wirtschaftsprüfungsgesellschaft

Member state	Statutory auditor or audit firm
Greece	Ernst & Young (Hellas) Certified Auditors Accountants S.A.
Hungary	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Iceland	Ernst & Young ehf
Ireland	Ernst & Young Chartered Accountants
Italy	EY S.p.A.
Latvia	Ernst & Young Baltic SIA
Liechtenstein	Ernst & Young AG, Basel
	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young AG, Vaduz
Lithuania	Ernst & Young Baltic UAB
Luxembourg	Ernst & Young Luxembourg S.A.
	Ernst & Young S.A.
Malta	Ernst & Young Malta Limited
Netherlands	Ernst & Young Accountants LLP
Norway	Ernst & Young AS
Poland	Ernst & Young Audyt Polska sp. z o.o.
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Finance sp. k
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Doradztwo Podatkowe sp. k.
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
	Ernst & Young Usługi Finansowe Audyt sp. z o.o.
Portugal	Ernst & Young Audit & Associados – SROC, S.A.
Romania	Ernst & Young Assurance Services SRL
	Ernst & Young Support Services SRL
Slovakia	Ernst & Young Slovakia, spol. s r.o.
Slovenia	Ernst & Young d.o.o.
Spain	ATD Auditores Sector Público, S.L.U
	Ernst & Young, S.L.
Sweden	Ernst & Young AB

Total turnover for the year ended on 30 June 2022 for these EYG member firms, resulting from statutory audits of annual and consolidated financial statements was approximately €2.34 billion.

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