Our commitment to audit quality
Information for audit committees, investors and other stakeholders
Ernst & Young LLP | November 2018
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Audit committees, investors and other stakeholders

We are pleased to present our 2018 report on the commitment of Ernst & Young LLP (EY US or the Firm) to audit quality.

Our purpose is Building a better working world. We know that as independent auditors, we have an important responsibility to promote trust and confidence in the capital markets by delivering high-quality audits. We are deeply committed to our responsibility to serve investors and the public interest.

One of the ways that we fulfill that responsibility is by providing our stakeholders with a better understanding of how we conduct high-quality audits and what we are doing to continuously improve audit quality. The purpose of this report is to provide transparency about our audit practice. This year, we are providing even more data and context about our audit practice.

We are living in a transformative age. Technology is reshaping every aspect of business, including ours. This year’s report focuses on our own transformation efforts to create a truly digital audit that further enhances audit quality. At the same time, we are continuing to enhance the quality of our audits by simplifying our processes to identify and address audit risks, and in doing so, better enabling our teams to focus on what matters most in an audit.

The combined skills, knowledge and mindsets of our people remain our most important asset to deliver high-quality audits. This report describes how we are attracting, training, engaging and retaining our audit professionals, starting with a culture based on integrity, respect, teaming and doing the right thing. We also describe how our multidisciplinary model provides critical knowledge to enhance the quality of our audits and how we are building the workforce of the future.

EY US is committed to conducting globally consistent, high-quality audits sustained over time. In this year’s report, we describe our focus on audit quality throughout the EY global organization.

The need for trust and confidence in financial reporting in our capital markets has never been greater, and auditors play an important role in this regard. We hope this report provides you with a better understanding of our commitment to delivering high-quality audits to help meet those needs. We welcome any comments and questions you may have about the matters discussed in this report. Please contact an EY US partner for more information.

Kelly J. Grier
US Chairman and Managing Partner
Ernst & Young LLP

Francis C. Mahoney
US Vice Chair of Assurance
Ernst & Young LLP
Our commitment to audit quality
A snapshot of key metrics

Our audit portfolio

We audit

**six** of the top 10 companies in the Fortune 500

and

30% of Fortune 500 companies

Public companies we audit

939

Our people

10,490

US audit professionals, by rank

Percentage of our new US audit partners who are women or minorities

47%

Percentage of US public company audit hours generated by specialists

17.9%

10.1%  6.7%  1.1%

Percentage of teams using EY Canvas

100%

Percentage of teams on large US public company audits incorporating EY Helix data analyzers into their audits

90%

Executing high-quality audits

Ratio of Quality Network and Professional Practice partners to audit partners

1:6

Innovating the audit

Retention of top-rated professionals

90% senior managers and managers

80% seniors and staff

Average overtime hours for US audit non-partners decreased

20% since the end of fiscal 2015

More than

800 data analytic professionals help our audit teams

Our commitment to audit quality
Our commitment to audit quality

Performing high-quality audits with independence, integrity, objectivity and professional skepticism is at the heart of our responsibility as auditors to serve the public interest – a responsibility we take most seriously.

**Tone at the top and accountability**

Our commitment to quality starts at the top of our organization. We set a clear tone from the top by establishing and maintaining a culture that starts with our commitment to quality, our emphasis on values, our global mindset and our focus on diversity and inclusiveness. Our leaders communicate that the most important responsibility of our people is executing high-quality audits. We hold all of our professionals accountable for the quality of their work, including our leaders and professionals from other service lines who execute audits.

**Our values**
- 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

We promote a culture of integrity among our professionals. We have a [Global Code of Conduct](#) that auditors at EY member firms around the world are required to confirm compliance with each year. That Code of Conduct discusses how we work with one another and the companies we audit, act with professional integrity, maintain our objectivity and independence and protect confidential information.

Over the past year, we have amplified our messaging about the specific behaviors that contribute to audit quality and how our professionals can incorporate them into their daily activities. These behaviors include remembering that we are here to serve the public interest, exercise professional skepticism and always act with integrity and do the right thing. Our partners reinforced the importance of demonstrating these behaviors in audit team meetings and in our training.
We demonstrate the following behaviors ...

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| Confidence and courage| ▶ Know and demonstrate what needs to be done to execute on a quality audit  
▶ Know when we need help and actively seek it  
▶ Are objective and inquisitive and have a skeptical mindset throughout the audit  
▶ Know the business of the company we audit and the relevant risks |
| Say what needs to be said | ▶ Call it like we see it  
▶ Have open and direct communications  
▶ Hold ourselves and each other accountable for our work |
| Leading the way       | ▶ Strive to continuously improve by proactively developing our skills and expertise  
▶ Remember that investors are our ultimate client  
▶ Always act with integrity, follow high ethical standards and do the right thing |
“At EY, our purpose is building a better working world. As independent auditors, we do that by delivering high-quality audits that promote trust and confidence in the capital markets.”

Kelly J. Grier
Chairman and Managing Partner

Delivering high-quality audits across the globe
We are a member of a global organization that is committed to globally consistent, high-quality audits sustained over time. Auditors at all EY member firms around the world use the same audit methodology and related tools, and they are evaluated against common internal quality objectives, regardless of their location.

The EY global organization’s Sustainable Audit Quality (SAQ) program continues to be the top focus for the Assurance practice at EY member firms around the world, and it reflects our commitment to conducting globally consistent high-quality audits over time. This program is helping EY member firms recruit, develop and retain the right people, embrace innovation, encourage simplification and monitor our performance to help us continuously improve what we do.

Working with EY Global Assurance leaders, the Global Audit Quality Committee, which includes executives from our US audit practice, monitors and oversees quality globally. It also considers strategy and policy decisions, highlights leading practices and identifies and addresses emerging quality issues.

Over the past year, the EY global organization has continued to invest in technology, training and its Global Quality Network, which advises, supports and enables our people, and implements our quality initiatives around the world.

The EY global organization’s award-winning Audit Academy offers consistent audit training across the world for auditors who perform audits in accordance with Public Company Accounting Oversight Board (PCAOB) standards.

Independent advice on audit quality
We believe in the power of diverse points of view in all aspects of our business. This includes harnessing the value of independent perspectives to help further strengthen audit quality, risk management and our Firm’s system of quality control. That’s why we are forming a three-member Independent Audit Quality Committee (IAQC) to provide the leaders of the US firm with insights, feedback and advice in delivering on our commitment and responsibility to all our stakeholders in the public interest. Securities and Exchange Commission (SEC) leaders have also observed the benefits of independent, diverse thinking brought by outside leaders to support audit quality and the public interest.

The IAQC will comprise seasoned leaders with highly relevant experiences that are diverse yet complementary. The IAQC will be connected to the full spectrum of audit quality initiatives at EY US, including our implementation of the EY global organization’s SAQ efforts. Our IAQC will be a forum for us to obtain feedback on the many aspects of the US firm’s business, operations, culture, talent strategy, governance and risk management that affect audit quality.

We believe that gaining the insight and advice of independent advisers with diverse backgrounds will help strengthen our ability to fulfill our important role of delivering high-quality audits that build confidence in the US and global capital markets.

Globally, EY’s Global Governance Council (GGC) is the governance body for Ernst & Young Global Ltd, EY’s global coordinating body. Since 2011, the GGC has included up to six independent non-executive directors. These independent non-executive directors also serve on a Public Interest Committee of the GGC, which is
focused on all aspects of quality and risk across the EY global network, including audit quality. This integrated approach to global governance is a hallmark of EY’s commitment to globally consistent high-quality audits.

Transparency and engagement
We are committed to making our audits and audit quality initiatives more transparent by providing information in this report about how we conduct our audits and what we are doing to continue to enhance our system of quality control. We make this report available to all of our stakeholders, and our partners discuss it with audit committees as part of their communications about inspection findings and what we are doing to address risks in individual audits.

To prepare for implementation of this new auditing standard, all of our teams auditing large accelerated filers are now identifying matters we might consider to be CAMs in future auditor’s reports and drafting and discussing them with audit committees and management. In doing so, we are using this opportunity to deepen the conversation about audit quality, by further discussing our risk assessments and related procedures.

Embracing change
We are living in a transformative age with continuous change. To prepare our professionals, we are providing them with the guidance, training and tools they need to navigate the most significant changes in accounting standards, US income tax law and auditor reporting in decades. We are also proactively preparing our professionals for a truly digital audit that uses our data analytics and other emerging technologies in every phase of the audit.
Our objective with the implementation of any new standard is to get it right the first time. That means thoughtfully developing our accounting and auditing guidance well in advance of implementation and developing the enablement resources needed for our audit teams to identify, assess and respond to issues. Our approach also includes having our audit teams proactively meet to discuss how the companies we audit will be affected and how our teams should respond to the resulting risks.

We also monitor companies’ readiness to adopt the new standards and our teams’ progress in auditing the related adoption. We discuss our risk assessments with management and the audit committee and update the audit committee well in advance of the adoption of the new standards to discuss the company’s progress and the risks involved.

We continue to publish thought leadership and host webcasts on the key areas of interest to our stakeholders, such as major new accounting standards, the new tax law, trends in SEC staff comment letters and the SEC’s focus on disclosures about the growing risks related to cybersecurity. We also publish our analyses of disclosures that audit committees at Fortune 100 companies make to shareholders about their oversight of the audit and disclosures these companies make about cybersecurity risks and risk management.

In addition, we continue to share our views about how to make annual and interim financial reporting more effective. Meanwhile, our global organization is working with companies, asset managers and investors to further develop EY’s framework for supplemental reporting on a company’s long-term value creation.

Information security
Safeguarding the confidentiality of information we receive from the companies we audit is core to our information technology (IT) strategy and operating model.

We maintain a globally consistent and regionally based approach to information security that incorporates aspects of people, process and technology in how we protect information and technology assets. We invest heavily in protective and detective technologies, and we monitor our systems. One of the most important elements of our strategy is maintaining a security-aware culture.
Our multidisciplinary strategy
We are committed to a multidisciplinary model because it provides the structure, breadth and depth of technical skills and industry expertise necessary to deliver high-quality audits.

Industries are converging and business models are increasingly complex and changing more rapidly than ever. Access to the additional resources available in a global multidisciplinary organization, such as valuation, tax, IT and risk professionals, enhances the quality of the audits of these complex businesses.

Our multidisciplinary model also gives us the scale and resources to invest in the digital audit and blockchain, robotics, artificial intelligence and other cutting-edge technologies that are reshaping the way information is gathered and analyzed. Quality audits depend on a broad team with diverse skills, delivered based on a culture of shared values.

Specialists play an important role in the audit to help address the increasingly complex IT environments, technical tax matters and valuation issues.

IT specialists accounted for 10.1% of US public company audit hours. Tax and valuation specialists’ time represented 6.7% and 1.1% of total US public company audit hours, respectively. Total specialists’ involvement was consistent with last year.

Financial information
Total revenue for EY US (which includes expenses billed to the companies we audit and revenue for work we performed for other EY member firms) for our fiscal year ended 1 July 2018 was $14.0 billion.

Our Assurance service line generated 31% of EY US revenue. Our other service lines, Advisory, Tax and Transaction Advisory Services, generated 32%, 28% and 9% of our revenue, respectively, including revenue related to supporting our audits. Including that audit-related revenue in our Assurance service line would bring total Assurance revenue to 36% of EY US revenue.

In our previous fiscal year, total revenue for EY US was $13.0 billion, and the breakdown by service line was 32% from Assurance, 31% from Advisory, 29% from Tax and 8% from Transaction Advisory Services.

“Our multidisciplinary model provides the breadth and depth of technical skills and industry expertise necessary to deliver high-quality audits. It also gives us the scale and resources to invest in the digital audit and other cutting-edge technologies that are reshaping the way information is gathered and analyzed.”

Francis C. Mahoney
Vice Chair of Assurance
Innovation and continuous improvement

We are deploying a truly digital audit that improves audit quality by bringing a new level of insight, perspective and execution to the audit. We are also continuing to innovate and leverage state-of-the-art technology to further enhance the quality of our audits.

Leveraging technology to improve audit quality
We are continuing to advance our capabilities in executing a truly digital audit. We are leveraging our unique global EY Canvas digital audit platform and using our EY Helix data analytics throughout the audit to help us develop an even deeper understanding of a business and its financial reporting, enhance our ability to perform our risk assessments and obtain better-quality audit evidence. It also means using emerging technologies such as artificial intelligence and blockchain.

All of our teams use our EY Canvas platform to apply our audit methodology and manage their day-to-day audit work. Our teams can use our new Client Portal feature to communicate securely with management and track their requests for information and the responses they receive.

Our EY Canvas audit platform is the foundation of our audit technology. All EY teams around the world use it to apply our audit methodology and manage their day-to-day audit work. This global platform better enables our audit teams on multinational audits to communicate with EY teams from different member firms and monitor their progress in the audit. Our new Client Portal feature simplifies our communication with the companies we audit, enabling both our teams and the companies we audit to receive real-time updates.

Our EY Helix suite of data analytics can be embedded in every significant aspect of an audit, regardless of size. Our auditors can use them to analyze full populations of data generated by the companies we audit.
The digital audit

Digital Reporting
EY Canvas Dashboard
Artificial Intelligence
Helix Analyzers

Risk and Scope Analyzer
Interim | Quarterly Review Analyzer
Large Scale Automation

Canvas – the hub
Delivering connectivity across our end-to-end audit – and the companies we audit via the EY Canvas Client Portal

Conclusion
Scope and strategy
Execution
As a result, our auditors can more readily identify risks and concentrate on focusing on the most important risks in an audit rather than collecting data. Professional skepticism and the quality of audit evidence are increased with this information more readily available.

To accelerate our use of technology in our audits, our US teams held digital planning sessions this year to incorporate the use of our EY Helix data analytic technology and our digital audit programs into their audit approach. We also launched the 10X Accelerator, a specialized team of data and audit professionals who focus on enabling our audit teams to effectively implement our digital audit technology.

More than 800 data analytic professionals, up 45% from 550 last year, help our audit teams capture and use the data produced by the companies we audit. We also significantly expanded our training on how to use our analyzers effectively.

Our EY Helix analyzers can be used in audits of all sizes, and 90% of our teams on large public company audits have incorporated the use of these analyzers into their audits.

The graphic below lists the analyzers in our current EY Helix portfolio. In addition, we continue to develop sector-specific solutions such as a lease revenue analyzer that we can use to identify items for follow-up in audits of real estate investment trusts.

“We have integrated our EY Canvas audit platform with our EY Helix suite of data analytics to change the way we audit, deliver valued insights and focus on the things that matter most.”

Scott Zimmerman
Assurance Innovation Digital Leader
How we are using our EY Helix suite of data analytics:

Our teams use our EY Helix analyzers to obtain better-quality evidence than they can collect using a traditional sampling approach. They also use the analyzers to assess risks during the planning stage of an audit and to identify transactions for follow-up.

For example, we can use the EY Helix GL Analyzer to analyze complete populations of general ledger data to present a fuller picture of revenue-related activities and to identify the risks that matter. We can then segment the data into different populations and design procedures to identify transactions that do not meet our expectations and therefore warrant follow-up.

Our people are excited about using technology to audit more effectively and ask better, more specific questions that get to the heart of what the data is telling us.

Other audit technology

We are making significant investments to both take advantage of emerging technologies and to proactively address technological changes at the companies we audit. For example, we’re testing a tool that uses artificial intelligence to “teach” a computer to identify key terms in contracts, even when different words are used. Using the tool will help us more readily identify key provisions in contracts and allow our professionals to spend more time analyzing the data and focusing on the related audit risk.

We also have a proprietary EY Blockchain Analyzer to review cryptocurrency business transactions. The analyzer is designed to help our audit teams gather an organization’s entire transaction data from multiple blockchain ledgers, reconcile the data with what is in the company’s records and identify items for follow-up. We are also preparing for the day when companies will embed groundbreaking technologies such as blockchain, a form of distributed ledger technology, into their financial processes so we can audit those processes.

New approach for understanding business processes

We have reimagined the audit to drive a deeper understanding of key business processes and the risks on which we need to focus.

Our new approach incorporates team-based analysis of end-to-end business processes and the related risks and controls. With that understanding, we are asking management better questions and focusing our procedures on the most important risks.

Through these meetings, our senior executives are taking the opportunity to provide even more timely on-the-job coaching and supervision as the work is being performed. This enriches the experience of our people and enables them to resolve issues early in the audit.

We have significantly simplified how we document our procedures. Rather than using long-form narratives, we are documenting the risks and responsive controls in flowcharts that enable us to more readily pinpoint risks. We are already realizing the benefits to audit quality of this new approach. Our efforts are also getting management to challenge and enhance its own risk assessments and documentation of business processes.

We’re applying this new approach on all of our integrated public company audits, and it is one of the ways that we’re taking bold actions to continue to enhance audit quality.

“Serving the public interest requires a commitment to continuously improving audit quality. For us, that means leveraging technology, taking fresh approaches to how we assess risks in an audit and getting it right the first time when adopting new standards.”

David Kane
Vice Chair of Professional Practice
Delivering high-quality audits requires high-performing teams comprising talented, diverse and motivated professionals. That’s why attracting, developing, inspiring and retaining great people and promoting an inclusive culture are central to our purpose.

**Attracting exceptional talent**

We recruit talented people who share our values and our commitment to serving the public interest. We have a deep commitment to enhancing the growth and development of our professionals and hiring people with the right skills and experiences for the future.

This year, we hired nearly 2,100 people from college and university campuses, roughly the same number as in previous years. Given the growing importance of technology to our audits, we are focused on hiring more people who have both an accounting degree and a major or minor in management information systems, data analytics or computer information systems. We believe these individuals are uniquely positioned to help us execute a truly digital audit.

In our campus recruiting, we stress the importance of the work we do as auditors, our vision of the digital audit and the value of the EY brand. Our reputation as a great place to work enhances our ability to attract great people. For example, we are the only Big Four firm to have made Fortune magazine’s 100 Best Companies to Work For list for 20 consecutive years, and we’re one of only 17 companies to have achieved this honor for that long.

In our 2018 Global People Survey, 90% of our EY US audit professionals said they are proud to work for EY.

We also have received recognition from other groups. For the third consecutive year, EY US ranked first among professional services employers in Universum’s annual Most Attractive Employer rankings for the US.
EY US is widely recognized as a great place to work, as demonstrated by the following:

- Fortune magazine’s 100 Best Companies to Work For® list for the 20th consecutive year
- Universum’s annual Most Attractive Employer rankings for the US (EY US was ranked 1st for professional services)
- DiversityInc’s Top 50 Hall of Fame recognition for companies that have achieved a No. 1 ranking on the publication’s Top 50 Companies for Diversity list

Leveraging diversity and promoting inclusiveness

We believe that high-performing teams maximize the power of diverse opinions, perspectives and backgrounds and conduct higher quality audits. These teams are both diverse and inclusive. Our commitment to diversity and inclusiveness (D&I) is a key element of our culture. We also work hard to make sure that all of our people feel that their ideas matter. When that happens, we believe our people bring out the best in each other.

To measure our progress, we look at various metrics, including the percentages of women and minorities we recruit and promote into leadership positions. This year, 47% of the audit professionals we promoted to partner are women or minorities. In our campus hiring, 46% of our recruits in fiscal 2018 were women and nearly 35% were minorities.

Our commitment to D&I is also reflected in our leadership. Kelly J. Grier is the chairman of EY US, and eight of the 17 members on our US Executive Committee are women or minorities.

Our chairman is one of 500 CEOs who have pledged to promote diversity and inclusiveness through the CEO Action for Diversity and Inclusion Initiative. In 2018, the Firm made a formal commitment to pay equity. We are taking steps to promote pay equity, including conducting annual pay gap analyses.

We’re proud of our achievements on diversity and inclusion but recognize that we still have work to do. While our retention rate of 71% for non-partner women and minorities has improved slightly over the past three years, it is still lower than our overall retention rate of 78%. We actively monitor these percentages and are committed to retaining our top-performing women and minorities.

We also monitor the percentage of partners in charge of audits who are women or minorities. This percentage rose to 23% from 21% last year. The percentage of women who lead our most complex multinational audits is also rising. We expect women to lead 19% of these audits for periods beginning in 2019, up from 11% two years earlier.

Through our Navigating My Career program, we provide leadership training to help our minority auditors advance their careers. Our auditors at the staff and senior ranks are participating in virtual learning sessions about the importance of building a brand and networking strategically early in their careers, and our managers are assessing their leadership potential and identifying experiences they need to fill any gaps.

### Percentage of new US audit partners who are women or minorities

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2012</td>
<td>31%</td>
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<tr>
<td>2013</td>
<td>36%</td>
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<tr>
<td>2014</td>
<td>37%</td>
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<tr>
<td>2015</td>
<td>41%</td>
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<tr>
<td>2016</td>
<td>43%</td>
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<tr>
<td>2017</td>
<td>43%</td>
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<tr>
<td>2018</td>
<td>47%</td>
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We also sponsor a wide variety of professional networks to provide opportunities for our people, including their allies, to connect with one another and Firm leadership, share their experiences and get advice. They include our Black Professional Network, EY AccessAbilities, Unity (lesbian, gay, bisexual and transgender), Latino Professional Network, Pan Asian Professional Network, Central and Eastern European Professional Network, Professional Women’s Network, Today’s Families Network and Veteran’s Network.

We are proud of the recognition we have received for our efforts, especially from DiversityInc, a leading source of business information on diversity and inclusion management. This year, we were inducted into DiversityInc’s inaugural Top 50 Hall of Fame made up of companies that have achieved a No. 1 ranking in its list of Top 50 companies for Diversity. We also ranked first this year on DiversityInc’s specialty lists for mentoring, diversity councils, employee resource groups and people with disabilities.

We have also been recognized for D&I efforts by the following organizations:

- Working Mother magazine – 100 Best Companies (Hall of Fame, Top 10)
- National Association for Female Executives – Top Companies for Executive Women
- Human Rights Campaign – 100% Corporate Equality Index rating reflecting our inclusive workplace for lesbian, gay, bisexual and transgender people

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<tr>
<th>Percentage of women or minorities in our US audit practice (headcount)</th>
<th>Fiscal 2018</th>
<th>Fiscal 2017</th>
<th>Fiscal 2016</th>
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<tr>
<td>Partners</td>
<td>31%</td>
<td>30%</td>
<td>30%</td>
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<tr>
<td>Executive directors</td>
<td>61%</td>
<td>57%</td>
<td>57%</td>
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<tr>
<td>Senior managers and managers</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
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<tr>
<td>Seniors and staff</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
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<tr>
<td>Total</td>
<td>56%</td>
<td>56%</td>
<td>57%</td>
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Engaging and retaining our best people
We recognize and reward our top performers to keep them engaged and make sure we have the continuity of skills and experience we need to perform high-quality audits, especially on our most complex engagements.

As part of that effort, we are identifying ways to promote top performers when they’re ready, rather than requiring them to complete a specified number of years of service in each rank.

This program will help improve the career experience of our people and give us more flexibility to meet our staffing needs.

| Number of US audit partners and professional staff (on a full-time equivalent basis) |
|----------------------------------------|---------------|---------------|---------------|
| Executive directors                   | 972          | 975          | 973          |
| Senior managers and managers          | 151          | 141          | 128          |
| Senior managers and managers          | 2,289        | 2,230        | 2,184        |
| Seniors and staff                     | 7,078        | 7,335        | 7,444        |
| Total                                 | 10,490       | 10,681       | 10,729       |

The table above does not include professionals at shared service centers who work on US audits. The number of hours they worked on US public company audits were the equivalent of having another 701, 556 and 459 full-time auditors in fiscal years 2018, 2017 and 2016, respectively. (See the Executing high-quality audits section for more details.)
To further support EY personnel, we launched a new global approach to career, development and performance called LEAD. It provides our people with future-focused career conversations, regular and useful feedback and ongoing insight into their performance.

LEAD provides greater transparency and allows our people to spend more time having meaningful conversations that shape their futures. It enables our people to gain the skills, insights and confidence they need to be agile, dynamic leaders who ask better questions and build a better working world.

In its first year, LEAD is already having a positive effect. Our people are telling us that they are getting more feedback and having more meaningful conversations about their careers, enhancing their career experience.

In our Global People Survey, the number of US auditors who said their manager provides timely feedback rose 12 percentage points and the number of US auditors who said they had meaningful conversations with their counselor about their career development rose 10 percentage points.

We intend to build on our success by focusing on more relevant feedback and strategic career discussions in the coming year.

“In its first year, LEAD is already having a positive effect. Our people say they are getting more feedback and having more meaningful conversations about their careers. That’s helping us build strong teams, develop key skills and prepare our people for success in in today’s rapidly changing business environment.”

Sandra Oliver
Assurance Talent Leader

We think of “engagement” as a combination of factors – pride, advocacy, commitment and satisfaction. We combine these factors into an “engagement index” that is central to our Global People Survey. This year, the engagement index for our US audit practice was 77%, one percentage point higher than in the previous year. We track this number and prioritize taking actions to drive positive change, such as motivating and inspiring our people through better conversations, career progression and enabling everyone to be part of a counseling family to increase satisfaction and belonging.

On-the-job coaching and supervision for less-experienced staffers is critical to delivering high-quality audits. That’s why we focus on maintaining our ratios of executives to less-experienced members of our audit teams. Our partners and executive directors who coach, mentor and supervise more junior professionals have on average 21.4 and 19.3 years of service, respectively.

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<th>Ratios of audit executives to other audit professionals</th>
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<tr>
<td>Partners to all professional staff</td>
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<td>Senior managers and managers to seniors and staff</td>
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We also believe that giving our people the flexibility to adjust their work schedules when they need to is one of the keys to creating high-performing teams. Most of our people work flexibly on an informal basis, but we also offer formal flexible work arrangements.

As part of our strategy to reduce the workloads of our US audit professionals and give them a better work-life balance, we have reduced overtime hours for our non-partners by 20% since the end of fiscal 2015, primarily by harnessing technology and simplifying our audit methodology to help our people focus on the most important risks in an audit.

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<th>Average overtime hours by rank</th>
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<td>Partners</td>
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<tr>
<td>Executive directors</td>
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<tr>
<td>Senior managers and managers</td>
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<td>Seniors and staff</td>
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We believe our people perform at a higher level when they feel connected to the firm’s mission. We use online team-based surveys to assess how they feel about team culture, flexibility and communication. Teams then discuss the findings and develop action plans to improve their experience.

To create a greater sense of community, we also assign our professionals to small groups called counseling families that meet periodically with an executive and discuss topics such as career development. We have nearly 400 of these families in the US audit practice. We also have a mechanism for our people to share their opinions on topics such as quality, people and operations matters with leadership and work together to implement them.

We believe these efforts are working. Our 86% retention rate for non-partners who received our top performance rating for the previous year far exceeded our overall retention rate for non-partners of 78%.
US audit overall non-partner retention rate by rank

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<tr>
<td>Executive directors</td>
<td>97%</td>
<td>99%</td>
<td>97%</td>
</tr>
<tr>
<td>Senior managers and managers</td>
<td>83%</td>
<td>82%</td>
<td>82%</td>
</tr>
<tr>
<td>Seniors and staff</td>
<td>76%</td>
<td>73%</td>
<td>76%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>78%</strong></td>
<td><strong>76%</strong></td>
<td><strong>78%</strong></td>
</tr>
</tbody>
</table>

Retention for top-rated US audit non-partners exceeds overall retention

<table>
<thead>
<tr>
<th></th>
<th>Top rated</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>All non-partners</td>
<td>86%</td>
<td>78%</td>
</tr>
<tr>
<td>Senior managers and managers</td>
<td>90%</td>
<td>83%</td>
</tr>
<tr>
<td>Seniors and staff</td>
<td>80%</td>
<td>76%</td>
</tr>
</tbody>
</table>

Developing our people

In our training, we continue to focus on teaching our professionals how to think critically and apply the knowledge they have gained. In the classroom, our professionals work on simulations of the audit experience and practice focusing on risk, understanding the professional standards and evaluating whether they have sufficient appropriate audit evidence, all with professional skepticism and due care. We also continued to shift our technical accounting training to online courses that our people can access on demand, when they need to know more about a particular topic.

We are proud to report that eight EY professionals were among the 58 people who were recognized recently by the American Institute of Certified Public Accountants (AICPA) for achieving exceptional results on the CPA exam.

While accounting and auditing knowledge will always be foundational for our auditors, we believe our auditors need additional skills, attributes and knowledge. We refer to this combination as accounting plus and are incorporating these additional skills into our training programs to deliver high-quality audits.

For example, under our Assurance Professional of the Future initiative, we held two-day training sessions for nearly 1,000 of our more junior professionals that focused on working with and presenting data as the new language of business, critical thinking and strategically leading teams with a positive mindset.

We made significant investments this year in training our people on the effective use of data analytics, delivering a total of 97,000 hours of training. We also provided another 21,000 hours of accounting and auditing training on the new leases standard and used our training to reinforce our messaging about the behaviors associated with high-quality audits.

As they have in years past, our audit professionals exceeded our requirement that they complete 120 hours of continuing professional education over a three-year period, with a minimum of 20 hours in any given year.

Average hours of continuing professional education by fiscal year

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours</td>
<td>112</td>
<td>108</td>
<td>109</td>
</tr>
</tbody>
</table>

The skills and mindsets we need

- Advanced modeling
- Enterprise resource planning (ERP) systems
- Computer programming logic
- Data visualization, analytics, and extract, transform and load (ETL) tools
- Personal agility and resilience
- Communication skills
- Innovative mindset
- Global mindset
- Questioning/challenging/curious mindset
- In-depth business acumen
- Leadership skills
- Body of knowledge/technical skills

Accounting plus
Executing high-quality audits

We carefully assess the risks of auditing companies and build teams that have the skills and capacity to address those risks. We support engagement teams through coaching and a culture of consultation. We are also using data-driven approaches to proactively identify audits that pose additional risks and provide support to these teams and others.

Selecting the companies we audit
We believe the companies we audit should share our commitment to quality and transparency in financial reporting. We have a rigorous process to assess risk and identify companies we want to audit, considering factors such as the company’s financial condition, management’s integrity and approach to meeting its financial reporting responsibilities and the strength of the audit committee. Our Professional Practice group, which operates independently of our regional audit practices, approves the decisions about which companies we will audit.

As part of the process, we identify and assess risk factors that are considered in developing an overall risk designation. Teams develop audit responses to address risk factors. Our leaders consider the risk designations and factors in determining assignments and the level of oversight to provide and identifying teams that might benefit from additional coaching.

Market share
We continue to have the leading market share among auditors of Fortune 500 companies (30%), Fortune 1000 companies (30%) and Russell 3000 companies (25%). In 2018, we are auditing six of the top 10 companies in the Fortune 500.

<table>
<thead>
<tr>
<th>Number of public companies we audit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
</tr>
<tr>
<td>939</td>
</tr>
</tbody>
</table>

The number of public companies we audit has declined in recent years due to the decline in the overall number of public companies listed on US exchanges. Our total audit hours on US public company audits in fiscal 2018 rose 2.6%, which means we devoted more hours on average to our public company audits.
Building high-performing teams
The assignment of the partner in charge and engagement quality reviewer to the audit is important to deliver high-quality audits. Those assignments consider the competencies of those individuals and their workloads and are approved by Assurance and Professional Practice leadership.

About 58% of our audit partners serve as the partner in charge of a public company audit, and they each lead an average of two public company audits. We also assign an engagement partner to nearly one-third of our public company audits to assist the partner in charge of our larger or more complex audits.

Managing the audit
Timely and direct executive participation is critical to the execution of a quality audit. Our experience indicates that teams that complete their work, including reviews by audit executives, at the appropriate time execute higher-quality audits. Our milestones program helps us promote strong project management and accelerate the pace of work by focusing our teams on meeting completion dates for each phase of the audit.

While a significant amount of audit work needs to be completed at or after year end, our milestones program helps our teams perform as many tasks as possible before that busy period. In recent years, our teams have been able to perform about 60% of their work before the fiscal year end of the company under audit and address potential issues earlier in the process.

EY Canvas enables teams, including partners and other audit executives, to track the progress of their audits. This further enables executives to supervise and coach team members as needed. We also review the milestones information to timely identify teams that may need coaching or more resources and keep the audit on track.

Supporting our teams
Our Quality Network focuses on improving audit quality by coaching our audit teams, providing training, monitoring our teams’ performance and executing various risk management and quality control procedures. This year, Quality Network coaches supported our professionals in applying our new approach for understanding and documenting data flows in key business processes. They also worked with our teams in auditing a company’s adoption and/or implementation of the new revenue recognition and lease standards. We have about 150 professionals in our Quality Network.

Our Professional Practice group, which includes 119 partners, supports our audit practice by consulting with our teams on financial reporting, auditing and SEC and other regulatory matters, providing audit teams and the companies we audit with guidance.
and thought leadership, developing materials that help our teams deliver high-quality audits, performing risk management activities, evaluating our quality control system and operating our monitoring and internal inspections programs.

Over the last three years, our Professional Practice partners have conducted an average of nearly 2,400 formal consultations annually with audit teams. Revenue recognition and income taxes continue to be the top accounting consultation topics in fiscal 2018.

Our ratio of Quality Network and Professional Practice partners to audit partners remained consistent in fiscal 2018 at 1 to 6.

Cybersecurity
We obtain an understanding of the company’s processes and controls related to IT relevant to the audit, including how cybersecurity risks are identified and addressed. We also consider the adequacy of a company’s cybersecurity controls as part of our risk assessment procedures to identify and evaluate the risks of material misstatements to the financial statements.

Boards of directors of companies are increasingly involved in overseeing cybersecurity risks and are looking for ways to promote confidence in their organizations’ cybersecurity risk management programs. We are using the framework developed by the AICPA to offer a separate service of providing an independent and objective view on the effectiveness and description of controls management has designed to meet an organization’s cybersecurity objectives, which is another way we provide trust and confidence in the capital markets.
Monitoring our audit performance and the effectiveness of our actions to improve audit quality is a key part of our system of quality control.

**Our system of quality control**

Our system of quality control is the foundation for consistently performing high-quality audits. Our system of quality control is designed and operated to provide reasonable assurance that our work meets professional standards and regulatory requirements. The results of our monitoring provide us with a basis to conclude that we are meeting this important requirement.

**Early monitoring**

We conduct pre-issuance reviews to provide timely feedback to teams and to help us determine whether the actions we are taking are achieving our objectives or whether enhancements to our training, guidance or tools are required during the current audit cycle.

This year’s pre-issuance reviews focus on our implementation of our new approach for performing and documenting our risk assessment procedures for business processes and testing the design of internal controls over financial reporting. Certain of our pre-issuance reviews also focus on our planned procedures related to the company’s reporting under the new revenue recognition standard.

Our pre-issuance reviews and Quality Network coaching on our new approach for understanding key business processes are touching over 240 audit teams.

**Internal inspections of completed audits**

We conduct audit quality reviews or internal inspections of selected engagements after we issue our auditor’s report. In these reviews, we focus on specific audit areas to measure compliance with professional standards, regulatory requirements and our policies and to evaluate audit quality. Audits are selected for review based on factors such as how long it has been since a partner’s last inspection and the complexity of the audit.

This year, we continued to accelerate the timing of these reviews to obtain information we could use to continue to enhance audit quality. During our 2018 inspection year, we reviewed approximately 110 public company audits (generally of financial statements for the year ended 31 December 2017). We conducted reviews of approximately 120 public company audits in our 2017 inspection year and approximately 100 public company audits in our 2016 inspection year.
Independence monitoring

Independence from the companies we audit is foundational to providing trust and confidence to the capital markets.

Our policies require managers through partners to record securities and other financial relationships held by them and their immediate family members in the Global Monitoring System, which initially assesses and then monitors the permissibility of the securities and financial relationships. Managers through partners are required to have automated feeds from their brokers to make sure the records are updated in a timely fashion. We have 33 partners in our EY US independence group to support our audit teams.

All EY US professionals who work on audits and certain others, based on their role, are also required to confirm compliance with our independence policies and procedures each quarter.

Our policies also include a requirement that audit teams make audit committee communications affirming their independence and matters that may bear on independence after executing detailed procedures.

For the most recent reporting year, we tested compliance of nearly 2,100 partners and other professionals across the US.

Restatements

We monitor restatements of the financial statements of the companies we audit and evaluate whether there are potential trends that require additional action.

The data in the table below is based on our audits of SEC registrants, including our audits of mutual fund issuers each year. The number of mutual fund issuers was approximately 550 funds in each of the past three years.

<table>
<thead>
<tr>
<th>Year of filing</th>
<th>Number of restatements</th>
<th>% of issuers we audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>15</td>
<td>0.8</td>
</tr>
<tr>
<td>2016</td>
<td>8</td>
<td>0.5</td>
</tr>
<tr>
<td>2017</td>
<td>9</td>
<td>0.6</td>
</tr>
</tbody>
</table>
The PCAOB conducts annual inspections of the audit work we perform and aspects of our Firm’s quality control system. We value the PCAOB inspection process, which has led to improvements in audit quality.

The role of the PCAOB
We believe the PCAOB has played an important role in improving audit quality since its creation in 2002. Through annual inspections and standard setting, the PCAOB has helped the profession identify areas for further attention and develop processes to determine the root cause of audit deficiencies. PCAOB inspections have helped us validate areas we have identified for improvement in our internal inspections and identify other areas where we can continue to improve our performance.

The PCAOB has said it plans to provide more timely and relevant feedback on its inspection activities to help audit firms better prevent audit deficiencies. The Board has also said it plans to analyze inspection and other data to identify and communicate factors that correlate with the quality of audit services. We support these efforts.

Part I of the PCAOB report
This section of a PCAOB report, which is released to the public, describes the procedures the PCAOB staff performed during the inspection and certain observations regarding audit performance deficiencies on engagements that were inspected. The PCAOB cautions that its inspection results are not intended to serve as a balanced report card or an overall rating of the quality of audits performed by a firm because the inspections primarily focus on higher risk audits and are designed to identify deficiencies in audit work.

The table and discussion below do not reflect results from the 2017 inspection cycle, which generally covers our audits of 2016 financial statements, because the results were not available when we issued this report.

<table>
<thead>
<tr>
<th>Inspection year</th>
<th>Fiscal year of audits inspected (generally ended in December)</th>
<th>Number of inspected audits</th>
<th>Number of audits identified in Part I</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2013</td>
<td>56</td>
<td>20</td>
</tr>
<tr>
<td>2015</td>
<td>2014</td>
<td>55</td>
<td>16</td>
</tr>
<tr>
<td>2016</td>
<td>2015</td>
<td>55</td>
<td>15</td>
</tr>
</tbody>
</table>
Our inspection results improved slightly in the 2016 inspection year. The number of findings related to auditing internal control over financial reporting declined from 2015. We had these findings in 14 of the 15 issuer audits cited in Part I of our 2016 inspection year report. We also had findings related to deficiencies in substantive testing in 14 audits in 2016. The most frequent findings included:

- Testing the design and/or operating effectiveness of controls
- Testing significant assumptions used in developing an estimate
- Testing controls over the accuracy and completeness of data or reports

Identifying and testing controls that addressed the risks related to a particular account or assertion was also a frequent finding, and the number of audits with multiple findings related to testing management review controls declined. Revenue (including accounts receivable), inventory and long-lived assets (including amortization, depreciation or depletion) were the audit areas in which findings were most common.

As described earlier, we are taking robust actions to drive further improvements in audit quality, including how we gain an understanding of the data flows in companies’ key business processes and perform our related risk assessments. We are already seeing the benefits of this new approach and are pleased with the results to date.

**Part II of the PCAOB report and status of inspection reports**

This nonpublic section of the PCAOB’s inspection report provides observations on a firm’s system of quality control. The PCAOB’s assessment of a firm’s system of quality control is derived from both the results of its review of the firm’s quality control policies and inferences that can be drawn from deficiencies in the performance of individual audits. Certain firm practices, policies and processes related to audit quality are reviewed, including those in the following areas:

- Management structure and processes, including tone at the top
- Practices for partner management, including assignment of partners to audits and partner evaluation, compensation, admission and disciplinary actions
- Policies and procedures for considering and addressing the risks involved in accepting and retaining the companies a firm audits, including the application of its risk-rating system
- Processes related to a firm’s use of audit work performed by its foreign affiliates on the foreign operations of US issuers
- A firm’s processes for monitoring audit performance, including processes for identifying and assessing indicators of deficiencies, independence policies and procedures, and processes for responding to defects or potential defects in quality control
The PCAOB may make public any quality control deficiencies identified in this section of the report if they are not addressed to the PCAOB’s satisfaction within 12 months of the report date.

The PCAOB issued its 2016 report in December 2017, and we will submit our response no later than December 2018.

Employee benefit plans
We perform annual audits of about 900 employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974 (ERISA), and our audits therefore are subject to inspection by the US Department of Labor (DOL). In 2018, the DOL completed a firm inspection of EY that included ERISA plan audits. The results for those audits were all acceptable.

Peer review
We participate in the AICPA peer review program that requires a review every three years of our system of quality control for our private company audit practice. KPMG performed our latest review (reviewing primarily audits for the year ended 31 December 2015) and issued a report in December 2016 with a pass rating.

The report concluded that our system of quality control for our private company audits had been suitably designed and complied with during the peer review year to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our next peer review will be performed in 2019.

International regulators
The International Forum of Independent Audit Regulators (IFIAR) has challenged the six largest global network audit firms to reduce the number of audits with at least one significant finding as reported by the nine members of IFIAR’s Global Audit Quality Working Group by at least 25% over four years. The EY global network is making progress toward the IFIAR target.
Appendix

EY US Executive Committee

Kelly J. Grier
Chairman and Managing Partner

Michael J. Inserra
Deputy Managing Partner

Hank Prybylski
Vice Chair, Advisory

Francis C. Mahoney
Vice Chair, Assurance

Marna Ricker
Vice Chair, Tax

William M. Casey
Vice Chair, Transaction Advisory Services

Robert C. Patton
Vice Chair, Accounts

Karyn Twaronite
Vice Chair, Diversity and Inclusiveness

Edwin Bennett
Vice Chair, Operations

Ted Acosta
Vice Chair, Risk Management

Carolyn J. Slaski
Vice Chair, Talent

Julie A. Boland
Regional Managing Partner, Central

Antony Caterino
Regional Managing Partner, Financial Services Organization

Rich Jeanneret
Regional Managing Partner, Northeast

Sam R. Johnson
Regional Managing Partner, Southeast

T. Randall Cain
Regional Managing Partner, Southwest

B. Kay Matthews
Regional Managing Partner, West
## List of metrics in this report

### Our commitment to audit quality

<table>
<thead>
<tr>
<th>Metric</th>
<th>New for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of teams on audits of large accelerated filers as defined by the SEC that are identifying matters we might consider to be critical audit matters (CAMs).</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of US public company audit hours accounted for by specialists’ involvement (i.e., IT, Tax and valuation).</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of US revenue for our Assurance, Advisory, Tax and Transaction Advisory Services service lines.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of US revenue for Assurance if work on audits by professionals in other service lines is included.</td>
<td>X</td>
</tr>
</tbody>
</table>

### Innovation and continuous improvement

<table>
<thead>
<tr>
<th>Metric</th>
<th>New for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of audit teams that use EY Canvas to execute their audit.</td>
<td></td>
</tr>
<tr>
<td>Number of data analytic professionals who support audit teams with their digital audit strategy (headcount) and percentage increase from last year.</td>
<td></td>
</tr>
<tr>
<td>Percentage of teams on large US public company audits (i.e., those with more than 10,000 total hours) that have incorporated the use of EY Helix data analyzers into their audits.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of teams on integrated public company audits that are using our new approach for understanding key business processes. (Integrated audits are those in which we opine on internal control over financial reporting in addition to the financial statements.)</td>
<td>X</td>
</tr>
</tbody>
</table>

### Our people

<table>
<thead>
<tr>
<th>Metric</th>
<th>New for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of US audit professionals hired from campuses.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of US audit professionals who said in our annual Global People Survey that they are proud to work at EY.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of new US audit partners who are women or minorities.</td>
<td></td>
</tr>
<tr>
<td>Percentage of US audit campus recruits who are women or minorities.</td>
<td>X</td>
</tr>
<tr>
<td>Number of women or minorities on our 17-member US Executive Committee.</td>
<td></td>
</tr>
<tr>
<td>Retention rate for US audit non-partner women or minorities.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of women or minorities who lead a US public company audit, compared with three years earlier.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of our most complex multinational audits that we expect to be led by women in 2019, compared with two years earlier.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of US audit professionals who are women or minorities, by rank (headcount).</td>
<td>X</td>
</tr>
<tr>
<td>Number of US audit partners and professionals by rank (on a full-time equivalent or FTE basis).</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of US audit professionals who said they receive timely feedback, based on responses to our Global People Survey.</td>
<td>X</td>
</tr>
<tr>
<td>Percentage of US audit professionals who said they had meaningful conversations with their counselors about career development, based on responses to our Global People Survey.</td>
<td>X</td>
</tr>
<tr>
<td>Engagement index for our US audit practice, based on responses to our Global People Survey.</td>
<td>X</td>
</tr>
<tr>
<td>Average years of experience at EY for US audit partners and executive directors.</td>
<td>X</td>
</tr>
<tr>
<td>Ratio of US audit partners to all US audit professional staff (FTE).</td>
<td>X</td>
</tr>
<tr>
<td>Ratio of US audit senior managers and managers to US audit seniors and staff (FTE).</td>
<td>X</td>
</tr>
<tr>
<td>Decline in average overtime hours for US audit non-partners from fiscal 2015 to fiscal 2018.</td>
<td>X</td>
</tr>
<tr>
<td>Average annual overtime hours for US audit professionals, by rank. (Overtime refers to hours in excess of 2,080 hours.)</td>
<td>X</td>
</tr>
</tbody>
</table>
Number of US audit counseling families, which are small groups that meet periodically to discuss topics such as career development.

US audit non-partner retention rates, including by rank.

Retention of US non-partner audit professionals who received the highest performance rating, including by rank.

Number of EY professionals recognized by the AICPA for achieving exceptional results on the CPA exam.

Number of professionals who attended Assurance Professional of the Future training sessions. X

Total training hours delivered on data analytics. X

Total training hours delivered on the new leases standard. X

Average hours of Continuing Professional Education training.

### Executing high-quality audits

<table>
<thead>
<tr>
<th>Metric</th>
<th>New for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the Fortune 500, Fortune 1000 and Russell 3000 companies audited by EY US.</td>
<td></td>
</tr>
<tr>
<td>Number of top 10 companies in the Fortune 500 that we are auditing this year.</td>
<td>X</td>
</tr>
<tr>
<td>Number of public companies audited by EY US.</td>
<td></td>
</tr>
<tr>
<td>Percentage increase in total audit hours on US public company audits from a year earlier.</td>
<td></td>
</tr>
<tr>
<td>Percentage of audit partners who serve as partner in charge of a US public company audit and the average number of companies each partner serves in this capacity.</td>
<td></td>
</tr>
<tr>
<td>Proportion of US public company audits with at least two audit partners (i.e., a partner in charge of the audit and an engagement partner to assist him or her).</td>
<td></td>
</tr>
<tr>
<td>Percentage of US audit hours incurred before the fiscal year end of the company under audit.</td>
<td></td>
</tr>
<tr>
<td>Number of professionals in the Quality Network (headcount).</td>
<td></td>
</tr>
<tr>
<td>Number of partners in Professional Practice (FTE).</td>
<td></td>
</tr>
<tr>
<td>Average number of annual consultations with US Professional Practice over the past three years.</td>
<td></td>
</tr>
<tr>
<td>Ratio of US Quality Network and Professional Practice partners to US audit partners.</td>
<td></td>
</tr>
</tbody>
</table>

### Monitoring

<table>
<thead>
<tr>
<th>Metric</th>
<th>New for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of teams touched by pre-issuance reviews or coaching by the Quality Network on our new approach for understanding key business processes.</td>
<td>X</td>
</tr>
<tr>
<td>Number of internal inspections of our US public company audits.</td>
<td></td>
</tr>
<tr>
<td>Number of US independence partners.</td>
<td></td>
</tr>
<tr>
<td>Number of US partners and other professionals who were tested for independence compliance.</td>
<td></td>
</tr>
<tr>
<td>Number of mutual fund issuers for the past three years.</td>
<td></td>
</tr>
<tr>
<td>Number and percentage of restatements by year as a percentage of US issuer audits, including 10-K filers and mutual fund issuers.</td>
<td></td>
</tr>
</tbody>
</table>

### External inspections

<table>
<thead>
<tr>
<th>Metric</th>
<th>New for 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of PCAOB inspections and Part I findings.</td>
<td></td>
</tr>
<tr>
<td>Number of employee benefit plans we audit and the results of the 2018 Department of Labor firm inspection.</td>
<td></td>
</tr>
<tr>
<td>Results of our 2016 AICPA peer review.</td>
<td></td>
</tr>
</tbody>
</table>
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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SCORE No. 05111-181US
1808-2839895
ED None

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