

EY South Africa Transparency Report 2023







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Executing high-quality audits continues to be the top priority, and at the heart of our ambition to serve the public interest.

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Welcome to our 2023 EY South Africa Transparency Report. The year 2023 presented significant challenges both locally and globally, with a resurgence of global inflation impacting South Africa’s economic climate.

Foreword:

Introduction to our 2023 Transparency Report

Despite ongoing efforts that include fiscal reforms and investment incentives, achieving sustainable economic recovery remains a formidable task for the nation. In this dynamic and ever-evolving business landscape, transparency and risk management assume critical roles in fostering sustainable growth and preserving trust.

Aligned with our steadfast commitment to transparent communication with all stakeholders, this report outlines how we consistently deliver high-quality, independent, objective, and ethical audit services. We believe in providing a comprehensive view of our operations, demonstrating our unwavering dedication to integrity and reliability.

About the Report

At EY, we firmly believe in the transformative power of information and accountability. As businesses navigate the complexities of compliance, financial reporting, and operational excellence, a robust audit methodology becomes imperative. This report goes above and beyond mere regulatory compliance, offering insights into our diligent processes that deliver genuine value to our clients. It provides an overview of how EY South Africa embraces our distinctive EY culture, promoting collaboration and placing special emphasis on the significance of consultation when tackling intricate and subjective matters in accounting, auditing, reporting, regulations, and independence. Moreover, it showcases our unwavering commitment to fostering a culture of integrity among our professionals.

ISQM 1

As you explore this report, one of our most notable accomplishments of the year emerges: the successful implementation of ISQM 1, the cornerstone of our System of Quality Management. ISQM 1 sets stringent requirements for the governance, leadership, and cultural aspects of professional accountancy firms. Additionally, it introduces an assessment process that sharpens our focus on mitigating risks that could impact the quality of engagements. Over the past year, we engaged extensively with regulatory bodies on various topics, including quality, ethics, and independence.

Investment into the Future

In our unwavering pursuit of delivering high-quality audits, our audit methodology continually evolves. This commitment to excellence is reflected in our recent global announcement of a significant investment of US\$1 billion in a next-generation technology platform. This cutting-edge platform is designed to elevate trust, transparency, and transformation throughout our assurance services.

This substantial investment will drive the seamless integration of existing EY Assurance technologies into a unified platform, harnessing the strengths of our world-class global audit platforms. By leveraging advanced technologies from our alliance partners, we are poised to empower a whole new generation of data-driven assurance services.

This programme to develop an integrated assurance technology

platform will bring about transformation in three key areas that are vital to the future of auditing: enhanced data access capabilities and advanced analytics, the power of artificial intelligence, and an exceptional user experience. Through these advancements, we aim to revolutionise the audit process, enabling deeper insights, greater efficiency, and ultimately, more valuable outcomes for our clients.

Looking Forward

In today's rapidly changing business landscape, we understand the importance of adapting to the constantly evolving workforce and investing in a diverse set of skills and learning opportunities. We firmly believe that by embracing sustainability and technology, including the utilisation of artificial intelligence, we can not only meet the needs of our clients but also contribute to a more sustainable future.

As we navigate this dynamic environment, we are preparing ourselves for new standards such as the International Standards on Sustainability Reporting. These emerging standards will reshape the way companies disclose their environmental, social, and governance (ESG) performance, bringing greater clarity, comparability, and reliability to sustainability information. We are dedicated to staying at the forefront of these developments, ensuring that we understand and comply with the International Sustainability Standards Board (ISSB) standards, and helping our clients navigate their implications effectively.

At EY we embrace sustainability, drive technological advancements, and incorporate artificial intelligence to enhance our solutions.

We invite you to explore this Transparency Report, which showcases our efforts, achievements, and ongoing commitment to ensuring transparency in all aspects of our organisation.



Ajen Sita

Ajen Sita
EY Chief Executive



Stephen Ntsoane

Stephen Ntsoane
EY Assurance Leader



Roger Hillen

Roger Hillen
EY Professional Practice Leader

30 November 2023

Our Purpose

Building a better
working world

Our Values



People who demonstrate integrity, respect, teaming and inclusiveness



People who build relationships based on doing the right thing



People with energy, enthusiasm, and the courage to lead

Value Creation



Client value: To help clients grow, and to optimise and protect value



People value: To create an exceptional experience for our people



Financial Value: We want to be the long-term growth leader



Social value: To build trust in the capital markets and have a positive impact on communities and the planet

About EY South Africa

5-star
level 1 B-BBEE
contributor.

11%
Audit revenue invested in audit quality and risk management.*

139
South African beneficiaries of bursaries for Accounting degrees.

3.6%
Non-Audit fees from all clients.

2.4%
Non-Audit fees from our top 25 Audit clients.

45
Bursaries to Thuthuka students.

3,033
Employees across all service lines.

1,054
Trainee Audit Accountants.

R10.5-million
Total Accounting degree bursary investment.

13
Candidates registered on the Audit Development Programme.

104
Average learning hours per Auditor.

R4.5-million
Total Thuthuka student bursary investment.

02
MBA programmes available to all staff: Technology and Sustainability MBAs with Hult University.

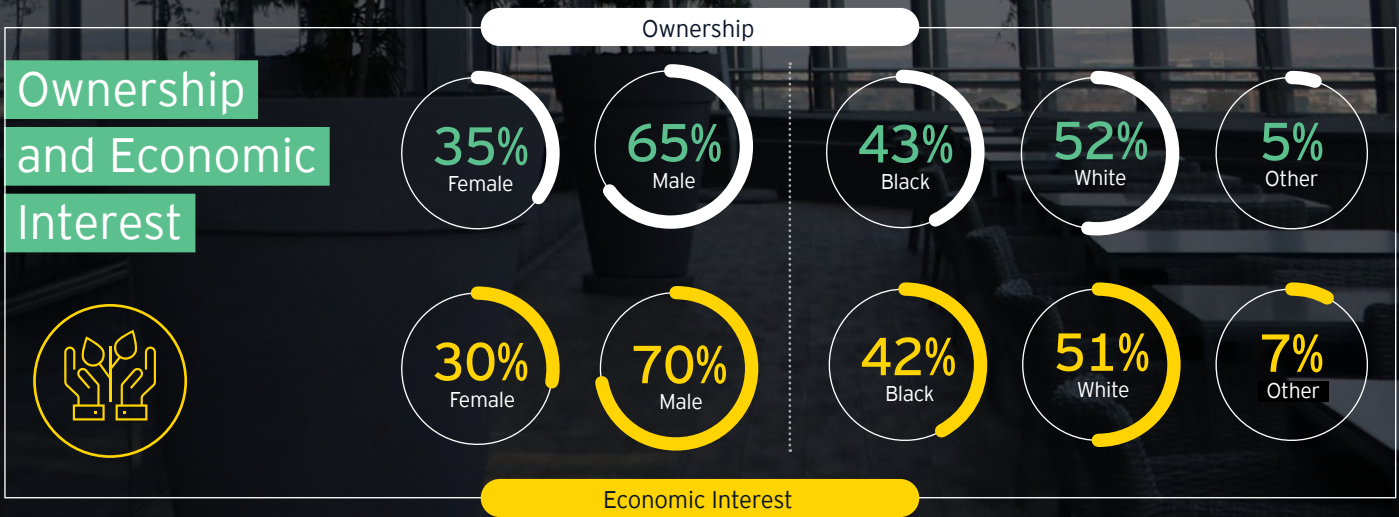
2,856
Learning EY Badges (certifications) earned by employees.

348
Women participating in our flagship women's development programme: NextGen.

1,697
EY Africa employees who participated in our Ripples (social development) programmes.

799,668
African lives impacted through our Ripples programmes.

253
Number of NextGen women currently at university or in the workplace.



*This includes the cost of our Professional Practice and Risk Departments, the cost of Engagement Quality Reviews and in-flight reviews, the cost of staff being trained, as well as the cost of registration and inspection by our Regulators.

Who we Are





EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, more than 390,000 people in member firms in 148 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity, and professional scepticism.

In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which span nearly every country in the world.

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, which are groupings of member firms along geographical lines.

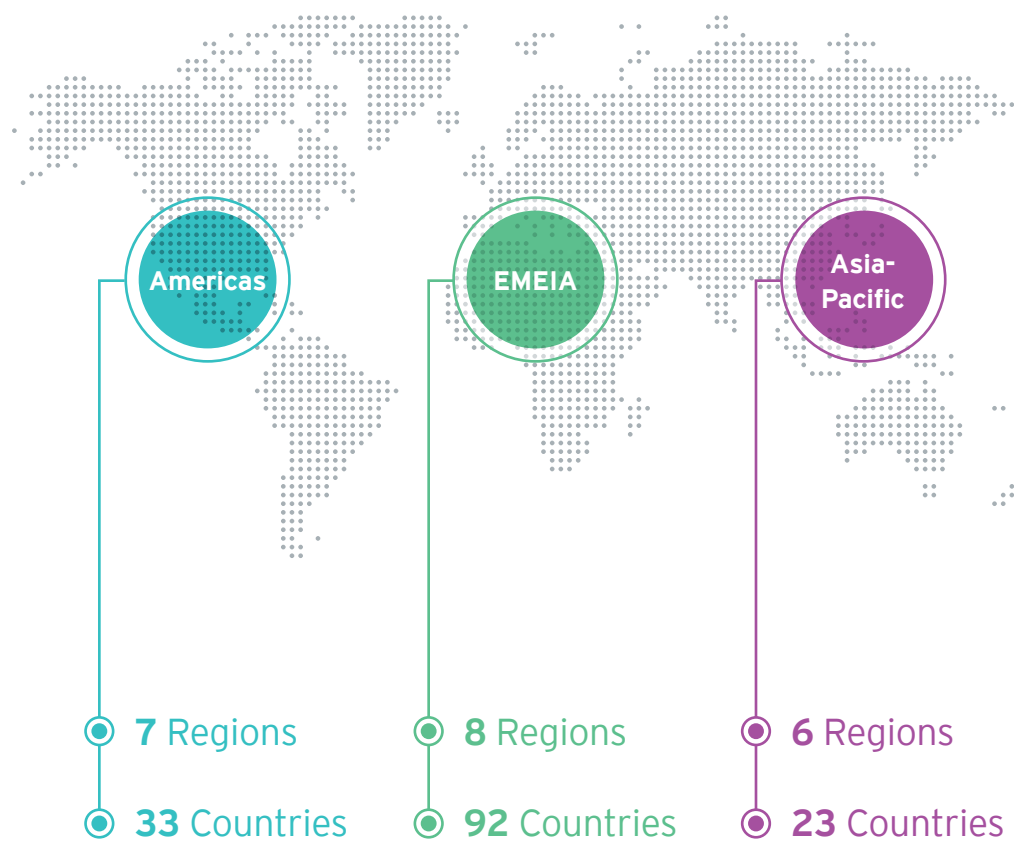
EY South Africa is part of the EMEIA area, which comprises EYG member firms in 92 countries. Within the EMEIA area, there are eight regions. EY South Africa is part of the Africa region.

In this document, reference to "partners" refers to directors who are also shareholders in the EY South Africa entities.

EY South Africa includes the following entities, which are EYG member firms:

- ▶ Ernst & Young Incorporated
- ▶ Ernst & Young Advisory Services (Pty) Ltd
- ▶ Ernst & Young Services (Pty) Ltd
- ▶ Cova Advisory & Associates (Pty) Ltd (a wholly owned subsidiary of Ernst & Young Advisory Services)
- ▶ EY Africa Foundation NPC

EY areas, regions and countries*



*Figures are as of 1 July 2023

Governance Structure

EY South Africa is governed by the EY South Africa Executive Committee (Exco), which also oversees its strategy and operations.

The Exco comprises the following members:



Chief Executive Officer (CEO)



Function leaders for Operations, Risk Management, Markets and Talent



Business unit leaders for each service line: Assurance, Consulting, Tax, and Strategy and Transactions



Geographical leaders for KwaZulu-Natal and Western Cape

The EY South Africa Exco is supported by the following sub-committees:



Markets Resolution Committee



Litigation Risk Committee



Key Accounts and Risk Committee

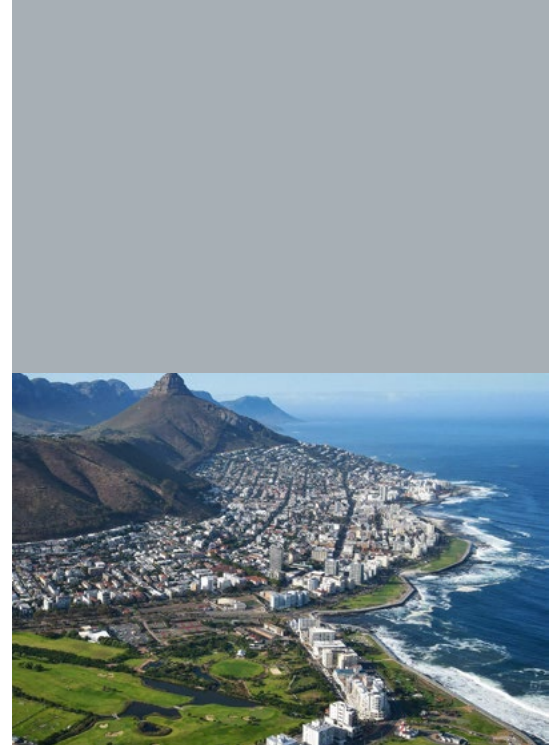


Social and Ethics Committee



Risk and Quality Board

These sub-committees include members of the EY South Africa Exco as well the Risk Management Leader, the Independence and Conflicts Leader, and the Head of Legal.



Oversight

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

Africa Region Partner Forum Members - 1 July 2023



Shailen Ramgoolam
ARPF Presiding Partner &
Southern Representative
Ebene, Mauritius



Gloria Yekani-Peni
Consulting Representative
Jhb, South Africa



Allister Carshagen
Assurance Representative
Jhb, South Africa



Sarel Strydom
SaT Representative
Jhb, South Africa



Gisela Pieterse
Tax Representative
Jhb, South Africa



Elina Bvurere
Central Representative
Lusaka, Zambia



Hadijah Nannyomo
East Representative
Nairobi, Kenya



Priscilla Koranteng-Gyasi
West Representative
Accra, Ghana

Our Leadership Team



Ajen Sita
CEO



Jabulile Kubheka
Talent



Vince Paino
Risk Management



Lance Tomlinson
COO



Rod Wolfenden
Markets



Tina Rookledge
Cape Region



Vinesh Moodley
KZN Region

Services



Stephen Ntsoane
Assurance



Hennie Human
Consulting

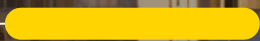
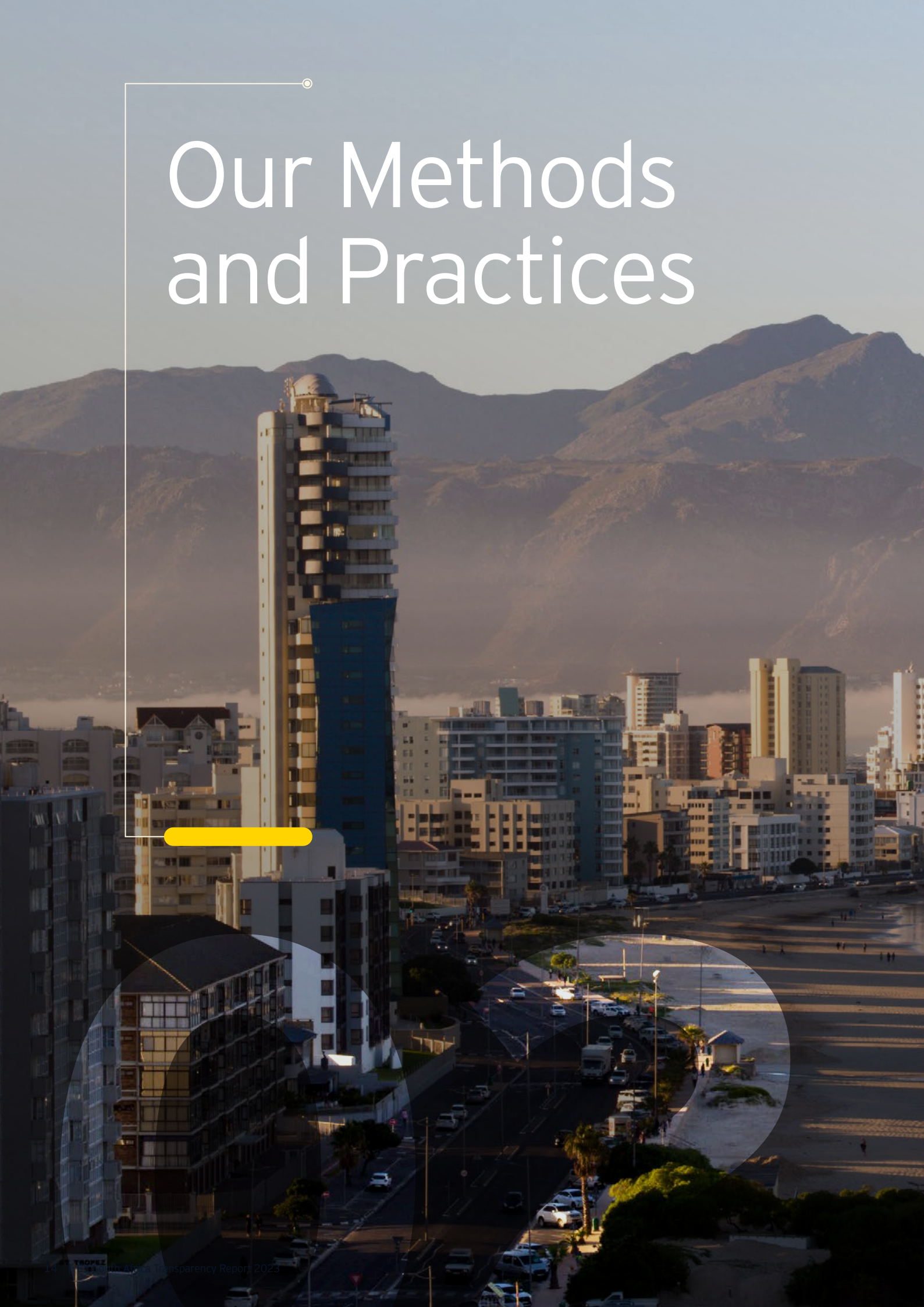


Quintin Hobbs
Strategy & Transactions



Ekow Eghan
Tax

Our Methods and Practices







Looking at our System of Quality Management

EY South Africa's reputation for providing high-quality professional audit services independently, objectively, and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence, and professional scepticism. These are fundamental attributes of a high-quality audit. Designing, implementing, and operating an effective System of Quality Management (SQM) is essential to these efforts.

ISQM 1

During this year, we finalised the implementation of the International Standard on Quality Management 1 (ISQM 1), which became effective on 15 December 2022, and completed the transition from our Internal Quality Control System to our SQM.

Our SQM presented here also meets the requirements of the current International Standards on Quality Control (ISQC 1), issued by the International Auditing and Assurance Standards Board (IAASB).



Warren Linden
ISQM Leader

Designing, Implementing and Operating a SQM

ISQM 1 requires a more proactive and risk-based approach to managing quality at the firm level by requiring firms to design, implement and operate an SQM. ISQM 1 also requires evaluating the SQM, at least annually.

ISQM 1 includes robust requirements for the governance, leadership, and culture of professional accountancy firms, and introduces a risk assessment process to focus the firm's attention on mitigating risks that may have an 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 its overall effectiveness.

ISQM 1 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 consistent 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.

To achieve this purpose, EYG member firms have access to certain policies, technologies, strategies, and programmes to be used in the design, implementation, and operation of the member firms' SQM. The purpose of these resources is to support member firms and their personnel.

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

EY South Africa is ultimately responsible for the design, implementation, and operation of its SQM, and is responsible for:



Evaluating policies, technologies, strategies, programmes, and baselines provided to them



Determining whether they need to be supplemented to be appropriate for use (e.g., whether the policy needs to be amended to comply with local laws and regulations, or whether the content within the technology needs to be translated into a local language)

SQM Roles

To enable the design, implementation and operation of EY South Africa's SQM, individuals are assigned to SQM roles. The individuals in these roles have the appropriate experience, knowledge, influence and authority, and sufficient time to fulfil their SQM roles, and are accountable for fulfilling their responsibilities.

SQM roles and responsibilities are defined in the Global SQM policies to drive consistency in its execution.

Key roles within the SQM include:

- ▶ Ultimate responsibility and accountability - The Country Managing Partner is the individual assigned ultimate responsibility and accountability for the SQM, including concluding on its effectiveness
- ▶ Operational responsibility - The Country Assurance Managing Partner is the individual assigned operational responsibility for the SQM. This includes recommending its annual evaluation conclusion to the Country Managing Partner

An SQM Operational Committee has been formed, chaired by the Country Assurance Managing Partner. The purpose of the SQM Operational Committee is to oversee the operational responsibility of the SQM. The SQM Operational Committee includes the Country SQM Operational Leader, service line leaders (Tax, Consulting and Strategy, and Transactions), and function leaders (Independence, Risk Management, Talent, Technology, Professional

Practice, Assurance Quality Enablement, and Service Line Quality)

Operational responsibility

for compliance: The Country Independence Leader is the individual assigned operational responsibility for compliance with independence requirements

Operational responsibility for

monitoring: The Country Professional Practice Director is the individual assigned operational responsibility for monitoring the SQM. This includes concurring with or proposing changes to the recommended SQM annual evaluation conclusion

An SQM Oversight Committee has been formed, chaired by the Country Professional Practice Director. The purpose of this committee is to oversee the monitoring processes and activities of the SQM. The SQM Oversight Committee includes the Country SQM Monitoring Leader, Service Line Quality Leaders (Tax, Consulting and Strategy, and Transactions), the Assurance Quality Enablement Leader, the Country Independence Leader, and the Risk Management Leader

Effectiveness: Annual Evaluation Conclusion as of 30 June 2023

The Country Managing Partner, on behalf of EY South Africa, is required to evaluate the SQM on an annual basis, as of 30 June 2023, and conclude on its effectiveness.

The evaluation process is executed annually based on the Global SQM Annual Evaluation Policy, which is an example of a Global intellectual resource provided to drive consistency in the execution of the SQM.

This evaluation is based on whether EY South Africa's SQM provides reasonable assurance that:

- ▶ EY South Africa and its personnel are fulfilling their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and engagements are being conducted in accordance with such standards and requirements
- ▶ Reports being issued by the member firm and Partners in Charge (PICs) are appropriate in the circumstances

The evaluation of the effectiveness of the SQM utilises information gathered from monitoring activities performed over a period. The evaluation considers the results of the following:

- ▶ Testing of SQM key controls
- ▶ Monitoring of SQM quality indicators, including:

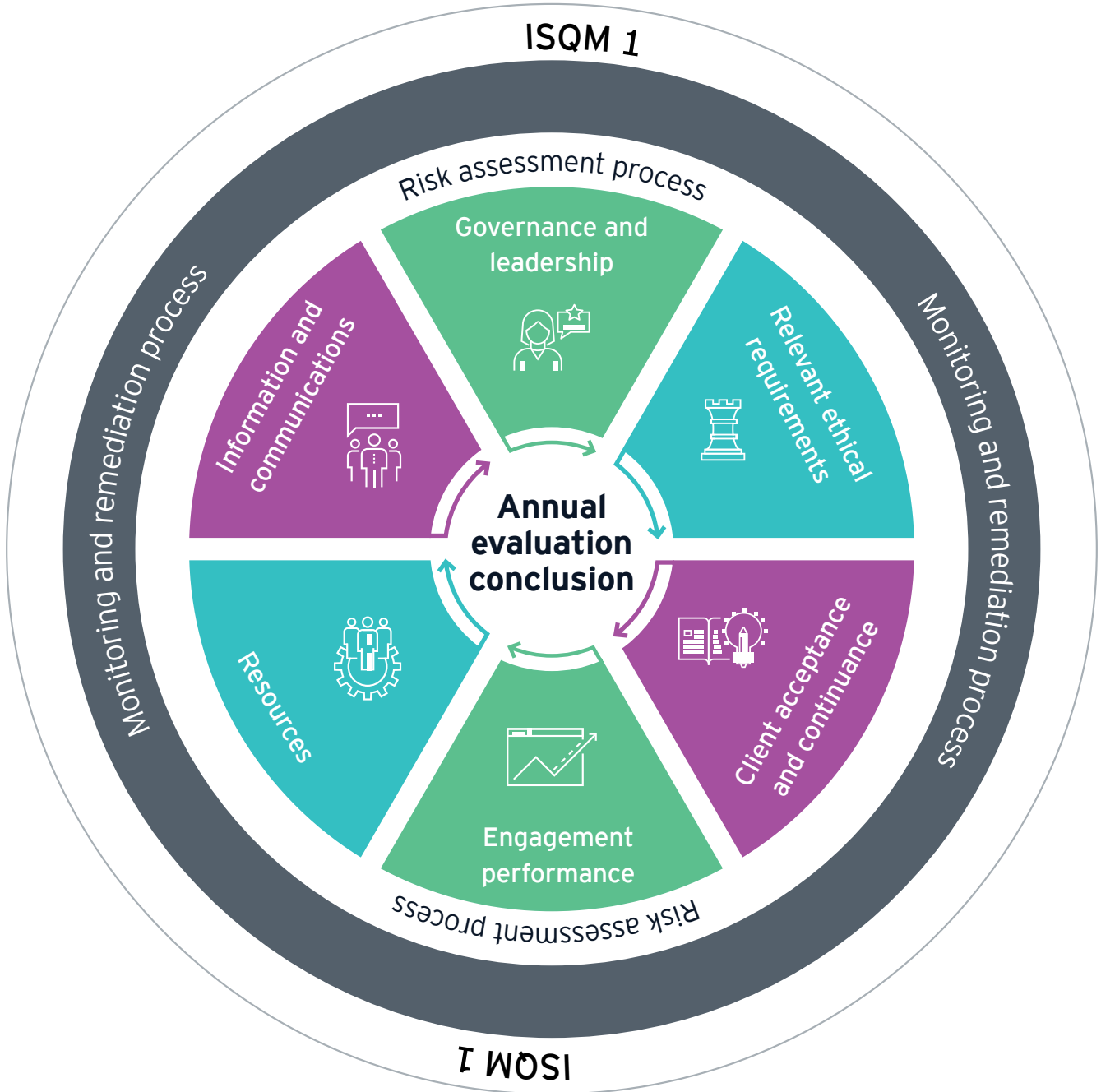
- ▶ Internal and external engagement inspections
- ▶ Other monitoring activities (e.g., tests of EY South Africa and its personnel's compliance with ethical requirements related to independence, quality criticisms made by external regulators relevant to the System of Quality Management, issues reported through the Ethics Hotline)

Professional judgment is used in evaluating the results of monitoring activities, including in determining whether findings, individually or in combination with other findings, rise to the level of a deficiency. Any deficiencies identified require a Root Cause Analysis (RCA) to be performed and a quality improvement plan to be developed, and are evaluated to determine the severity and pervasiveness of the deficiency. When determining the SQM annual evaluation conclusion, if a severe deficiency is identified, a member firm would need to assess whether the effect of the deficiency was corrected, and the actions taken by 30 June 2023 were effective.

Conclusion

The annual evaluation conclusion for EY South Africa as of 30 June 2023 is that the SQM provides "reasonable assurance" that its objectives are being achieved.

The principal components of the SQM are represented below:



System of Quality Management Risk Assessment Process



EY South Africa has designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks as required by ISQM 1.

The risk assessment process is executed annually based on the Global SQM policies to drive consistency in the execution of the SQM.

In order to drive consistency while providing EYG member firms with an approach that is scalable and adaptable based on the facts and circumstances of the member firm, Global SQM Baseline Quality Objectives, Quality Risks, and Responses have been developed by representatives of Global Assurance Leadership based on input from functional and service line groups at the global, area and region levels.

Global SQM baselines include:

- ▶ Baseline Quality Objectives
- ▶ Baseline Quality Risks
- ▶ Baseline Responses:
 - ▶ Baseline Resources (e.g., Global policies or technologies that mitigate an EY SQM Baseline Quality Risk)
 - ▶ Baseline Key Controls to be designed and implemented to mitigate an EY SQM Baseline Quality Risk

Global SQM baselines are presumed to be applicable to every member firm performing ISQM 1 engagements.

EYG member firms are responsible for evaluating the Global SQM Baselines and determining whether these baselines need to be supplemented or adapted by the member firm to be appropriate for use (e.g., additional quality risks, customisation of responses, etc.).

EY South Africa reviewed the Global SQM Baselines and performed the following:



Accepted or rejected Global Baseline Quality Objectives and Quality Risks after appropriate analysis of our facts and circumstances. In the case of rejection of the Global Baseline, this is preliminarily discussed with the Area



Accepted or rejected the Global Baseline Resources and Key Controls after appropriate analysis of our facts and circumstances. In the case of rejection of the Global Baseline, this is preliminary discussed with the Area

The review of the Global SQM baselines considered the facts and circumstances of our organisation, including its nature and operating characteristics, the types of engagements performed, and systemic trends from monitoring activities within the SQM.

In addition to reviewing the Global SQM Baselines, we determined whether additional quality objectives, quality risks, or responses were necessary. We did not identify any additional Quality Objectives or Quality Risks as part of this assessment.



Together with the Area, identified the level of execution of Global Baseline Key Control



Customised accepted Global, Area and Region Baseline Key Controls



Governance and Leadership

EY South Africa's leadership is responsible for setting the right tone at the top and demonstrating EY's commitment to building a better working world through behaviour and actions.

While the tone at the top is vital, EY people also understand that quality and professional responsibility start with them and that, within their teams and communities, they are leaders too. EY's 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 culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory, and independence matters. We believe it is important to determine that engagement teams and the entities they audit follow consultation advice, and we emphasise this when necessary.

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies, and is embedded in the EY culture of consultation,

training programmes, and internal communications. Senior leadership 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.

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 procedures that 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.

Relevant Ethical Requirements



Michael Schafer
Independence & Conflicts Leader

The EY Global Code of Conduct provides guidance about EY actions and business conduct. EY South Africa complies with applicable laws and regulations, and EY’s values underpin our commitment to doing the right thing. This important commitment is supported by several policies and procedures.

Independence Practices

Compliance with relevant ethical requirements, including independence, is a key element of the SQM. It involves determining that we are independent in fact, as well as in appearance. The ethical requirements relevant to our audits and professional services are included in the Independent Regulatory Board for Auditors (IRBA) Code of Professional Conduct for

Registered Auditors along with (and which is consistent with) the International Ethics Standards Board for Accountants’ International Code for Professional Accountants (including International Independence Standards) (the IESBA Code).

The EY Global Independence Policy requires EY South Africa

and our people to comply with the independence standards applicable to specific engagements (e.g., the IESBA Code and the Independent Regulatory Board for Auditors (IRBA) Code of Professional Conduct). The EY Global Independence Policy is an example of a policy issued by EYG to enable the operation of the SQM and the performance of ISQM 1 engagements.

We consider and evaluate independence with regard to various aspects, including:



Our financial relationships and those of our people



Employment relationships



Business relationships



The permissibility of services we provide to companies we audit



Applicable firm and partner rotation requirements



Fee arrangements

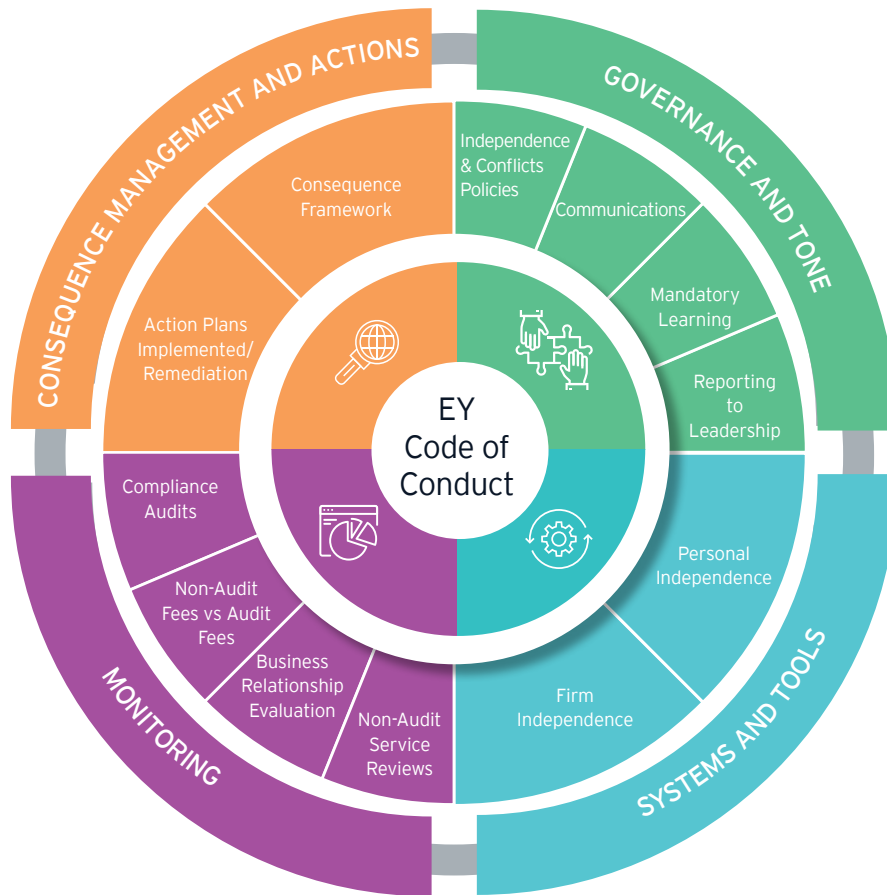


Audit Committee pre-approval, where applicable



Partner remuneration & compensation

The below represents our system to manage our independence.



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

When a report comes into the EY Ethics Hotline, either by phone or internet, it receives prompt attention by the member firm’s legal function. Depending on the content of the report, appropriate individuals from Risk Management, Talent, or other functions are also involved in addressing the allegations. EYG member firms are encouraged to log matters that are reported outside of the EY Ethics Hotline.

Non-compliance with Laws and Regulations

In accordance with the IESBA Code of Ethics, EY has adopted a policy designed to meet its obligations to report non-compliance with law and regulation – NOCLAR. The policy covers reporting obligations with respect to non-compliant activity by clients or EY personnel, as relevant to their respective business activities.

In addition to the NOCLAR reporting obligations, EY may be required to make certain reports to relevant regulatory authorities regarding possible misconduct by clients – actual or suspected. Where such obligations exist, reports are made in accordance with local laws.

Anti-bribery

The EY Global Anti-bribery Policy provides EY people with direction on certain unethical and illegal activities. It emphasises the obligation to comply with anti-bribery laws and provides a definition of what constitutes bribery.

It also identifies reporting responsibilities when bribery is discovered.

In recognition of the growing global impact of bribery and corruption, efforts have been sustained to continue to embed anti-bribery measures across EY.

Insider Trading

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

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

Data Protection and Confidentiality

The EY global policy on data protection and confidentiality sets out the principles to be applied to the collection, use and protection of all information that EY has responsibility for, including personal data relating to current, past, and prospective personnel, clients, suppliers and business associates, as well as other information considered confidential to clients, third parties or the EY organisation.

This policy is consistent with the requirements of the European Union's General Data Protection Regulation (GDPR), Protection of Personal Information Act (POPIA) and other applicable laws and regulations concerning data protection and privacy in addition to relevant professional standards providing a framework for confidentiality. 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 a policy to address our specific EY South Africa data privacy requirements and business needs.

Economic and Trade Sanctions

It is important that EY people comply with the ever-changing situation with respect to international economic and trade sanctions. EY monitors sanctions issued in multiple geographies both

prior to business relationships being accepted and as they continue. Guidance is provided to EY people on impacted relationships and activities.

Rotation

EY South Africa supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining experience and knowledge of the business. EY South Africa complies with the audit partner rotation requirements of the IESBA Code, the IRBA Code, the Companies Act of South Africa, 2008, as well as the U.S. Securities and Exchange Commission (SEC), where required. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls, and independent audit oversight, help to strengthen independence and objectivity, and are important safeguards of audit quality.

For PIEs, the EY Global Independence Policy requires that the lead engagement partner, engagement quality reviewer and other audit partners who make key decisions or judgements on matters significant to the audit (together, the key audit partners), to be rotated after seven years. For 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 listing. In South Africa, as required by the Companies Act, the lead engagement partner will always rotate after 5 years for all companies.

Upon completing the maximum service period for rotation, a key audit partner may not lead or coordinate professional services for the PIE company we audit until after completing a cooling-off period. This period is 2 years for a lead audit engagement partner, 3 years for an engagement quality reviewer, and 2 years for other partner subject to rotation.

In addition to the key audit partner rotation requirements applicable to Public Interest Entity (PIE) audit clients, EY South Africa has established a long association safeguards framework that, consistent with the requirements of the IRBA Code, include consideration of the threats to independence created by involvement of professionals over a long period of time on an audit, as well as 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 long association with the audit client. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.

Client and Engagement Acceptance and Continuance

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

These principles are fundamental to maintaining quality, managing risk, protecting EY people, and meeting regulatory requirements. The EY global policy on client and engagement acceptance is an example of a policy issued by EYG to ensure the adherence to EY values, to address network risk, and to drive consistency in the SQM.

The objectives of the policy are to:



Establish a rigorous process for evaluating risk and making decisions to accept or continue with 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



Highlight clients or engagements that are inconsistent with EY's values



Request 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 aimed at mitigating potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards.

Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing appropriate separations between engagement teams, or declining an engagement to avoid an identified conflict.

The EY global policy on conflicts of interest and associated guidance considers the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest IESBA Code.

Putting Policy into Practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with Global, service line, and member firm policies.

PACE takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks. PACE is an example of technological resources used by EYG member firms to drive consistency in the SQM.

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

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement, and the results of due diligence procedures. Before taking on a new engagement or client, we also determine whether we can commit sufficient and appropriate resources to deliver quality service,

especially in highly technical areas, and whether the services the client is requesting are appropriate for us to provide. The approval process provides that new audit engagements may not be accepted without an approval by representatives from local Professional Practice Director (PPD) and Managing Partner (AMP) teams. As determined by the level of risks deemed present, new audit engagements may also require approval by designated Regional and Area PPD and AMP representatives.

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

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

Our Public Interest Entity (PIE) Clients

PIE clients accepted, where the audit has not yet commenced:

- ▶ Firstrand Ltd
- ▶ Harmony Gold Mining Company
- ▶ Lewis Group
- ▶ Multichoice Group Ltd
- ▶ Shoprite Holding Ltd
- ▶ Libstar Holdings Ltd
- ▶ The Standard Bank of South Africa
- ▶ Remgro Ltd

PIE clients audited for the final time in 2023:

- ▶ Accelerate Property Fund Ltd
- ▶ Agre Insurance Company Ltd
- ▶ Agribel Holdings Ltd
- ▶ Anglogold Ashanti Holdings Plc
- ▶ Anglogold Ashanti Ltd
- ▶ Central Provident Fund
- ▶ Emira Property Fund Ltd
- ▶ Glacier Financial Holdings (Pty) Ltd
- ▶ Mr Price Ltd
- ▶ Safrican Insurance Company Ltd
- ▶ Sanlam Ltd
- ▶ Tiger Brands Ltd
- ▶ University of South Africa

Other PIE clients:

- ▶ Advtech Ltd
- ▶ African Rainbow Minerals Ltd
- ▶ Albaraka Bank Ltd
- ▶ Allan Gray Group Pty Ltd
- ▶ Amber House Fund 2 (RF) Ltd
- ▶ Arcelormittal South Africa Ltd
- ▶ Aspen Pharmacare Holdings Ltd
- ▶ Astoria Investments Ltd
- ▶ Attacq Ltd
- ▶ AVI Ltd
- ▶ Barloworld Ltd
- ▶ Brimstone Investment Corporation Ltd
- ▶ Cape Peninsula University of Technology
- ▶ Capital Appreciation Ltd
- ▶ China Construction Bank Corporation (Incorporated)
- ▶ Clicks Group Limited
- ▶ Deutsche Bank Aktiengesellschaft, Filiale Johannesburg
- ▶ Engineering Industries Pension Fund
- ▶ Growthpoint Properties Ltd
- ▶ Guardrisk Insurance Company Ltd
- ▶ Guardrisk Life Ltd
- ▶ Hulamin Ltd
- ▶ Invicta Holdings Ltd
- ▶ Investec Ltd
- ▶ Investec Bank Ltd
- ▶ JSE Ltd
- ▶ Metair Investments Ltd
- ▶ Metal Industries Provident Fund
- ▶ Momentum Asset Management (Pty) Ltd
- ▶ Momentum Collective Investments Ltd
- ▶ Momentum Insure Company Limited
- ▶ Momentum Metropolitan Holdings Ltd
- ▶ Momentum Metropolitan Life Ltd
- ▶ Momentum Retirement Annuity Fund
- ▶ Momentum Securities Pty Ltd
- ▶ Momentum Short Term Insurance Ltd
- ▶ Momentum Wealth (Pty) Ltd
- ▶ Moto Health Care
- ▶ MTN Group Ltd
- ▶ Munich Reinsurance Company of Africa Ltd
- ▶ Ndala Investments No 1 (RF) Ltd
- ▶ Nedbank Group Ltd
- ▶ Nedbank Ltd
- ▶ Nepi Rockcastle N.V.
- ▶ Northam Platinum Ltd
- ▶ Octodec Ltd
- ▶ Old Mutual Ltd
- ▶ Pick n Pay Stores Ltd
- ▶ Prescient Holdings (Pty) Ltd
- ▶ RECM and Calibre Ltd
- ▶ Residual Debt Services Ltd
- ▶ RFG Holdings Ltd
- ▶ SAHL Insurance Company Ltd
- ▶ SAHL Investment Holdings (Pty) Ltd
- ▶ Sea Harvest Group Ltd
- ▶ Sibanye Stillwater Ltd
- ▶ Southchester (RF) Ltd
- ▶ Standard Chartered Bank (Incorporated In England)
- ▶ Strate (Pty) Ltd
- ▶ Super Group Ltd
- ▶ The Professional Provident Society Holdings Trust
- ▶ The Thekwini Fund 1 (Pty) Ltd
- ▶ Tongaat Hulett Ltd
- ▶ Truworths International Ltd
- ▶ Universiteit Stellenbosch
- ▶ University of Pretoria
- ▶ Vodacom Group Ltd
- ▶ Vodacom Insurance Company (RF) Ltd
- ▶ Yebo Yethu (RF) Ltd



Engagement Performance

There is continuous EY investment in improving audit methodologies and tools, with the goal of consistently delivering high-quality audits. This investment reflects the EY commitment to building trust and confidence in the capital markets, and in economies the world over.

The EY Digital Audit

The EY Digital Audit helps EY teams meet the changing needs of the companies they serve and deliver against evolving stakeholder expectations - both today and tomorrow. It supports EY professionals in driving quality and unlocking the digital advantage across all phases of the audit by pairing advanced capabilities with the right digital skill sets and a culture of continued innovation.

The EY Digital Audit is deployed globally and is well-established and proven in the market:



EY Canvas facilitates secure and cloud-based workflow, communication, and documentation on 150,000+ audits globally



EY Canvas Client Portal connects 200,000+ EY professionals with more than 300,000 client users



EY Atlas serves as the central repository of accounting knowledge for EY teams and audited entities



EY Smart Automation capabilities drive automation of core activities and are directly integrated in EY Canvas



EY Helix enables EY teams to analyse over 775 billion lines of journal entry data annually

These technologies support EY teams in driving quality by connecting companies and teams, automating audit procedures and processes, and analysing data using advanced technologies.

Connecting

The foundation of a high-quality audit lies in seamlessly connecting entities and audit teams to each other, as well as to the right information.

Deployed globally, EY Canvas serves as the single workflow, communication, and documentation hub for EY audit engagements worldwide. Hosted safely in the cloud, it leverages industry-leading technology for web applications. This allows for 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, or public interest entity) and industry. This helps to keep audit plans customised and up-to-date, and provides direct linkage to audit guidance, professional standards, and documentation templates. The majority of forms that enable audit documentation are integrated into EY Canvas, leveraging the profile questions to deliver the relevant audit procedures and related documentation requirements. With the Milestones Programme as discussed in the Infrastructure Supporting Quality section, EY Canvas enables effective project management.

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

EY Canvas includes the EY Canvas Client Portal to assist teams with communicating with entities' management and streamlining their requests. It also includes EY Canvas Oversight, which provides real-time oversight and tracking of audit progress globally to enhance visibility and facilitate proactive collaboration throughout all phases of the audit.

EY Canvas is further supplemented by the EY Atlas global research platform that provides access to the latest accounting knowledge for both EY professionals and the entities they audit.

Automating

Smart technologies help to enable greater levels of automation, centralisation and standardisation throughout an audit.

The EY Digital Audit leverages the global connectivity of EY Canvas to deploy automation globally. The EY Smart Automation Hub provides a centralised and global access point for automation capabilities that is fully embedded in EY Canvas and provides real-time status updates. These capabilities utilise large scale automation, as well as Artificial Intelligence (AI), machine learning, and other advanced technologies, to both enhance project management and support audit testing.

Automating and accelerating routine procedures enables audit teams to focus on the most prominent risks and complex judgment areas, as well as on adding value to the companies they audit. At the same time, audit support activities are streamlined, thus significantly reducing the administrative support effort required from entities' management, finance, and accounting teams.

Analysing

The deployment of end-to-end analytics enables a smarter, data-driven approach that supports EY teams with identifying risks, detecting anomalies, and generating insights.

The EY Helix global analytics suite integrates data-driven auditing into EY's Digital Global Audit Methodology (EY Digital GAM). It comprises data analysers for core business and accounting processes, alongside industry and transaction-specific analysers.

This allows audit engagement teams to deploy targeted data analytics specific to the entity being audited, and to drill down across operating cycles to better understand financial activities and business processes. The result is a smarter, risk-based approach that supports higher quality audit evidence, effective identification of trends and anomalies, deeper levels of insight and business intelligence.

The use of EY Helix is supported through seamless and secure data access enabled by standardised and centralised data delivery processes, a range of extraction and connection methods, and leading-edge security protocols.

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

Investment in Next-Generation Assurance Technology

The EY Digital Audit advances higher audit quality through better focus on risks of material misstatement and higher quality audit evidence to respond to those risks.

As noted in the Infrastructure Supporting Quality section, to further

accelerate and capitalise on the speed of change, EY is investing in next-generation assurance technology to facilitate trust, transparency, and transformation.

Building on the strengths of EY's existing global audit technology suite,

this four-year investment programme is driving the future of assurance technology via the integration and transformation of leading-edge capabilities into one seamless platform - powering the next generation of data-driven and AI-enabled assurance services.

EY South Africa is ultimately responsible for the design, implementation, and operation of its SQM, and is responsible for:



User experience and collaboration



Data access and analytics



AI and business intelligence

Over the past 12 months, this investment has enabled the release of more than 20 significant new assurance technology capabilities, including next-generation data analytics that leverage Microsoft Power BI, new AI capabilities integrated with EY Canvas to support risk assessment, and redefined audit workflow for non-listed, non-complex entities.

Fraud

As part of ongoing improvement efforts, there is recognition of the need to evolve how audits are performed to better address fraud.

At a global level, EY is committed to leading the profession more widely to address stakeholders' questions about the auditor's role in fraud detection. Companies have never been as data-rich as they are today, providing new opportunities to detect material fraud through data mining, analysis, and interpretation. Auditors are increasingly using data analytics to identify unusual transactions and patterns of transactions that might indicate a material fraud.

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

- ▶ Using data analytics to enhance fraud detection capabilities and further develop professional scepticism in audits
- ▶ Using additional internal and external data and information to enable more nimble responses to external risk indicators, such as short selling and whistleblowers
- ▶ Utilising electronic confirmations for audit evidence wherever possible
- ▶ Developing a proprietary fraud risk assessment framework for use with

audit committees and those charged with governance

- ▶ Mandating annual fraud training for all audit professionals that incorporates the experience of EY forensics professionals
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis to assess potential risks of fraud
- ▶ Expanding the use of our Global Assurance Risk Center of Excellence and building on the latest technology, such as machine learning and AI, to further leverage external data through adverse media scraping, key forensic metrics, short seller monitoring, tools to evaluate document authenticity, and other technology to enhance fraud risk identification and response in our audits

Reviews of Audit Work

EY policies describe the requirements for timely and direct senior professional participation, as well as the level of review required for the work performed, the requirements for documenting the work performed, and conclusions reached. Supervisory members of an audit engagement 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 companies and PIEs, and certain other companies, an engagement quality reviewer (described below in the Engagement Quality Reviews section) reviews important areas of accounting, financial reporting, audit execution, as well as the financial statements of the audited entity 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 engagement team members preparing the audit documentation

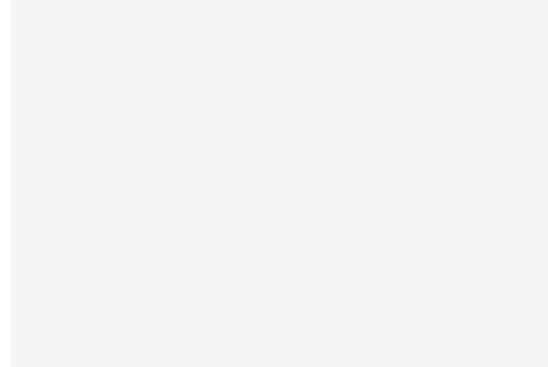


Level of the reviewer's direct participation in the audit work



Extent of consultation employed

EY policies also describe the critical role of the Partner in Charge (PIC) in managing and achieving quality on the audit and reinforcing the importance of quality to all members of the audit team.



Engagement Quality Control Reviews (EQCR)

EY engagement quality review policies address the audits that are subject to engagement quality reviews and the qualifications of engagement quality reviewers.

Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the audit engagement team and provide an objective evaluation of the significant judgments that the audit engagement team have made, and the conclusions reached thereon. The performance of an engagement quality review, however, does not reduce the responsibilities

of the PIC for the engagement and its performance. Under no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

EY policies and practices related to the assignment and eligibility of professionals to serve as engagement quality reviewers have been enhanced to conform with the requirements of International Standard on Quality Management (ISQM) 2 Engagement Quality Reviews. These enhancements focus on assigning an engagement quality reviewer who has the appropriate competence and capabilities, including sufficient time, as well as having sufficient authority and objectivity to achieve an effective engagement quality review. Training and enablement support the execution of the engagement quality review.

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 report.

For audits, engagement quality reviews are performed by audit partners in compliance with professional standards for audits of all listed companies, all PIEs and those considered to need close monitoring. The Country AMP (or Country Audit Leader) and Country PPD approves the assignment of the engagement quality reviewer to each applicable engagement.

Differences of 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 PIC 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.

Consultation

EY consultation policies are built on 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,

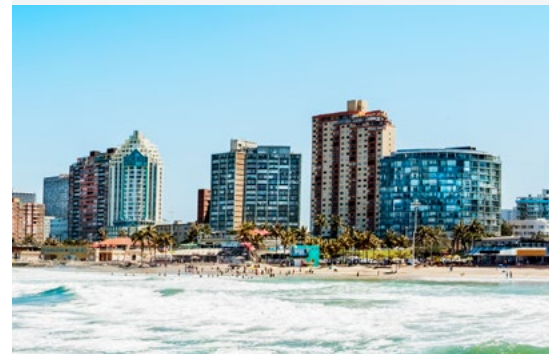
the EY culture of consultation has become even more important to help member firms reach the appropriate conclusions for entities that they audit on a timely basis. Consultation requirements and related policies are designed to involve the right resources, so that audit engagement teams reach appropriate conclusions.

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

For complex and sensitive matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialised knowledge - primarily Professional Practice and Independence personnel. In the interests of objectivity and professional scepticism, EY policies require members of Professional Practice, Independence, and certain other teams 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 are 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.





People

The EY Employee Value Proposition (EVP) is the promise we give to our employees. EY provides the opportunities, the scale, the technology, the learning, and the diverse and inclusive culture. It's up to our people to build their own exceptional experience from the building blocks that EY offers.

The EY EVP "The exceptional EY experience. It's yours to build" is designed to empower EY people to be intentional about their careers, enabling them to seek out the experiences, learning, skills, impact, and leadership behaviour that will help them build the career they want, and a better working world for themselves and others.

EY South Africa is committed to investing in our number one asset - our people - to ensure that we keep our promise to them. Delivering on the EVP in turn helps us to drive further advances in audit quality, creating real value and insights for entities that are audited by us.

Changing environments mean that investments in exceptional talent need to be agile.

Audit engagement teams already bring together an increasingly diverse set of skills and this trend will only accelerate as new technologies are adopted and the role of the audit professional continues to evolve. Skill sets will need to be further enhanced to encompass new competencies, such as coding and data visualisation, and new areas, such as the analysis of non-financial information (e.g., rapidly changing ESG standards).

Audit professionals also need to understand and assess the risks and considerations associated with these technologies, particularly as companies implement new systems and generate new data that impact financial reporting, such as business models dealing with cryptocurrencies.

Talent investment needs to focus more broadly on the development of new skillsets - enabling teams to harness the full potential of new technology and bring a new lens to their work.

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

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 engagement teams include:



Engagement size and complexity



Engagement risk



Specialised industry knowledge and experience



Timing of work



Continuity



Opportunities for on-the-job training

For more complex engagements, consideration is given to whether specialised or additional knowledge is needed to supplement or enhance the audit engagement team.

In many situations, professionals with experience in a specialised area of accounting or auditing, such as tax or information technology, are assigned as part of the audit engagement team to assist with performing audit procedures and obtaining sufficient, appropriate audit evidence.

Additionally, internal specialists who have knowledge outside of accounting or auditing, such as forensics, asset valuation, actuarial analysis and ESG, may perform work in their field that is used by the audit engagement team to assist in obtaining sufficient, appropriate audit evidence.

EY South Africa's policies require the approval of the assignment of individuals to specific audit roles by our Assurance leadership and PPD.

This is carried out, among other things, to make sure that the professionals leading audits possess the appropriate competencies (e.g., the knowledge, skills, and abilities) to fulfil their engagement responsibilities, and, when applicable, comply with auditor rotation regulations.

Service Delivery Centres

Global Delivery Services (GDS) is an integrated network of EY service delivery centres that provide services to support EY member firms. In an era of unprecedented change, GDS continues to develop flexible business models and innovative ways to support member firms and their evolving needs. Across all disciplines, GDS teams combine deep technical knowledge with

a focus on innovation, automation, and process improvement to create hundreds of customised and scalable services that provide greater value for the EY organisation. As part of its audit transformation journey, EY Assurance services will increase its use of specialised teams to drive higher-quality outcomes, including GDS.

EY South Africa also utilises other delivery centres such as the Regional Delivery Services (RDS) and Audit Delivery Network (ADN) to ensure the engagement team have access to the most appropriate resources at the right time.

Attracting and Recruiting Talent

In a world with a decreasing talent pipeline, where the number of students graduating with an Accounting degree continues to drop, competition for talent with the relevant skills has never been higher.

Finding the next generation of high-quality auditors remains our top priority. We keep the recruiters with whom we work up-to-date and upskill them with current trends and hot topics in audit, so that they are armed with the information to talk to candidates. We are also exploring several recruitment innovation platforms and talent attraction initiatives in order to network with new and diverse audiences that we didn't previously have the opportunity to connect with via the traditional channels, and to innovate in how we connect with, and attract, our future talent.

For example, in the last year, EY designed the EY Talent Tree in the metaverse. Through a series of global talent events, EY teams have hosted hundreds of potential future audit professionals in an environment that strips away the physical barrier of real-world meeting rooms, and replaces them with a new, highly interactive virtual world. What has been achieved so far is very exciting - a series of events on a global scale that have helped to identify new talent from the next generation of potential accounting

professionals, who live and breathe technology, and who will help forge the future of our profession.

Another innovation initiative EY is currently working on is an audit virtual work experience programme. This programme is designed primarily for university and college students who are at early stages of their studies and are looking to explore future career paths. The purpose of this programme is to connect with students and showcase the work EY teams do in an audit, in a direct and open way, with the aim of building a network with our future talent from the early stages in their academic journey.

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



Retention and Focus on Well-being

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

Achieving a work-life balance is important for EY people. People are now far more focused on getting the balance right between their professional and personal lives. Forty-three percent of EY auditors now work remotely two or more days per week and have a greater well-being experience as a result.

An increasingly important talent priority has been a focus on well-being and improving the day-to-day experience of EY people. The overarching goal is to embed a culture of well-being through the commitment

of leadership to provide the financial, physical, emotional, and social support that enables EY people to be the best they can be. In practice, this can include equitably balancing work allocations and breaking down barriers that have previously prevented professionals from setting and adhering to healthy boundaries.

The better the organisation can support people's well-being, the more likely it is to provide them with compelling reasons to continue their career journey within the EY network.

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

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

Personalised Careers with Diverse Experiences

As the workforce becomes more diverse in terms of background, skill sets and education, aspirations also change.

With more people with specialised skills entering the organisation, EYG member firms are implementing more flexible career paths for all professionals that link to future-focused service delivery model thinking.

The workforce is evolving, and individuals often have different career hopes, so we are providing all our people with the necessary tools and processes to manage their progression.

A more individualised career structure is vital in attracting new talent and in helping to develop and retain the existing workforce.

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

Performance Management

EY has a performance management framework, LEAD, that supports our people's careers, inspires their growth and recognises the value they bring to EY South Africa.

Through ongoing feedback, counsellor insights and development conversations, LEAD helps align 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, technical excellence, and engagement metrics. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programmes.

At the centre of the framework are conversations between counsellor and counsellee, covering topics such as understanding diverse career paths, creating an inclusive and equitable environment, and pursuing learning and new experiences. 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. 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, with the most important one being quality.

Learning and Development

The Audit Academy is EY's global learning programme for auditors. It builds auditors' core skill sets and evolves over time, for example, to complement those core skills with the new capabilities needed to support the EY Digital Audit.

Every year, the content and focus of the Audit Academy is adjusted to address new technologies and strategic priorities that promote audit quality. Any changes are agreed to by Assurance leadership, following recommendations from the EY Global Assurance Learning Steering Committee.

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

Teams can be sure that they are receiving leading-class and globally consistent core learning.

Whether that involves focusing on changes in regulation, mastering emerging technologies, or embedding data analytics into existing audit practices, the Audit Academy has the resources in place to support every need. Moreover, the Audit Academy encourages and empowers individuals to apply professional scepticism, think critically, and deliver exceptional client service.

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

Professional Development

To encourage the building of new skills, the EY Badges programme enables professionals to gain future-focused skills including AI, blockchain, robotic process automation, innovation, cybersecurity, as well as other capabilities that are in high demand, such as sustainability.

EY Badges is a self-directed learning initiative that supplements a substantial programme of core structured training for auditors.

Allied to EY Badges are the EY Tech MBA and Masters qualifications in both Business Analytics and Sustainability. These are online qualifications awarded by Hult International Business School, a triple-accredited university, that are available free of charge to all EY people.

There are also a variety of learning programmes 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 programmes for select groups of partners on topics such as Client Leadership and Disruptive Technology, and there are also regular learning programmes on audit-specific topics such as fraud.

Where an EYG member firm audits and reviews International Financial Reporting Standards (IFRS) financial statements,

relevant audit engagement team members undertake learning to become IFRS-accredited.

EY South Africa requires audit professionals to obtain at least 20 verifiable hours of continuing professional education each year and at least 120 hours over a three-year period (of which 60 hours must be verifiable). Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

Audit Methodology

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgments, and procedures in all audit engagements, regardless of the size.

EY GAM also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments, reconsidering and modifying them as appropriate, and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasises applying appropriate professional scepticism in the

execution of audit procedures. EY GAM is based on International Standards on Auditing (ISA) and is supplemented to comply with the local auditing standards and regulatory or statutory requirements. EY GAM is one example of an intellectual resource made available to EYG member firms to drive consistency in the execution of audit engagements.

Designed and based on extensive research with audit practitioners,

EY Digital GAM, which is part of EY GAM, focuses on simplifying tasks and improving connection from one audit procedure to the next by leveraging full populations of entity data. All procedures, including risk assessment and substantive procedures start with a data-first mindset, by analysing relevant financial and non-financial data, and supplementing this with traditional audit techniques such as inquiries, observations, and

inspection. The ability to analyse disaggregated data using the EY Helix global analytics suite enhances audit engagement teams' understanding of the entity's business and focuses on the identification of entity-specific risks, key transactions, and trends and anomalies that may be indicators of misstatement or fraud. A data-driven audit approach focuses effort on the audit of higher-risk transactions, enables a dynamic audit strategy that is reactive to readily identifiable changes in the data and refines the focus and specificity of dialogue with the entity and its management about audit findings and evaluating the outcomes.

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

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

EY continues to develop the methodology to address changes and revisions in auditing and other professional standards and changes within entities' financial reporting processes, and to enhance guidance related to matters that are important to entities' stakeholders, such as climate-related risks, cyber risks, and an entity's use of emerging technologies within their operations or financial reporting processes (e.g., automation, AI, and blockchain). EY audit engagement teams are provided with methodology, guidance, and resources to identify and respond to these unique risks.

Other enhancements have been made to address implementation experiences, and external and internal inspection results.

Recently, EY GAM was updated for the requirements of ISA 220 (Revised) - Quality Control for an Audit of Financial Statements, ISQM 1 - Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and new independence requirements of the Independence Ethics Standards Board of Accountants' Code of Ethics for pre-concurrence of non-assurance services and disclosure of fees. A suite of enablement to implement the new and revised requirements was issued.

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

We have issued accounting and auditing considerations when auditing entities that are exposed to risk due to the recent failures and near-failures in the banking sector, as well as to respond to evolving economic conditions, including increases in inflation and interest rates.

Certification of Technology

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

Certification addresses a range of aspects, including that the solution has a clear audit evidence objective, has been appropriately tested, that methodology, enablement and learning are available to support its application and relevant legal and regulatory requirements have been managed (e.g., data privacy).

Information and Communication



The information and communication component is a new component in ISQM 1 for obtaining, generating or using information and communicating information, to enable the design, implementation, and operation of the SQM.

The quality objectives within the component address the effective communication between:



Personnel



External parties



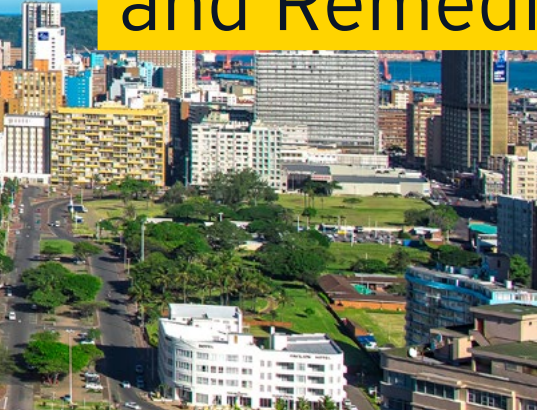
Member firms within the EY network



Service providers

Effective two-way communication is essential to the operation of the SQM and the performance of audit engagements. The Global SQM policy provides the requirements for EYG member firms to communicate internally and externally about the member firm's SQM.

System of Quality Management Monitoring and Remediation



The System of Quality Management monitoring and remediation process is the cornerstone of the EY process to monitor the System of Quality Management, including audit quality. EY South Africa has established a SQM monitoring and remediation process to:



Provide relevant, reliable, and timely information about the design, implementation, and operation of the SQM



Provide a basis for the identification of deficiencies



Take appropriate actions to respond to any identified deficiencies

Information obtained from the monitoring and remediation process about the design, implementation, and operation of the SQM is evaluated to conclude on the effectiveness in achieving the objectives of the SQM.

SQM monitoring activities include:



Testing SQM key controls



Inspecting internal and external engagement



Other monitoring activities, including but not limited to:

The monitoring and remediation process is executed annually based on the Global SQM Monitoring and Remediation policy, which is an example of a global intellectual resource provided to drive consistency in the execution of EY South Africa's SQM.

The monitoring and remediation process is coordinated and monitored by representatives of Global PPD, with oversight by the Global Assurance leadership.

Testing of EY South Africa and its personnel's compliance with ethical requirements related to independence

Quality observations made by external regulators relevant to the SQM

Issues reported through the Ethics Hotline

Testing SQM Key Controls

SQM key controls have been designed and implemented to mitigate quality risks. The objective of performing tests of SQM key controls within the EY South Africa SQM includes determining whether its key controls:



Were designed, implemented, and operated in accordance with control owner's understanding and documentation thereof



Were operated on a timely basis by the control owner/operator specified in the design of the SQM key control



Resulted in the timely resolution of any matters (information accumulated) identified



Were based on reliable information (i.e., information used in the performance of the SQM key control is complete and accurate, if applicable)

Global Audit Quality Reviews

EY South Africa executes the Global Audit Quality Reviews (AQR) programme, reports results, and develops responsive action plans. The Global AQR programme complies with the requirements and guidelines in ISQM 1 and is supplemented, where necessary, to comply with local professional standards and regulatory requirements. It also aids our continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

Audit quality reviews include the inspection of at least one completed

engagement for each PIC on a cyclical basis. The engagements reviewed each year are selected on a risk-based approach, emphasising audit engagements that are large, complex, or of significant public interest, including elements of unpredictability. The Global AQR programme includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements, and public interest entities and non-public interest entities, to measure compliance with:



Internal policies and procedures



EY GAM requirements



Relevant local professional standards and regulatory requirements

It also includes reviews of a sample of non-audit assurance engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures that should be applied in executing non-audit assurance services.

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

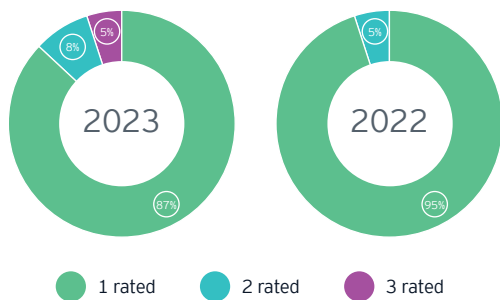
AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialisation. They have often participated in the Global AQR programme for a number of years and are highly skilled in its execution. Team leaders and reviewers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

The Global AQR programme is supplemented by a programme that covers inspections of other assurance and related services engagements regardless of the service line performing the work.

This is referred to as the Other Assurance Quality Review (OAQR) programme.

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

Internal Inspection Results



IRBA Inspection Results



No thematic engagement level findings

No reportable finding on the design and implementation of ISQM

IRBA Inspection

In 2023, the IRBA conducted its annual inspection, which included the inspection of six engagement files to assess the compliance with the International Auditing Standards (ISAs). In addition, the IRBA conducted thematic reviews in the areas of independence, archiving, materiality and schedules of unadjusted audit differences, as well as a review of the design and implementation of

ISQM 1. We are satisfied with the overall improvement in the engagement outcomes.

While some findings were raised in the engagements that were inspected, none of them were thematic in nature and thus for the first time in 5 years, no thematic engagement level findings were noted by the IRBA.

Based on the thematic reviews

performed by the IRBA, a firm level finding was raised on the topic of archiving and a further finding on materiality and unadjusted audit differences. Necessary action plans have been implemented to ensure these findings do not reoccur.

The IRBA had no reportable findings on their review of the design and implementation of ISQM1.

PCAOB Inspection

The Public Company Accounting Oversight Board (PCAOB) inspected EY in June 2023 and reviewed one listed foreign private issuer, and one listed and one unlisted US-referred work

engagement. The inspection process has not been concluded at the date of this report. However, findings have been communicated to EY on all three engagements. We will work actively

with the PCAOB and ensure that we implement appropriate action plans in response to a detailed Root Cause Analysis (RCA), to address the quality matters identified.

Root Cause Analysis

Engagement-level RCA is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie an engagement's positive or negative inspection outcome. The findings of each root cause are analysed in detail. This analysis enables a better understanding of

the drivers behind both positive and negative outcomes, and it allows us to focus on key behaviours that drive positive and high-quality results - a process that is fundamental and foundational to continuous improvement.

Once the engagement root cause analysis has been completed, EYG

member firms are responsible for assessing their portfolio results, with special consideration being given to identifying pervasive issues, and to developing responsive action plans for remediation.

Audit Quality Indicators (AQIs)

The path to SAQ is monitored through the Audit Quality Indicators (AQIs) which are a set of quality metrics that are monitored sufficiently regularly (depending on the nature of the AQI) and used by the QEL to rapidly respond to emerging quality risks by implementing appropriate actions.

In addition to understanding the overall SQM annual results, Assurance leadership monitors the execution of the EY strategy and quality priorities through a combination of metrics and AQIs. While no single reportable metric or set of metrics can be viewed as a sole indicator of audit quality, a

set of metrics can be used to give an indication of audit quality.

Enabled by EY's strong global integration of tools, practices and policies, country-specific data is accumulated monthly on a variety of topics. The AQIs include both leading and lagging quality-related indicators and span themes related to execution, talent, remediation, and enablement. Each AQI is measured against established geographically-specific and global targets, with outliers requiring an evaluation and remediation plan. The AQIs are aligned to the EY Accountability Framework to reinforce

priorities for the country leadership network, and are subject to an annual review to help ensure that 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 and provides an early warning where intervention is warranted.

AQIs are monitored at both the engagement level and at the overall firm level. These AQIs include those required to be reported to the IRBA annually.

The following are the key AQIs monitored by EY South Africa

Audit Quality Indicators	2023 (Jan - Dec 2022)	2022 (Jan - Dec 2021)	Firm target or KPI	Description of AQI and Explanatory notes
*# EQCR total time	1,4%	0,9%	0,5 - 2%	EQCR partner plus EQCR team time, as a % of total hours on PIE clients. The increase in EQCR time is a result of greater leverage on the use of EQCR teams to support the EQCR partner. This is consistent with the firm's strategy to enhance audit quality through providing more robust EQC Reviews.
*# Partner time (%)	4,5%	4,8%	4,5 - 7,5%	Engagement partner time as a % of total hours on PIE clients. Partner time is consistent with the firm's own targets and is expected to move in line with the growth and maturity of the audit portfolio.
Partner coverage %	29%	40%		% of partners subject to internal quality review. The firm's policy requires that all partners must be reviewed at least once in a three-year cycle. The extent of reviews may differ from year-to-year when implementing the three-year cycle.
AQR results	95%	77%	88%	% of engagements receiving a "1" rating in internal quality review. The June 2022 outcome was well above the target minimum and a very good outcome. The June 2023 AQR results (pg 47) regressed slightly from the previous year. The firm responds to AQR findings and root cause analyses outcomes by implementing quality action plans.
*# Manager time (%)	22%	29,8%	20% - 30%	Manager time as a % of total hours on PIE clients. Manager time is consistent with the firm's own targets and is expected to move in line with the growth and maturity of the audit portfolio.
Staff to partner (ratio)	18	21	18:20	Ratio of professional staff to audit partners. The decrease is related to an increase in engagement partners (9).
Engagement partner to Technical partner (ratio)	7	5,6		Ratio of audit partners to partners in technical department. The increase is related to an increase in the number of engagement partners (9) together with a reduction in technical partners (2).
Training hours (per person)	104	86		Average number of training hours per professional staff. Training hours are driven by changes to standards / methodology, policy, laws, regulations and responses to inspection outcomes. In 2022 the increase is largely a result of changes relating to IFRS 17, ISA 315, ISQM 1 and ISQM 2 implementation, together with increased training on the Project Management of audits.
Staff turnover - audit partner (%)	11%	11%**	< 10%	% audit partner turnover in the year. 9 partners exited the firm in 2022 (2021: 9 partners) and 12 new partners (2021: 3 partners) were appointed. The firm experiences both planned and unplanned attrition at the partner level. The firm's succession planning and growth strategies ensure that the firm is able develop partners internally and seek out the appropriate talent, externally, to maintain audit quality on all its audits.
Staff turnover - audit manager (%)	28%	30%**	< 30%	% audit manager turnover in the year. The firm experiences both planned and unplanned attrition at the manager level. The firm's succession planning and growth strategies ensure that the firm is able develop managers internally and seek out the appropriate talent, externally, to maintain audit quality on all its audits.
Staff turnover - supervisor (%)	60%	66%**	< 40%	% audit supervisor turnover in the year. Staff turnover is within expectation for the audit business and the profession at large.
*Firm tenure (years)	10	12	< 10 years	Average number of years appointed as auditors of PIE audit clients. Reduction in tenure is a result of rotating off some long tenure clients as part of the MAFR requirements.
Partner experience (years)	8,9	9,2	8 - 10 years	Average number of years' partner-experience of audit partners. Partner attrition and new partner admission impact this average. The firm is very focused on partner retention and the development of skills to support the audit portfolio.
*Non-audit fees (%)	11%	9,6%	6% (IRBA Average)	Non-audit and audit-related non-audit services as % of total audit fees. The increase is a result of providing additional non-audit services that are required by law or regulation. The non-audit fees for services not required by law or regulation to be performed by the auditors amount to 4,5% (2021: 2.7%) of total audit fees.

* Audit Quality Indicators are calculated as an average on all audit engagements for Public Interest Entities

** - restated

The AQI is computed on a weighted average basis.

Identifying and assessing System of Quality Management deficiencies and performing root cause

Findings are information about the design, implementation, and operation of the System of Quality Management which indicates that one or more deficiencies may exist. Findings are accumulated from the performance of monitoring activities. EY South Africa evaluates each finding or aggregation of findings considering the relative importance of the finding(s) to determine whether a deficiency exists.

Potential findings identified, and their assessment are reviewed by the SQM oversight committee.

If any deficiencies are identified, a root cause process is executed to determine the root cause, to assess the severity and pervasiveness of the deficiency, and to develop responsive actions.

Representatives from Global and Area Professional Practice and Assurance

Leadership meet on a regular basis to review the results of the monitoring activities and the assessment of findings and deficiencies to drive consistency in the application of the framework for identifying and assessing findings and evaluating deficiencies and performing root cause as described in the Global SQM Monitoring and Remediation policy.

System of Quality Management Quality Improvement Plans

For any identified deficiencies, EY South Africa quality improvement plans are developed, which includes:



Correcting the effect of the identified deficiency



Remediating identified deficiencies in a timely manner



Evaluating the effectiveness of the remediation actions

Quality improvement plans are developed by the SQM Operational Committee and are reviewed by the SQM Oversight Committee to help ensure the appropriateness of the actions designed.





Infrastructure Supporting Quality



Quality Enablement Leaders

The EY Quality Enablement Leaders (QEL) network is a group of senior assurance leaders around the world that drives improvements in audit quality by empowering engagement teams and driving operational excellence within the global assurance practice.



Nadia Grobbelaar
Quality Enablement Leader



Prashant Jivan
Quality Monitoring Leader

Empowered audit teams are enabled by:



Delivering audit engagement team coaching



Deploying technical enablement related to the adoption of new auditing standards



Driving proficiency in the use of automated tools and techniques



Designing the framework for implementing globally-consistent workforce planning, including protocols for workload management



Establishing global data protocols and managing the data to execute portfolio reviews



Managing in-flight engagements to support timely, positive intervention

Many of the QEL-related activities are directly aligned to the EY SQM. Because of the nature of their activities, the QEL network offers a unique perspective on the nature of challenges that can impact audit quality. The QEL network collaborates with the Professional Practice function to drive audit quality.

Quality Monitoring

The firm established a quality monitoring function designed to perform “Hot File” reviews and provide feedback to audit teams prior to audit sign-off. The quality monitoring team pays particular attention to common findings arising out of internal and external inspections.



To support auditors in fulfilling their purpose to provide confidence in the capital markets, EY created the Sustainable Audit Quality (SAQ) programme.

SAQ provides a framework to help address the evolving risks of an audit. SAQ is a globally-consistent approach to achieving and sustaining high-quality audits across the EY network. SAQ establishes a strong governance structure that enables high-quality audits. SAQ is not a one-off, short-term initiative, but an ongoing process of improvement that has been embedded into EY's culture of excellence. It has required significant investment and created positive change for EY auditors and the companies audited.

The significant efforts made in executing quality initiatives under the Global SAQ programme are positively impacting both audit quality across the EY network and the behaviour of audit engagement teams.

There are six SAQ pillars: tone at the top, simplification and innovation, accountability, audit technology and digital, exceptional talent, and enablement and quality support. These pillars are supported by a foundation of serving the public interest.



SAQ drives consistency and uniformity through:



Setting out clear objectives and priorities to assurance leadership to reinforce a consistent focus on, and accountability for audit quality, at all levels



Leading various monitoring and remediation activities to pro-actively manage audit quality

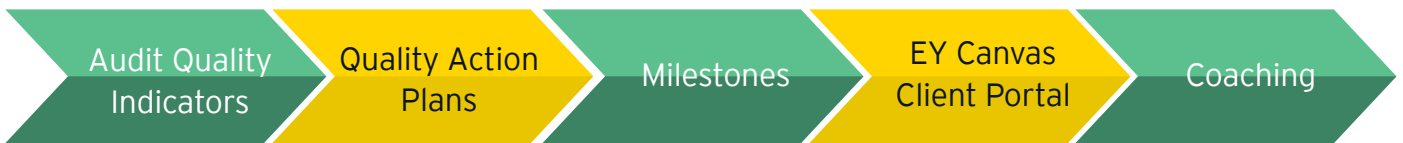


Executing implementation strategies that facilitate change management in various areas impacting audit delivery (e.g., changes to professional standards, regulations, technology, and innovation)



Providing enablement and quality support to our audit teams, to ensure delivery of the highest quality services to our clients

Examples of how EY puts its focus on quality into action include:



Quality Action Plans

Once root cause analysis for engagements, and any SQM deficiencies, have been completed, responsive Quality Action Plans for remediation are determined, agreed, and monitored by QEL in collaboration with Professional Practice and the SQM Operational Committee. Firm-level action plans are reviewed and approved by the SQM Oversight Committee.

EY Canvas Client Portal

Effective project management enables audit engagement teams to stay focused on the risks that matter most across the audit cycle, better balancing the workload by allocating the right amount of time to complete the risk tasks and ensuring timely executive involvement.

The EY Digital Audit allows EY audit engagement teams to send requests for documents used to support the audit or for work to be performed by an entity's internal audit, as permitted by local laws and regulations, via EY Canvas. Clients work on the requests, upload documents and respond via the EY Canvas Client Portal. Clients can see requests that have been assigned to them or to the group(s) of which they are a member.

Milestones

The Milestones functionality is enabled through EY Canvas. Facilitated through dashboards in EY Canvas and the EY Canvas Reporting Hub, Milestones breaks the audit cycle down into specific tasks, with dates and steps designed to help achieve timely completion and appropriate supervision and review.

Coaching

Through in-flight management, we can measure the progress of in-process audits and identify areas that require additional attention before they are completed. Several elements of the in-flight management activities are also AQIs, which helps to drive the focus and accountability around executing quality audits.

Through the QEL-led coaching programmes, audit engagement teams are supported in-flight, before the audit opinion is issued and, as they:



Navigate critical accounting and auditing issues, estimates, and judgments



Adopt new or revised auditing standards



Utilise new tools and enablement

In South Africa, approximately 70 files are scoped for Global Coaching programmes and a further +- 30 files were scoped for local coaching in 2023.

The firm has implemented a Manager Peer Review (MPR) programme. The MPR is a coaching tool which serves to enhance risk-based review techniques and audit knowledge of our managers. This programme further assists our audit teams to ensure compliance with methodology and applicable auditing standards.

In 2023, Audit on Call, an audit technical call centre was launched to support audit teams with audit-related technical, enablement and implementation questions.

QEL further supports audit teams with training, focused-team coaching, thematic coaching, and thematic reviews on topical issues.



Professional Practice



There is an established Professional Practice group. Our PPD’s role is overseen by the Area (EMEIA) PPD, who in turn is overseen by the EY Global Vice Chair of Professional Practice, referred to as the EY Global PPD.

The PPD establishes audit quality control policies and procedures to ensure that high-quality services are delivered to audit clients.

The PPD leads and oversees the Professional Practice group. This is a network of technical subject matter specialists in accounting and auditing standards, who consult on accounting, auditing, and financial reporting matters, in addition to performing various practice monitoring and risk management activities.

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



Internal-control reporting and related aspects of the EY GAM



Event-specific issues involving areas of civil and political unrest, pandemics, financial stability or sovereign debt, and related accounting, auditing, reporting, and disclosure implications



Accounting, auditing, and risk issues for specific topics, industries, and sectors



General engagement matters and how to work effectively with audit committees



Roger Hillen
EY Professional Practice Leader

The Country PPD has operational responsibility for monitoring the SQM. This includes concurring with or proposing changes to the recommended SQM annual evaluation conclusion. The SQM monitoring process is coordinated and monitored by representatives of Global PPD.

Risk Management



Vince Paino
EY Africa Risk Leader

Risk Management (RM) coordinates organisation-wide activities designed to help EY people meet global and local compliance responsibilities and support client-facing teams in delivering quality and exceptional client service.

Responsibility for high-quality service and ownership of the risks associated with quality is placed with the EYG member firms and their service lines.

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

The Global RM Leader is responsible for establishing a globally-consistent risk management framework 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.

When events that present risks occur, Global RM actively seeks input from EYG member firms on lessons learned from both crisis management and business continuity standpoints. This after-action review process has generated significant changes to EY planning around its crisis response and management of crises at the member firm and global levels. Such reviews provide a higher degree of proactiveness especially with

identifying emerging risks before they cause significant impact, and the prioritisation of risks by each member firm. For example, this allows the Global Security team and Region Security Manager network to work directly with their respective member firm crisis management teams in preparing for the most likely threats by incorporating training and advanced stages of readiness to its crisis management networks.

Additionally, Global Risk Management has placed more focus on business resiliency in business continuity planning efforts in EY. A key component of this approach is the recognition that many crises do not just “happen”; there are usually indicators of escalating factors as a crisis unfolds. This approach allows EYG 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 geopolitical events allows member firm and region RM crisis management teams to respond more rapidly and more effectively as events escalate. Additionally, these escalation matrixes and subsequent action item checklists go beyond traditional workforce life and safety issues by delving into factors that could impact a member

firm’s ability to effectively conduct business (e.g., disruption to banking systems or sustained cyber-attacks).

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

Top ten risks

Reputation and brand

Attract, develop and retain talent

Audit quality failure

Service innovation

Data protection and data ethics

Working with a broader group of service providers and alliances

Financial and operational effectiveness and maintaining liquidity

Technology, infrastructure and security

Regulatory developments

Business resilience and crisis response



Revenue and Remuneration



R3.56 Billion
Total Revenue



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

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

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

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



Providing technical excellence



Living the EY values as demonstrated by behaviour and attitude



Complying with policies and procedures



Complying with laws, regulations, and professional duties



Demonstrating knowledge of, and leadership in, quality and risk management

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 recognise 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:



Contribution



Role and responsibility



Long-term potential



Looking at our Social Impact





Looking at our Social Impact

Our Global Corporate Social Responsibility (CSR) programme is called EY Ripples. It provides our people with the opportunity to positively impact the lives of millions of individuals by using their skills, knowledge, and experience.

EY Ripples focuses on three key areas:

Supporting the next generation workforce

Supporting young and underserved people to develop the mindsets and skills they will need to find and sustain meaningful work.



Working with impact entrepreneurs

Using our knowledge, skills, and experience to help scale small and growing businesses that are driving progress toward the UN Sustainable Development Goals that tackle inequality and empower people to change their lives.



Accelerating environmental sustainability

Driving adoption of behaviour, technologies and business models that protect and regenerate the environment while unlocking economic opportunity.



We believe that these three areas of focus are where EY's combined knowledge, skills and experience can make the biggest difference

EY Ripples also includes our EY commitment to operating responsibly. That is, further embedding principles of responsibility, sustainability, and inclusive growth in our own operations and throughout the EY value chain, demonstrating that we meet the highest standards of ethical business.

EY Ripples Climate Ideation Clinics

Climate Ideation Clinics (CICs) are two-hour, virtual, sector-specific workshops that challenge students to find better answers to the climate crisis.

Climate change will impact today's students to a much larger extent than any generation before, and EY helps them to accelerate environmental sustainability by delivering CICs. As CIC facilitators or discussion leaders, EY volunteers educate students on the role that business can play in addressing environmental issues and help them to brainstorm innovative ways that organisations can adopt more environmentally sustainable business models. In May 2023 15 EY volunteers delivered a virtual

CIC on consumer products for the International Association of Students in Economics and Commercial Studies (AIESEC). AIESEC is an international youth-run and -led, non-governmental and not-for-profit organisation that provides young people with leadership development, cross-cultural internships, and global volunteer exchange experiences. The organisation focuses on empowering young people to make a progressive social impact.

EY Ripples Business Clinics

EY Ripples Business Clinics (RBCs) are interactive workshops which include practical training and coaching on a topic of interest to impact entrepreneurs. Focused on common topics of interest and barriers to growth, RBCs are intensive half-to one-day workshops designed to bring groups of impact entrepreneurs together, offering a combination of practical training, peer discussion, and individual and group mentoring. RBCs present opportunities for EY people to share their skills, knowledge and experience with impact entrepreneurs who are working to tackle inequality and empowering people to:



Change their lives by accelerating the creation of quality jobs, especially in low-income or otherwise marginalised communities



Provide opportunities for women, young people, and other under-represented groups to actively participate in the economy



Innovate products and services that help to protect and restore the environment

In the past year we hosted a series of RBCs for the South African Supplier Diversity Council (SASDC). The SASDC aims to contribute to meaningful and sustainable economic transformation and inclusiveness, to leaders and authorities on strategies for supplier diversity.

The primary goal of the SASDC is to promote supplier diversity by encouraging, supporting, and

assisting its member corporations to open up business opportunities and progressively increase the transaction with certified black-owned businesses.

Participation by black-owned companies in South Africa's corporate supply chains remains alarmingly low. SASDC members sign a code of conduct committing to identifying and providing access to procurement opportunities for black-owned suppliers.

The SASDC requested RBCs for their members and up to 50 people attended the bi-weekly virtual sessions from 6 July 2022 to 14 September 2022. The modules covered were Building an Impact Enterprise, Understanding and Engaging Your Customers, Leading and Engaging Your People, Managing Your Finances, Preparing for Investment, and The Resilient Enterprise.

Teach the Nation

Teach the Nation (TTN) offers a fellowship programme in leadership development. As the fifty-eighth network partner to the internationally-founded Teach for All, it shares in a global movement to tackle inequity in high-need schools. TTN shares the global commitment to and passion for building a community and network of exceptional youth leaders who can act as role models and positive influencers.

The two-year Graduate Development Fellowship for teachers in high-need schools develops leadership skills to help transform high-need communities and schools. Graduates become problem-solving entrepreneurs, analysts, policy developers, advocates, and industry leaders, with a lifelong commitment to bringing meaningful change to communities. Through connection sessions (between EY

volunteers and TTN coaches) the volunteers share their professional expertise in order to amplify the TTN coaches in their areas of development.

The theme for July 2022 was Self and Social Awareness, and a Communicating Across Barriers workshop was delivered virtually by an EY volunteer to 24 coaches and teachers.

NextGen South Africa

Women are severely under-represented in decision-making processes across Africa, including South Africa. Education has been identified as the major obstacle to women's access to leadership, and cost as the key barrier to girls' education.

Poverty and familial obligations end many girls' hope for education or the opportunity to fulfil their dreams.

In line with EY's purpose of building a better working world for our communities, EY's NextGen programme aims to develop the next generation of women leaders for Africa. The objective of the programme is to empower and aid female learners from disadvantaged backgrounds.

More than academic and financial assistance, the programme strives to provide holistic education to enable the young learners to become well-rounded female leaders.

From leadership skills training to academic tutoring, the programme is designed to increase the chances of success in the future. EY believes in uplifting the environment from which the learners come, and thus support extends to participants, their schools, and their families.

A critical component of the NextGen programme is a series of themed leadership development programmes, which give our participants the opportunity to acquire life skills, develop as young leaders, and reflect on who they are and what they want to achieve in life. The courses are centred on inspiring the learners to believe in themselves as young African women and on understanding and identifying the skills they require to achieve their full potential. The participants take part in an annual regional camp where they are encouraged to identify their personal leadership styles and strengths, and to put them into practice.

A key focus area of the camp is on the principles of entrepreneurship, sustainability, and social responsibility. During the camps, the girls are exposed to current leaders, a variety of speakers, and relevant learning and empowerment topics. This exposure expands their view of the world and opens their minds to possibilities that many of them did not know existed.

How the Programme was Developed

When the programme was launched 11 years ago in 2012, the NextGen schools were identified through the assistance of the local Education Department based on Matric results, school management and discipline, and commitment to the programme.

Every year, along with the school principals and champion teachers, the EY CSR team identifies potential candidates using the following criteria:



Potential to achieve academic excellence



Leadership



Community involvement



A passion for developing Africa

A further interview then takes place to select the learners for the programme. This process is followed in each region. The programme is widely supported by EY staff, who are in close contact with the participants and their schools. Frequent updates are sent through

internal channels, such as emails, social media, and daily news alerts.

The EY team has strong communication lines with the selected schools' principals and champion teachers, as well as the participants

themselves.

Details of the programme as well as its success have extended into the communities through participating schools and involved teachers and coaches.

Impact of the Programme

We believe our biggest return will be in the impact and influence our participants will make in their lives and in the lives of others. It is to this end that we focus our efforts on empowering and educating our future leaders.

Launched in 2012, the programme has expanded from 30 girls in Johannesburg to a total of 348 participants in Gauteng, Western Cape and KwaZulu-Natal. Of these 348 learners, 253 are currently attending university or are in the workplace.

Success highlights of the programme include:



100% pass rate for 11 consecutive years



95% gained university entrance in the last 11 years

The university students are studying a wide range of courses, including MBChB (Medicine), BSc Accounting, B Com Accounting, B Com Finance, and B Com Law.

EY Involvement/Volunteerism

EY's leadership team remains a key advocate of this initiative, with direct involvement through knowledge-sharing, coaching and mentoring during our leadership development

programmes and camps. In addition, our employees also maintain regular contact with the participants, providing continued mentorship support and assistance. Each school attended by a

participant has been "adopted" by EY, which regularly caters to the needs of the school and the community.

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