

Transparency Report 2017

EY Sweden



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



Message from the Chief Executive Officer



Welcome to the *2017 Transparency Report* of Ernst & Young AB (EY Sweden). We appreciate that our stakeholders want to understand how we advance audit quality, manage risk and maintain our independence as auditors. Regular dialogue is important to us, and this report is one of the ways in which we advise our stakeholders on what we are doing in each of these areas.

Executing high-quality audits continues to be our top priority and is at the heart of our commitment to serve the public interest. It enables us to grow the global EY network successfully and responsibly, while achieving our purpose of building a better working world. Auditors play a vital role in the functioning of capital markets by promoting transparency and supporting investor confidence. Companies, regulators and other stakeholders count on us to deliver excellence in every engagement.

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

EY Sweden's reputation is based on and grounded in providing high-quality professional audit services objectively and ethically to every company we audit.

We continue to embrace the transparency objectives of the European Union's 8th Company Law Directive and Article 13 of the Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 which require Sweden's statutory auditors of public interest entities (PIEs) to publish annual transparency reports.

The *2017 EY Sweden Transparency Report* complies with the directive, and covers the fiscal year ending June 30, 2017. In this report, you can learn more about our internal quality control system: how we instill professional values, how we perform an audit, our review and consultation processes, our approach to audit quality reviews, and our independence practices.

EY Sweden is focused on enhancing audit quality and upholding our independence, informed by several matters including external and internal inspection results. Continuous improvement of audit quality requires us to challenge approaches to audit execution, and we focus on this by evaluating all inspection findings and taking responsive actions.

EY Sweden is an integral part of our global Sustainable Audit Quality ("SAQ") effort to support the highest quality audits as described in more detail on page 10. The six focus areas of SAQ are; tone at the top, people; simplification; transformation and innovation; enablement; quality support and monitoring; and accountability. The enhanced Global Audit Methodology (EY GAM), our new documentation tool (EY Canvas), upgrading of data analytics tools, augmented forms and templates and increased training all form part of the SAQ effort and were introduced two years ago. Even if it is early days we note some general improvements in the outcome from external and internal inspection results over time. Our Sustainable Audit Quality commitment is the way we work on a daily basis to learn, develop and achieve high-quality audit services.

The EU audit reform has during 2016/2017 been in force for the first time. The reform includes legal definitions of Public Interest Entities, new audit reporting requirements, reinforcement of auditors independence and objectivity, mandatory firm rotation rules, non-audit services (NAS) restrictions, increased interaction with the audit committees and also regulations for the PIE audit committees.

Sweden opted to implement the mandatory firm rotation requirements of the EU Audit Regulation as follows:

- For PIEs with securities traded on a regulated market the maximum audit firm retention period is ten years plus an additional ten years if a tender process results in a decision by the shareholders to retain the auditor or 14 years if the tender process results in a decision to simultaneously engage an additional statutory auditor or audit firm.
- For PIEs within the financial sector the audit firm retention period is limited to ten years. No extension is allowed.

At EY Sweden, we were subject to a joint inspection by the US Public Companies Accounting Oversight Board (“PCAOB”) and the Swedish Inspectorate of Auditors (Revisorsinspektionen, “RI”) during spring last year. The PCAOB issued their report on December 15, 2016 which was published during the first half of 2017. The RI issued and published their report at the end of January, 2017. We were also subject to an inspection performed by the Institute of Public Accountants (FAR) of private entities on behalf of the RI. The FAR’s report is not publicly available. We are pleased with the results from the inspections and will continue to embrace the issues raised as elements of our continuous effort to maintain and improve audit quality.

We continue to contribute to the development of audit quality via the FAR. FAR assumes an important role in informing the market of the development in the profession and in the work for improving efficiency and quality of the auditors work. EY Sweden is represented in FAR’s three policy groups (assurance, accounting and ethics) and other working groups at FAR also this year. The interaction with the RI, our regulator, has increased during the year. For example we have participated in several seminars held by our audit regulator and met them to discuss the developments in our profession.

EY is the only Big 4 audit firm which has developed a truly integrated Nordic organization, which allows a better utilization of resources and competence from our Nordic organization for the benefit of our Nordic customers. Globally we are the most integrated Big 4 firm. We have developed global industry/sector groups and competency centres, ensuring that our clients receive relevant insight and knowledge.

During the year EY played an active role in many networks and events. We see this as a good way of contributing to building a better working world. We have arranged regular seminars, networking events and training courses for our clients – some hosted by ourselves, some in cooperation with third parties. For the twelfth consecutive year EY were present in Almedalen, taking active part in the public debate and discussed challenges and opportunities in today’s society. Sustainability, entrepreneurship, taxes, infrastructure and the financial sector were some of the topics on the agenda during the week. We were also active in the annual Swedish American Life Science Summit.

For the second consecutive year business students in the Nordics have ranked us number one in Most Attractive Employers Nordic 2016.

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



Jesper Nilsson
Chief Executive Officer
Ernst & Young AB

EY’s purpose: building a better working world

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

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



About us

Legal structure, ownership and governance

The company preparing and issuing this report is Ernst & Young AB which is the company where our audit practice is performed. Ernst & Young AB is a wholly-owned subsidiary of Ernst & Young Sweden AB.

Ernst & Young Sweden AB is a limited company organized in Stockholm and is a member firm of Ernst & Young Global Limited, a UK company limited by guarantee (EYG). In this report, we refer to ourselves as "EY Sweden," "we," "us" or "our." EY refers collectively to the global organization of the member firms of EYG.

Ernst & Young Sweden AB is owned by 156 partners who are active in the business, representing an ownership of approx. 89% (46% voting rights). The remaining shares are owned by Ernst & Young Europe LLP (EY Europe).

EY Sweden has 54 offices and 2,240 employees.

During the fiscal year 2016/2017 the Board of Directors for EY Sweden was constituted as follows:

Chairman of the Board: Jonas Svensson

Chief Executive Officer: Jesper Nilsson (November 16, 2016 -) Hamish Mabon (- November 15, 2016)

Board Members: Erik Mamelund, Åsa Lundvall (November 16, 2016 -), Helena Robertsson (November 16, 2016 -), Stefan Persson (- November 15, 2016), Hamish Mabon (- November 15, 2016)

Employee representatives: Monica Sennfors, Fredrik Hertz

Nordic Leadership Team:

Regional Managing Partner for the Nordic region: Erik Mamelund

Country Managing Partner Sweden: Lars Weigl

Chief Operating Officer: Mette Storm

Nordic Service Line Leaders Assurance: Jesper Koefoed (Big Cities), Asbjørn Ler (Local Regions)

Nordic Service Line Leader TAX: Christin Erichsen Bøsterud

Nordic Service Line Leader TAS: Jesper Almström

Nordic Service Line Leader Advisory: Terje Andersen

EYG member firms are grouped into four geographic Areas: Americas; Asia-Pacific; Europe, Middle East, India and Africa (EMEIA); and Japan. The Areas comprise a number of Regions, which consist of member firms or sections of those firms.

EY Sweden is part of the EMEIA Area, which comprises EYG member firms in 98 countries in Europe, the Middle East, India and Africa. Within the EMEIA Area, there were 12 Regions and from 1 July 2017 the number has reduced to 11 Regions.

Ernst & Young (EMEIA) Limited ("EMEIA Limited"), an English company limited by guarantee, is the principal coordinating entity for the EYG member firms in the EMEIA Area. EMEIA Limited facilitates the coordination of these firms and cooperation between them, but it does not control them. EMEIA Limited is a member firm of EYG, has no financial operations and does not provide any professional services.

Each Region elects a Regional Partner Forum (RPF), whose representatives advise and act as a sounding board to Regional leadership. The partner elected as Presiding Partner of the RPF also serves as the Region's representative on the Global Governance Council (see page 6).

In Europe, a holding entity, Ernst & Young Europe LLP ("EY Europe"), was formed in conjunction with EMEIA Limited. EY Europe is an English limited liability partnership, owned by partners of the EYG member firms operating in Europe. It is an audit firm registered with the Institute of Chartered Accountants in England and Wales (ICAEW), but it does not carry out audits or provide any professional services. To the extent permitted by local legal and regulatory requirements, EY Europe has acquired or will acquire voting control of the EYG member firms operating in Europe. EY Europe is a member firm of both EYG and EMEIA Limited.

EY Europe acquired voting control of EY Sweden as of January 18, 2010.

EY Europe's principal governing bodies are:

Europe Operating Executive

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

Partner; the leaders for Accounts, Talent and Risk Management; the service line leaders for Assurance, Advisory, Transaction Advisory Services and Tax; and all European Regional Managing Partners.

Europe Governance Sub-Committee

EY Europe has the Europe Governance Sub-Committee, which includes one representative from each Region in Europe. It serves in an advisory role to the EOE on policies, strategies and other matters, and its approval is required for a number of significant matters, such as the appointment of the Europe Managing Partner, approval of the financial reports of EY Europe and material transactions.

Network arrangements

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, 250,000 people in member firms in more than 150 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional skepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span multiple jurisdictions.

This integrated approach enables EY to develop and draw upon the range and depth of expertise required to deliver such complex audits.

EYG coordinates the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client service by member firms worldwide.

Each member firm is a legally distinct entity. Their obligations and responsibilities as members of EYG are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organization during the year ended 30 June 2017 are described below. They reflect the principle that EY, as a global organization, has a common shared strategy.

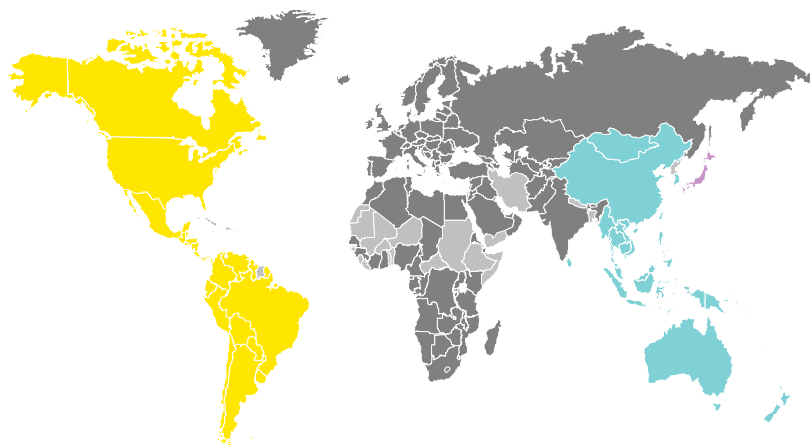
The Executive includes the Global Executive (GE), its committees and teams, and the leadership of the four Areas. This streamlined structure allows EY to enhance its global scale and the delivery of consistent exceptional client service worldwide, with the Executive responsible for coordinating a global approach to strategy, quality, risk management business planning and priorities.

At the same time, the network also operates on a Regional level. This operating model allows for greater stakeholder focus in the 28 Regions, permitting member firms to build stronger relationships with clients and others in each country, and be more responsive to local needs.

Global Governance Council

The Global Governance Council (GGC) is the main oversight body of EYG. It comprises one or more representatives from each Region, other member firm partners as at-large representatives and up to six independent non-executives (INEs). The Regional representatives, who otherwise do not hold senior management roles, are elected by their RPFs for a three-year term, with provision for one successive reappointment. The GGC advises EYG on policies, strategies and the public interest aspects of its decision-making. The approval of the GGC is required for a number of significant matters that could affect EY.

Americas		EMEIA		Asia-Pacific		Japan	
Regions	10	Regions	12	Regions	5	Regions	1
Countries	31	Countries	98	Countries	22	Countries	1



Independent Non-Executives

Up to six Independent Non-Executives (INEs) are appointed from outside EY. The INEs are senior leaders from both the public and private sectors, and reflect diverse geographic and professional backgrounds. They bring to the global organization, and the GGC, the significant benefit of their varied perspectives and depth of knowledge. The INEs also form a majority of the Public Interest Sub-Committee of the GGC, which addresses public interest matters, including stakeholder dialogue. The INEs are nominated by a dedicated committee.

Global Executive

The Global Executive (GE) brings together EY's leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG, and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent and Finance; the leaders of the global service lines – Assurance, Advisory, Tax and Transaction Advisory Services; the Global Leader for Public Policy; and one EYG member firm partner on rotation.

The GE also includes the Chair of the Global Accounts Committee and the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

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

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

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

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

GE committees

Established by the GE and bringing together representatives from the four Areas, the GE committees are responsible for making recommendations to the GE. In addition to the Global Audit Committee, there are committees for Global Markets and Investments, Global Accounts, Emerging Markets, Talent, Risk Management, Assurance, Advisory, Tax, and Transaction Advisory Services.

Global Practice Group

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

EYG member firms

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

Above all, EYG member firms commit to conducting their professional practices in accordance with applicable professional and ethical standards, and all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by the EY Global Code of Conduct and EY values (see page 10).

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

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



Commitment to quality

Infrastructure supporting quality

Quality in our service lines

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

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

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

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

Professional Practice

The Global Vice Chair of Professional Practice, referred to as the Global Professional Practice Director (PPD), is overseen by the Global Vice Chair of Assurance and works to establish global audit quality control policies and procedures. Each of the Area PPDs is overseen by the Global PPD and the related Area Assurance Leader. This helps provide greater assurance as to the objectivity of audit quality and consultation processes.

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

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

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

- Internal-control reporting and related aspects of the EY audit methodology
- Accounting, auditing and risk issues for specific industries and sectors
- Event-specific issues involving areas of civil and political unrest; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- General engagement issues and how to work effectively with audit committees

Risk management

Responsibility for the delivery of high-quality service and ownership of the risks associated with quality is placed with the member firms. Among other things, the Global Risk Management Leader helps oversee the management of these risks by the member firms, as well as other risks across the organization as part of the broader Enterprise Risk Management framework.

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

Global confidentiality policy

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

- Social media guidance
- Information-handling requirements
- Knowledge-sharing protocols

Components of the audit quality control program

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

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

Instilled professional values

Sustainable Audit Quality

Quality is the foundation for exceptional client service. It is what we pride ourselves on. It is integral to our work and central to our responsibility to provide confidence to the capital markets. Delivering quality is at the heart of all we do and supports our purpose of building a better working world for our people, our clients and our communities. This is reflected in the Sustainable Audit Quality (SAQ) program, which is the highest priority for our Assurance practice.

Each member firm that makes up our global structure is committed to providing high-quality audits. In 2015, we launched the SAQ initiative throughout our Assurance practices. SAQ establishes a governance structure and is focused on continuously improving our audit process.

We use the word “sustainable” in SAQ to demonstrate that this is not a one-off short-term initiative, but an ongoing process of improvement. EY has had a common audit methodology for some time; now we have a common language and processes regarding audit quality.

There are six components to SAQ: tone at the top, strengthening people capabilities, simplification, audit technology and digital, enablement and quality support,

and accountability. SAQ is implemented by each member firm, and is coordinated and overseen globally.

We constantly reinforce the importance of the six components, and discuss them with every Regional Assurance leader and every partner. Audit quality and the key elements of SAQ are something every senior manager, manager and team member must understand and be committed to implementing locally. SAQ is essential to all our goals and ambitions.

We have made significant progress through SAQ. EY's internal and external inspection findings globally are showing improvement, and we are producing greater consistency in execution.

We have deployed world-class tools that enhance the quality and value of our audits. Our ability to deliver consistency is based in part on the use of EY Canvas, our online audit platform. EY Canvas was broadly deployed beginning in 2015 and is now used globally. It better supports audit execution, streamlines communications and enables us to provide a seamless audit.

We recently launched the EY Canvas Client Portal, which adds to the leading-edge tools already offered to our auditors. In addition, we have deployed the 2017 Audit Milestones Program globally, which establishes the use of Milestones on selected PIE audits as one important step to improving results and sustaining quality across engagements.

In 2016, EY developed a network of Quality Enablement Leaders (QELs) and created a Global Audit Quality Committee.

These and other SAQ initiatives have helped us to continue to drive quality improvements. They demonstrate that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.

Tone at the top

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

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

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

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

Code of conduct

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

- Working with one another
- Working with clients and others
- Acting with professional integrity
- Maintaining our objectivity and independence
- Respecting intellectual capital

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

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

When a report comes into the EY Ethics Hotline, either by phone or internet, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Talent, Legal or other functions are involved to address the report. The same procedures are followed for matters that are reported outside of the EY Ethics Hotline.

Our values: who we are

People who demonstrate integrity, respect and teaming

People with energy, enthusiasm and the courage to lead

People who build relationships based on doing the right thing

Internal quality control system

EY Sweden's reputation for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence and professional skepticism. These are fundamental attributes of a high-quality audit.

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

We recognize that in today's environment – characterized by continuing globalization and the rapid movement of capital – the quality of our audit services has never been more important. As part of EY Vision 2020+, we continue to invest heavily in developing and maintaining our audit methodology, tools and other resources needed to support quality service delivery.

While the market and stakeholders continue to demand high-quality audits, they also demand increasingly efficient and effective delivery of audit services. In addition to the investment mentioned, EY continues to seek ways to improve the effectiveness and efficiency of its audit methodology and processes, while improving audit quality.

We work to understand where our audit quality may not be up to our own expectations and those of stakeholders, including external audit firm regulators. We seek to learn from external and internal inspection activities and to identify root causes of adverse quality occurrences to enable us continually to improve audit quality, and we believe that taking effective and appropriate actions to improve quality is important.

Effectiveness of the quality control system

EY has designed and implemented a comprehensive set of global audit quality control policies and practices. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). EY Sweden has adopted these global policies and procedures, and has supplemented them as necessary to comply with local laws and professional guidelines, and to address specific business needs.

We also execute the EY Audit Quality Review (AQR) program to evaluate whether our system of audit quality control has operated effectively so as to provide reasonable assurance that EY Sweden and our people comply with applicable professional and internal standards and with regulatory requirements.

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

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

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

Client acceptance and continuance

EY policy

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

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

In addition, the EY Global Conflicts of Interest Policy defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest as quickly and efficiently as possible through the use of appropriate safeguards. Such safeguards range from obtaining a client's consent for EYG member firms to act for two or more clients to declining an engagement to avoid an identified conflict.

The EY Global Conflicts of Interest Policy and associated guidance were updated in early 2015. The updates take into account 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 International Ethics Standards Board for Accountants (IESBA) standards.

Putting policy into practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), a new 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.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement and several due diligence procedures. Before we take on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process is rigorous, and no new audit engagement may be accepted without the approval of our PPD.

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

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

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

Performance of audits

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

Audit methodology

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

Making risk assessments, reconsidering and modifying them as appropriate, and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasizes applying appropriate professional skepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing (ISAs) and is supplemented in Sweden to comply with the local Swedish auditing standards and regulatory or statutory requirements.

An EY auditor is presented with a version of EY GAM organized 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 audit standards and EY policies. The forms and examples include leading practice illustrations, and assist in performing and documenting audit procedures.

Using technology, EY GAM can be “profiled” or tailored to present the relevant requirements and guidance, depending on the nature of the entity being audited. For example, there are profiles for listed entities and for those considered non-complex entities.

Enhancements to the audit methodology are made regularly to address new standards, emerging auditing issues and matters, implementation experiences, and external and internal inspection results. In 2016, EY GAM was updated to include the new and revised ISAs dealing with auditor reporting, other information included in an annual report and financial statement disclosures. EY GAM was also enhanced by adding guidance to address common questions from audit teams and issues arising from inspections.

In addition, we monitor current and emerging developments continually, and issue timely audit planning and other reminders. These reminders emphasize areas noted during inspections as well as other key topics of interest to our regulators, including the International Forum of Independent Audit Regulators (IFIAR). These topics include professional skepticism, group audits, revenue recognition and engagement quality reviews.

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

Technology

Our audit engagement teams use technology to assist in executing and documenting the work performed in accordance with EY GAM.

Beginning in late fiscal year 2015, we launched EY Canvas, our global audit platform that lies at the heart of the audit and enables us to provide a high-quality audit. This was launched on a phased basis across EYG member firms globally, with deployment completed in 2017. EY Canvas is built using HTML5, state-of-the-art technology for web applications. This allows us to provide heightened data

security and to evolve our 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 the company's listing requirements and industry. This helps to keep our audit plans customized and up-to-date, and provides direct linkage to our audit guidance, professional standards and documentation templates. EY Canvas is built with a fresh, clear design and user interface that allows users to visualize risks and their relationship to our planned response and work performed in key areas. It also enables a linkage for our group audit teams to communicate inter-office risks and instructions so that the primary audit team can direct execution and monitor performance of the group audit. The predecessor audit support tool, GAMx, will be decommissioned in our 2018 fiscal year.

EY Canvas includes a Client Portal, released in April 2017, to assist teams in communicating with clients and streamline their client requests. Mobile applications, integrated with EY Canvas, were released in fiscal year 2017 that assist our people in their audit work; for example, in monitoring the status of the audit, capturing audit evidence securely and performing inventory observations.

Audit engagement teams use other software applications, forms and templates during various phases of an audit to assist in executing procedures, making and documenting audit conclusions, and performing analysis.

EY Helix is our suite of data analytic tools for use in audits. Analytics is transforming the audit by analyzing larger populations of audit-relevant data, identifying unseen patterns and trends in that data, and helping to direct our audit efforts. The use of analytics also allows us to obtain better perspectives, richer insights and a deeper understanding of transactions and areas of risk.

We have developed analytics that cover our clients' end-to-end business operating cycles, supported by analytics-based audit programs to aid their application.

Using our analytics, our engagement teams can enhance their audit risk assessment, enabling the audit of higher-risk transactions, and assisting our people in asking better questions about audit findings and evaluating the outcomes.

Formation of audit engagement teams

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

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

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

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as information systems, asset valuation and actuarial analysis.

Review and consultation

Reviews of audit work

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

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

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

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

Consultation requirements

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

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

For complex and sensitive matters, we have a formal process requiring consultation outside of the audit engagement team with other personnel who have more

experience or specialized knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional skepticism, our policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the client to which the consultation relates.

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

Engagement quality reviews

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

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. Our Country PPD approves all engagement quality review assignments for listed companies and those considered higher risk.

Audit engagement team resolution process for differences of professional opinion

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they are uncomfortable about a matter relating to a client engagement. Policies and procedures are designed to empower members of an audit engagement team 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 agreement is reached or a final decision is made.

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

resolved. EY policies require documentation of disagreements and their resolution.

Audit partner rotation

EY supports mandatory audit partner rotation to help strengthen auditor independence. EY Sweden complies with the audit partner rotation requirements of the code of the IESBA, Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014, different Swedish Companies Acts applicable for PIEs, as well as the U.S. Securities and Exchange Commission (SEC), where required. In addition Sweden has elected to implement mandatory audit partner rotation for certain companies in the financial sector even if those are not Public Interest Entities. EY Sweden supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and are important safeguards of audit quality.

For PIEs where rotation of the audit partner is not mandated by local independence regulation or is less restrictive than the IESBA or EU 537/2014 requirements, the EY Global Independence Policy requires the lead engagement partner and the engagement quality reviewer to be rotated after seven years. For a new PIE (including a newly listed company) client, the lead engagement partner and the engagement quality reviewer may remain in place for an additional two years before rotating off the team, if they have served the client for six or more years prior to the listing. Following rotation, the partner may not resume the lead or engagement quality review role until at least two years have elapsed.

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

Audit quality reviews

The EY Global AQR program is the cornerstone of the EY process to monitor audit quality. EY Sweden executes the Global AQR program, reports results and develops responsive actions plans. The primary goal of the program is to determine whether systems of quality controls, including those of EY Sweden, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures, professional standards, and regulatory requirements. The Global AQR program complies with guidelines in the International Standard on Quality Control No. 1 (ISQC No. 1), as amended, and is supplemented where necessary to comply with Swedish professional

standards and regulatory requirements. It also aids EY Sweden's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

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

The engagements reviewed each year are selected on a risk-based approach, emphasizing audit engagements that are large, complex or of significant public interest. The Global AQR program includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements to measure compliance with internal policies and procedures, EY GAM requirements, and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit engagements. These measure compliance with the relevant professional standards and internal policies and procedures that should be applied in executing non-audit services. In addition, practice-level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set out in ISQC No. 1. The Global AQR program complements external practice monitoring and inspection activities, such as regulatory inspection programs and external peer reviews.

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

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

In 2016 29 (25) larger audit engagements were subject to Global AQR whereof 8 (10) were PIE audit engagements. 7 (10) of the PIE engagements inspected internally by EYG were rated as having no material findings or deficiencies. In the engagement with significant findings, the main areas were connected to IT and tax. In accordance with our Sustainable Audit Quality program a root cause analysis was prepared and remedial action plans put in place. Coaching resources were established to support the team to re-establish good quality and learn from the inspection findings.

In addition to the Global AQR we also perform a Nordic AQR tailored for our smaller audit clients. Results in the non-PIE quality controls were, as last year, considerably better than

in former years. However, there is potential for improvement for certain engagements and we are working on actions to improve audit quality in the engagements in question. In our continuous work with the Sustainable Audit Quality program, on engagement level significant findings are followed-up and remedial action plans are put in place and monitored.

External quality assurance review

EY Sweden's audit practice and our registered statutory auditors of Public Interest Entities are subject to inspection every three years by the Swedish Inspectorate of Auditors (Revisorsinspektionen, hereinafter "RI"). The regulator has during this year changed its name from the Supervisory Board of Public Accountants (Revisorsnämnden). We are also subject to inspection by the Public Company Accounting Oversight Board (hereinafter "PCAOB"), as applicable. In addition, we were subject to an inspection performed by the Institute of Public Accountants ("FAR") of private companies on behalf of the RI.

The last quality assurance inspection by the RI and the PCAOB took place in 2016. The final reports on the inspection were issued by the PCAOB on December 15, 2016 and by the RI on January 24, 2017. The FAR report was issued on February 15, 2017.

We respect and benefit from all inspection processes. We thoroughly evaluate points raised during the inspection in order to identify areas where we can improve audit quality. Together with our AQR process, external inspections aid us in making our audits and related control processes of the highest quality in the interests of investors and other stakeholders.

The inspection performed by the PCAOB was comprised of a practice level inspection and inspection of three audit engagements. No findings were reported in the issued report from PCAOB from the inspection.

The Inspection performed by the RI also comprised of a practice level inspection and inspection of seven PIE audit engagements. The issued report by RI did not report any findings regarding the practice level inspection. Regarding the engagement inspection the report contains recommendations on areas such as documentation, analytical procedures, inventory and communication and reporting. No area covered by the recommendations was deemed significant enough to require immediate actions. As requested we have responded with an action plan to the recommendations in the report which received approval from RI. The overall result from RI's inspection shows improvements in our audit quality compared to the latest inspection three years ago.

The FAR inspection contained the same elements as the other two and reported no significant or material findings.

Information on the above-mentioned regulators along with publicly available inspection reports can be found at:

www.revisorsnamnden.se and www.pcaobus.org. The FAR report is not publicly available.

Compliance with legal requirements

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

Anti-bribery

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

Insider trading

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

Trade sanctions

It is important that we are aware of the ever-changing situation with respect to international trade sanctions. EY monitors sanctions issued in multiple geographies and provides guidance to our people on impacted activities.

Data privacy

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

Document retention

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



Independence practices

EY Global Independence policies require EY Sweden and our people to comply with the independence standards applicable to specific engagements, including, for example, the Code of Ethics of the IESBA and the Auditor's Act.

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

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

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

EY Global Independence Policy

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

Global Independence System (GIS)

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

be provided or other interests or relationships that can be entered into.

Global Monitoring System (GMS)

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

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

Independence compliance

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

Independence confirmations

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

All EY professionals, and certain others, based on their role or function, are required to confirm compliance with independence policies and procedures at least once a year. All partners are required to confirm compliance quarterly.

Global independence compliance reviews

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

Personal independence compliance testing

Each year, the EY Global Independence team establishes a program for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. For the 2016 testing cycle, EY Sweden tested more than 90 partners and other personnel.

Non-audit services

We monitor compliance with professional standards governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as PACE (see page 11) and Service Offering Reference Tool (see below), and training and required procedures completed during the performance of audits and internal inspection processes.

Global independence learning

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

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

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

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

Service Offering Reference Tool (SORT)

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

Business Relationship Evaluation Tool (BRET)

The BRET process helps to support compliance with independence requirements. Our people are required to use BRET in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with an audit client.

Audit committees and oversight of independence

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



Continuing education of audit professionals

Professional development

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

The learning component of EYU is based on an extensive and globally consistent learning curriculum that helps all EY people develop the right technical and personal leadership skills, wherever they are located around the world. Core audit training courses are supplemented by learning programs that are developed in response to changes in accounting and reporting standards, independence and professional standards, and emerging practice issues.

EY has redesigned its core audit training into “The Audit Academy” – a curriculum for learning. This high-impact and award-winning learning combines interactive classroom-based simulations and “on-demand” e-learning modules with relevant reinforcement and application support.

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

EY Sweden requires our audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing. This is more than the Swedish Inspectorate of Auditors’ (Revisorsinspektionen) requirements of 100 hours verifiable continuing professional education over a five-year period.

In addition to formal learning, professional development occurs through coaching and experiences our professionals receive on the job. Coaching helps to transform knowledge and experience into practice.

Experienced professionals are expected to coach and develop less-experienced personnel to create a continual learning environment. We also manage the assignment of our people to particular engagements in a systematic way that helps provide them exposure to a range of experiences as part of their own development.

Knowledge and internal communications

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

- EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance; replacement for Global Accounting and Auditing Information Tool (GAAIT) since the fiscal year 2017
- Publications such as *International GAAP*, *IFRS developments* and *illustrative financial statements*
- *Global Accounting and Auditing News*, a weekly update covering assurance and independence policies, developments from standard setters and regulators, as well as internal commentary thereon
- Practice alerts and webcasts covering a range of global and country-specific matters designed for continuous improvement in member firms’ Assurance practices

Performance management

A comprehensive performance management process requires our people to set goals, have clear work expectations, receive feedback and talk about their performance. The Performance Management and Development Process (PMDP) is designed to help our people grow and succeed in their careers.

Under the PMDP, periodic job performance reviews are combined with annual self-appraisal and reviews. As part of the annual review process, each professional, in conjunction with their counselor (an assigned, more experienced professional), identifies opportunities for further development. Professionals and their counselors are guided by a set of expectations that articulate the knowledge, skills and behaviors that should be maintained and developed for their respective ranks. These expectations are derived from, and align with, the EY Global strategy and values.



Revenue and remuneration

Financial information

Revenue represents combined, not consolidated, revenues and includes expenses billed to clients and revenues related to billings to other EYG member firms. Revenue amounts disclosed in this report include revenues from both audit and non-audit clients.

Revenue is presented in accordance with the Annual Accounts Act and included for:

1. Revenues from the statutory audit of annual and consolidated financial statements of PIEs, and entities belonging to a group of undertakings whose parent undertaking is a PIE
2. Revenues from the statutory audit of annual and consolidated financial statements of other entities
3. Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm
4. Revenues from non-audit services to other entities

Financial information for the period ended 30 June 2017 expressed in SEK million

Service	Revenue	Percent
Statutory audits and directly related services for PIEs	392	9,9%
Other audit services and directly related services for non-PIEs	1,482	37,5%
Non-audit services provided to audit clients	935	23,7%
Non-audit services provided to other entities	1,143	28,9%
Total revenue	3,953	100,0%

Partner remuneration

Quality is at the center of the EY strategy and is a key component of EY performance management systems. EY Sweden's partners and other professionals are evaluated and compensated on the basis of criteria that include specific quality and risk management indicators, covering both actions and results.

Global performance management processes cover partners in EYG member firms around the world. They reinforce the global business agenda by linking performance to wider goals and values. These ongoing cyclical processes include goal setting, personal development planning and performance review, and are tied to partners' recognition and reward. Documenting partners' goals and performance is the cornerstone of the evaluation process. A partner's goals are required to reflect various global priorities, one of which is quality.

EY prohibits evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-Assurance services to their audit clients. This reinforces to our partners their professional obligation to maintain our independence and objectivity. For audits conducted in accordance with the requirements of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, EY prohibits evaluating and compensating any partner or professional involved in, or able to influence the carrying out of, an engagement based on the sale of non-Assurance services to their audit clients. This reinforces that professionals are obligated to maintain independence and objectivity.

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

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

The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured by the Global Partner Performance Management (GPPM) process, which is our global evaluation process for partners in EYG member firms around the world. Partners are assessed by their firms annually on their performance in delivering quality, exceptional client service and people engagement alongside financial and market metrics. In 2017, we have also begun our early adoption phase of the successor to GPPM, called Leadership Evaluation and Development (LEAD). This model has been deployed in the Asia-Pacific and the Central US Region before full deployment in fiscal year 2018.

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

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

- Experience
- Role and responsibility
- Long-term potential

Instances of non-compliance with quality standards result in remedial actions, which may include compensation adjustment, additional training, additional supervision or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include separation from EY Sweden.



Declaration from the Board of Directors

We believe that Ernst & Young AB's quality control systems and guidelines for independence are established and implemented in accordance with the requirements of the Accountants Act in Sweden and International Standard on Quality Control, No 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements. It is the Board's opinion that EY Sweden's quality assurance systems work satisfactorily, and that the guidelines for the auditor's independence is met.

Stockholm 26 October 2017

Jonas Svensson
Chairman of the Board

Erik Mamelund
Board member

Åsa Lundvall
Board member

Helena Robertsson
Board member

Jesper Nilsson
Chief Executive Officer



Appendix 1

EY Sweden's PIE audit clients

In the fiscal year that ended on 30 June 2017, EY Sweden performed audits of the following PIEs:

AB Fortum Värme Holding samägt med Stockholms Stad
AB Sagax
AcadeMedia AB
AIK Fotboll AB
Aktiebolaget Svensk Exportkredit
Alecta Pensionsförsäkring, Ömsesidigt
Alimak Group AB
AllTele Allmänna Svenska Telefonaktiebolaget
Amasten Holding AB
AMF Pensionsförsäkring AB
Anders J. Ahlströms Fastighets AB
Arcam AB
Atrium Ljungberg AB
Autoliv, Inc
Axis AB
Bergs Timber AB
Besqab AB
Bonava AB
Capiro AB
Castellum AB
ContextVision AB
Corem Property Group AB
Creades AB
D. Carnegie & Co AB
DGC One AB
Diamorph AB
Dina Försäkringar Nord
Doro AB
Dustin Group AB
Ekeby Sparbank
Electra Gruppen AB
Erik Penser Bank AB
Essity AB
Estea Logistic Properties 5 AB
Estea Sverigefastigheter 2 AB
Estea Sverigefastigheter 3 AB
Feelgood Svenska AB
Fjällförsäkringar AB
Forex Bank AB
Försäkrings AB Göta Lejon
Försäkringsbolaget Vattenfall Insurance
Garantum Fondkommission AB
GCC Capital AB
GHP Specialty Care AB
Glycorex Transplantation AB
Golden Heights AB
Gränges AB
H & M Hennes & Mauritz AB
HEBA Fastighets AB
Heimstaden AB
Hemsö Fastighets AB
Hexagon AB
Hexpol AB
Husqvarna AB
Husqvarna Försäkringsaktiebolag
ICA Banken AB
ICA Försäkring AB
ICA Gruppen AB
If Livförsäkring AB
If Skadeförsäkring AB
If Skadeförsäkring Holding AB
Internationella Engelska Skolan i Sverige Holdings II AB
Intrum Justitia AB
ITAB Shop Concept AB
JAK Medlemsbank
Jefast Holding AB
Jernhusen AB

JM AB
 Kabe AB
 KappAhl AB
 Karolinska Development AB
 Kinda-Ydre Sparbank
 Klarna AB
 Klöver AB
 KPA Livförsäkring AB
 KPA Pensionsförsäkring AB
 Kungsleden AB
 Lantmännen ek för
 Lantmännen Finans AB
 LRF Försäkring Skadeförsäkringsaktiebolag
 Moberg Pharma AB
 MultiQ International AB
 Mycronic AB
 NAXS AB
 NCC AB
 NCC Försäkringsaktiebolag
 NCC Treasury AB
 Nederman Holding AB
 New Wave Group AB
 NGS Group AB
 Nolato AB
 Nordic Guarantee Försäkrings AB
 Nordnet Bank AB
 Nordnet Pensionsförsäkring AB
 Nynas AB
 Oasmia Pharmaceutical AB
 Odd Molly International AB
 Orexo AB
 Oscar Properties Holding AB
 Paynova AB
 Polygon AB
 Precise Biometrics AB
 Pricer AB
 Proact IT Group AB
 ProfilGruppen AB
 RaySearch Laboratories AB
 Recipharm AB
 Resurs Bank AB
 Resurs Holding AB
 Rikshem AB
 RNB RETAIL AND BRANDS AB
 Rodamco Sverige AB
 Rottneros AB
 S:t Erik Försäkring AB
 S:t Erik Livförsäkring AB
 Sala Sparbank
 SCA Försäkringsaktiebolag
 Sidensjö Sparbank
 Siemens Financial Services AB
 Skanska AB
 Skanska Financial Services AB
 Skanska Försäkrings AB
 Skistar AB
 Skurups Sparbank
 Softronic AB
 Solid Försäkringsaktiebolag
 Sparbanken i Karlshamn
 Sparbanken Nord
 Sparbanken Skaraborg
 Sparbanken Syd
 Specialfastigheter Sverige AB
 Stendörren Fastigheter AB
 Swedavia AB
 Svedbergs i Dalstorp AB
 Swedish Orphan Biovitrum AB
 Svenska Cellulosa Aktiebolaget SCA
 Svenska Handelsbanken AB
 Systemair AB
 Södra Dalarnas Sparbank
 Södra Skogsägarna ekonomisk förening
 Södra Skogsägarna Försäkring AB
 Sölvesborg-Mjällby Sparbank
 Tjusbygdens Sparbank Bankaktiebolag
 TradeDoubler AB
 Transcom Worldwide AB
 Trention Aktiebolag
 Unionen Medlemsförsäkring AB
 Vadstena Sparbank
 Vattenfall AB
 Willhem AB
 Wilson Therapeutics AB
 Virserums Sparbank
 Wise Group AB
 XANO Industri AB
 ÅF AB
 Åtvidabergs Sparbank



Appendix 2

As of 30 June 2017, the following EYG member firms are audit firms registered in an EU or EEA Member State

Member State	Statutory auditor or audit firm
Austria	Ernst & Young Wirtschaftsprüfungsgesellschaft mbH
Belgium	Ernst & Young Assurance Services BCVBA
	Ernst & Young Bedrijfsrevisoren B.C.V.B.A
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young d.o.o.
Cyprus	Ernst & Young Cyprus Limited
Czech Republic	Ernst & Young Audit, s.r.o.
Denmark	Ernst & Young Godkendt Revisionspartnerselskab
	EY Grønland Statsautoriseret Revisionsanpartsselskab
Estonia	Ernst & Young Baltic AS
Finland	Ernst & Young Oy
	Julkispalvelut EY Oy
Finland	Ernst & Young Oy
France	Artois Audit
	Auditex
	Barbier Frinault & Associates
	Conseil Audit & Synthèse
	Ernst & Young Atlantique
	Ernst & Young Audit
	Ernst & Young et Autres
Picarle et Associates	
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
Gibraltar	EY Limited
Greece	Ernst & Young (Hellas) Certified Auditors Accountants SA
Hungary	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Iceland	Ernst & Young ehf
Ireland	Ernst & Young Chartered Accountants
Italy	Ernst & Young S.p.A

Member State	Statutory auditor or audit firm
Latvia	SIA Ernst & Young Baltic
Liechtenstein	Ernst & Young AG
Lithuania	UAB Ernst & Young Baltic
Luxembourg	Compagnie de Revision S.A.
	Ernst & Young Luxembourg S.A.
	Ernst & Young S.A.
Malta	Ernst & Young Malta Limited
Netherlands	Ernst & Young Accountants LLP
Norway	Ernst & Young AS
Poland	Ernst & Young Audyt Polska sp. z o.o.
	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Finance spółka komandytowa
	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością JZP spółka komandytowa
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
	Ernst & Young Usługi Finansowe Audyt sp. z o.o.
Portugal	Ernst & Young Audit & Associados - SROC, S.A.
Romania	Ernst & Young Assurance Services S.r.l.
	Ernst & Young Support Services SRL
Slovakia	Ernst & Young Slovakia, spol. s r.o.
Slovenia	Ernst & Young d.o.o.
Spain	ATD Auditores Sector Público, S.L.U
	Ernst & Young, S.L.
Sweden	Ernst & Young AB
United Kingdom	Ernst & Young LLP
	Ernst & Young Europe LLP

Total turnover of these EYG member firms resulting from statutory audits of annual and consolidated financial statements was approximately Euros 2.6 billion.

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