This transparency report provides information about EY’s global organization.

For information about EY member firms in countries with transparency reporting requirements based on the European Union’s 8th Company Law Directive, please see the relevant member firm’s website.
Chairman’s letter

At EY, we recognize transparency as the foundation of quality and investor confidence. In January, we launched Vision 2020, which articulates our plans for the future and sets out our purpose – building a better working world. This purpose only strengthens our long-held commitment to good governance and being transparent about our processes and policies. As with previous editions, our global Transparency Report 2013 provides an overview of EY’s global processes relating to audit quality and auditor independence.

Our commitment to building a better working world reflects our view that the insights and quality services we deliver help build trust and confidence in the capital markets. Our work as auditors of public companies – and of public interest entities more broadly – is central to this pledge. And our decision to issue a global transparency report, in addition to those that are required by certain countries, stems from EY’s abiding commitment to global integration as well as to quality and transparency.

Through Vision 2020, we are making significant investments in our Assurance business, consistent with our goal to have the leading audit practice in our profession by FY20. Assurance is our largest service line, and we expect it to remain so. We want to transform how audits are delivered, making them more relevant and efficient without compromising on quality. Who we are today and how we want to grow depend on our reputation for performing quality audits.

Around the globe, a number of policy debates continue, covering a range of issues affecting listed companies, the investing public and the audit profession. These debates underscore the importance of audit for investor confidence and well-functioning capital markets. We support those policy reforms that contribute to increased confidence in financial reporting and improved audit quality. However, regardless of the outcome, we are undertaking actions to further strengthen our quality controls, guidance and training in several important areas.

We believe it is important to communicate to all our stakeholders about all that we do to promote audit quality. By being transparent about our own processes, we believe we contribute to enhanced investor confidence and stronger capital markets.

In this report, which covers the fiscal year ending 30 June 2013, you can read about EY’s internal quality control system – how we instill professional values, how an audit is performed, EY’s review and consultation process, and the process for audit quality reviews. You can also read about EY’s approach to stakeholder engagement.

I invite you to share any comments or questions you might have about EY and the matters discussed in this report.

Mark A. Weinberger
Global Chairman and CEO, EY
As a global organization, it makes sense for EY to appoint its independent non-executives (INEs) on a global basis, with its five representatives today coming from the UK, Germany, India, Singapore and the US. Although our perspective is truly international, our role is shaped by the objectives of the UK Audit Firm Governance Code: we aim to reinforce confidence in the public interest aspects of EY’s decision-making, support its dealings with its different stakeholders and help to deliver the appropriate management of reputational risks.

We sit as equals on the Global Advisory Council (GAC) and enter fully into its debates. But we don’t see ourselves as playing the part of a conventional non-executive director of a publicly listed company. Rather, our job is to champion the public interest and to offer EY’s leaders the perspectives of independent outsiders.

Over the past year, we have improved our understanding of the way EY works around the world, and we are learning to work well together across our different geographies. For example, we make a point of meeting privately before meetings of the GAC to share ideas and priorities.

We are fully briefed on regulatory developments around the world – and EY’s response to them – and on the financial and reputational risks that EY faces from time to time. And this year, the INEs organized the election of the Presiding Partner of the GAC.

As a group, we INEs are confident that EY’s leadership takes our views seriously and gives us the access and information we need to do our job properly.

Working together, we believe that we have an important role to play in championing EY’s public interest mission.

Sir Richard Lambert — on behalf of the EY INEs

More information on EY’s INEs can be found on page 8.
EY’s commitment to building a better working world

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 175,000 people in more than 150 countries are united by a common purpose – building a better working world.

In 2013, we launched Vision 2020, which sets out EY’s purpose, ambition and strategy. In creating Vision 2020, we spent time looking keenly at the world around us, speaking with people inside and outside of EY: leading thinkers, clients and our people. In the process, we realized that our purpose is clear – building a better working world.

Every day, every EY person is part of building a better working world – for their clients, their communities and themselves. We believe that everything they do – every audit, every tax return, every advisory opportunity, every interaction with a client or colleague – should make the working world better than it was before.

We understand our obligation to look beyond our self-interest and engage with the world. We use our global reach and our relationships with our stakeholders – investors, clients, regulators and other governmental bodies, and not-for-profit organizations – to create positive change. We do this not only through what we say, but also through our actions.

All of our services help build trust and confidence, whether directly through our work or indirectly through what our work allows others to achieve.

• Through our Assurance service line we help to provide confidence to stakeholders. Auditors play a vital role in the efficient functioning of our capital markets by promoting transparency and supporting investor confidence. Investors, the companies we audit, regulators and other stakeholders count on us to deliver quality and excellence, and executing audits in a high-quality manner remains central to our role in serving the public interest and growing EY successfully. At the heart of building a better working world is our public interest role as an auditor of public companies.

• Our Tax service line is dedicated to helping our multinational clients meet their complex tax obligations around the globe. By helping our clients meet all their obligations, we help them to not only manage and grow their businesses in the communities where they operate but also to understand and make better decisions surrounding the risk relating to their tax decisions.

• Our Transaction Advisory Services help our clients raise, preserve, invest and optimize capital. We help them work more efficiently and effectively, facilitating their long-term health and working with them on corporate transactions that create economic and social value.

• Our Advisory service line focuses on improving clients’ performance by helping them to translate their strategy into reality through better risk management, improved finance functions, and better supply chain and customer management.
Vision 2020 and our global approach

Over the past decade we have transformed our organization to keep in step with globalization and the changing needs of our clients and our people. Our global integration is one of our greatest strengths, one that directly benefits our people and clients. Our strategy, as outlined in Vision 2020, calls for us to press our global advantage, while empowering our teams to be responsive to local needs.

Supporting this, our Vision 2020 plan is to drive greater alignment between our support functions and service lines and to make investments to support this. Global integration allows for more effective implementation of our global strategy and drives exceptional client service. It helps our member firms deliver better, more consistent quality, enhancing their ability to serve global clients. Other benefits include a greater scale of resources, more effective development and greater opportunities for our people, and enhanced consistency in the application and inspection of our audit and other service methodologies. It also helps us to apply global audit standards and enhances audit quality.

Importantly, these developments expand upon, rather than replace, the need for local perspective and local responsibility. A strong understanding of the local business and regulatory environment is integral to every EY engagement. This includes compliance with local laws and regulations and local professional standards. It also includes engaging locally with our stakeholders. The broader view of the market offered by our global approach complements local accountability and deepens the local perspective.

The benefits of this approach apply to all EY’s services, not just audit. An integrated focus on quality and risk management, including independence, across all service lines increases the ability to produce clear, consistent guidance and related training in a timely way.

The structure of the EY organization and our global policies and procedures on quality are described in more detail in further sections of this report, which follow the organization of Article 40 of the European Union’s 8th Company Law Directive.

<table>
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<th>Benefits of our global approach</th>
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<tr>
<td>• Supports a strong, global, diverse leadership team with one global strategy, complementing local accountability</td>
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<td>• Ability to look across EY, resulting in improved quality and risk management</td>
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<td>• A broader view of the market for investment purposes and to address specific client issues</td>
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<td>• Sharing knowledge and experiences from external and internal inspections to enhance audit quality</td>
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About us
Organization

The purpose of EY’s global integration is to promote consistent, high-quality service worldwide, helping member firms meet high global standards along with local requirements. By doing so, member firms perform at the highest level in markets worldwide, which provides confidence to investors.

EY refers collectively to the global organization of member firms of Ernst & Young Global Limited (EYG), a UK company limited by guarantee. EYG is the central entity of the EY organization. It coordinates the member firms and cooperation among them. EYG does not provide services to clients, and each member firm is a legally distinct entity.

This is not a global corporate structure where ownership, legal control or profits are consolidated at a central parent entity, but they are part of a highly integrated global organization that enables them to deliver enhanced service. Their obligations and responsibilities to the organization are governed by the regulations of EYG and various other agreements.

Through a high degree of global integration, the quality of our member firms’ performance is strengthened. This benefits investors and the capital markets, but it is also one of the best ways to improve quality and thereby limit risk.

The structure and principal bodies of the global organization during year ending 30 June 2013 are described below. They reflect the principles that governance and management roles be separated and that EY, as a global organization, has one shared strategy.

Beginning in July 2013, EY is streamlining its operating model into the Executive and the Regions. The Executive will include the Global Executive (GE), its committees and teams, and the four geographic Areas, and will sit across the 29 Regions (formerly called Sub-Areas). Additional roles will be added to the GE: the Global Managing Partner of Client Service and the Global Managing Partner of Business Enablement will be responsible for executing EY’s global strategy in the market and strengthening EY’s global functions, respectively. These two roles will jointly assume the responsibilities of the current Chief Operating Officer when his term expires in December 2014. The Chair of the Global Accounts Committee, representing EY’s largest clients, and the Chair of the Emerging Markets Committee, representing EY’s emerging market practices, will also join the GE.

This streamlined structure will allow EY to further enhance its global scale and the delivery of consistent exceptional client service worldwide, with the Executive responsible for one global approach to strategy, quality, risk management, business planning, investments and priorities. At the same time, the new operating model will allow for greater stakeholder focus in the Regions, ensuring that EY can build stronger relationships with clients and other stakeholders in each country and be more responsive to local needs.
Global Advisory Council

The Global Advisory Council is EY’s main advisory body. It comprises a number of member firm partner-level professionals (referred to as partners) drawn from across the four geographic Areas and includes five independent non-executive representatives (INEs). The partners, who otherwise do not hold senior management roles, are elected by their peers for a three-year term, with provisions for one successive reappointment. The INEs are nominated by a dedicated committee. The Global Advisory Council advises EYG on policies, strategies and the public interest aspects of their decision-making. The approval of the Global Advisory Council is required for a number of significant matters that could affect EY.

The members of the Global Advisory Council are listed in the appendix.

Moreover, the Global Advisory Council shall:

- Where appropriate, initiate discussions with the Global Executive regarding performance of the Chairman and Chief Executive Officer of EYG
- Consider and discuss any other items of any nature brought to its attention, including:
  - The public interest aspects of the organization’s decision-making, stakeholder dialogue and management of reputational risks and other governance issues, including those that are not otherwise effectively addressed by regulation
  - People management policies and procedures
  - Issues raised under whistle-blowing policies and procedures

The Global Advisory Council shall approve:

- Member firm admissions following Global Executive recommendation
- Appointment of the Chairman and CEO of EYG following Global Executive recommendation
- New regulations
- A change in global name
- New, or amendments to, global strategies and plans
- Any significant combination, sale or transfer of any part of EY or any significant acquisition
- A global balanced scorecard of strategic priorities, to be used in setting goals for the business and our personnel
- The process for evaluating and rewarding Global Executive members
- Business plans, development funds and investment priorities of EY
- Annual financial reports and budgets of EYG

Independent non-executive representatives

Independent non-executive representatives (INEs) are appointed from outside of EY and bring the global organization, and the Global Advisory Council, the significant benefit of their outside perspectives and views. More information on EY’s INEs can be found in the next section.

Global Executive

The Global Executive brings together EY’s leadership functions, services and geographies. It is chaired by the Chairman and Chief Executive Officer of EYG and includes its Chief Operating Officer; the Area Managing Partners; the global functional leaders – the Global Managing Partners of People, Markets, Quality & Risk Management and Operations and Finance; and the global service line Vice Chairs – Assurance, Advisory, Tax and Transaction Advisory Services, as well as the Global Vice Chair for Public Policy. The Global Executive also includes a representative from the emerging markets practices.
The Global Executive’s terms of reference include promoting global objectives and developing, approving and, where relevant, implementing:

- 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 business plans, development funds and investment priorities
- EYG’s annual financial reports and budgets
- Global Advisory Council recommendations
- Any other proposal that supports the global objectives

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

The Global Executive and the Global Advisory Council approve nominations for the Chairman, Chief Executive Officer and the Chief Operating Officer of EYG and ratify appointments of Global Managing Partners. The Global Executive also approves appointments of Global Vice Chairs.

The Global Advisory Council ratifies the appointments of any Global Vice Chair who serves as a member of the Global Executive. Furthermore, the Global Executive approves appointments of Area Managing Partners. Such appointments are subject to ratification by the Global Advisory Council.

Global Executive Committees

Chaired by members of the Global Executive and bringing together representatives from the four Areas, the Global Executive Committees are responsible for making recommendations to the Global Executive. There are committees for People, Quality & Risk Management, Markets, Operations & Finance, Assurance, Advisory, Tax and Transaction Advisory Services.

Global Practice Group

This group brings together the members of the Global Executive, Global Executive Committees and Regional leaders. The Global Practice Group seeks to provide common understanding across member firms of EY’s strategic objectives and consistency of execution across the organization.

EYG member firms

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

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

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

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

Member firms are subject to reviews that evaluate their adherence to EYG requirements and policies governing issues such as independence, quality and risk management, audit methodology, and human resources. As necessary, special focus reviews are performed to address situations or concerns as they arise. Member firms unable to meet the quality commitments and other EYG membership requirements are subject to separation from the EY organization.
Independent non-executive representatives

EY has invited world-class leaders in related fields to serve as independent non-executive representatives (INES) on the Global Advisory Council. They provide an independent voice to the highest levels of management, offer insight into the interests of EY’s key stakeholders and offer further objectivity within its governance structures. EY follows the UK Audit Firm Governance Code model for INEs by selecting individuals who command respect and collectively enhance shareholder confidence by virtue of their independence, stature, experience and expertise.

Appointment

INES are nominated by the INE Nominating Committee comprising the Chairman/CEO of EYG, the Presiding Partner of the Global Advisory Council, and other persons as the Chairman/CEO and the Presiding Partner in their discretion deem appropriate. The nominations require approval by the Global Executive and ratification by the Global Advisory Council.

Support

INES are entitled to receive information about global affairs. To facilitate the effectiveness of each INE, they receive administrative support, and the cost of any independent professional advice that may be required is met.

Term

The term of an INE is three years with provision for one successive reappointment at the request of the INE Nominating Committee and the Global Executive.

Disagreements

Any disagreement with an INE would be resolved by mediation with the Chairman/CEO of EYG through a defined process of notification and consultation. In the event of an unresolved disagreement, the INE has the right to resign from the position.

Independence

EY has considered the auditor independence standards as they apply to INEs in their role as members of the Global Advisory Council and is satisfied these standards have been met.

EY’s INEs

Shyamala Gopinath

Shyamala Gopinath is the former Deputy Governor of the Reserve Bank of India (RBI), a post she held from September 2004 to June 2011. She joined the RBI in 1972 and worked in different capacities, including as Executive Director from June 2003 until her elevation to Deputy Governor. She also served for two years on deputation to the International Monetary Fund.

Sir Richard Lambert

Sir Richard Lambert is the Chancellor of the University of Warwick, a member of the Supervisory Board for the Foreign and Commonwealth Office (UK), former Director-General of the Confederation of British Industry and former editor of the Financial Times. Sir Richard was knighted for services to business in the UK’s 2011 New Year Honours list.

Lim Hwee Hua

Lim Hwee Hua is a former Minister of State of Singapore for Finance and Transport. As well as being the first woman to be appointed Minister in the history of Singapore, she is also the former Straits Times “World woman of the year.” Before entering politics Lim Hwee Hua worked for Jardine Fleming and subsequently became a Managing Director of Temasek Holdings.

Klaus Mangold

Klaus Mangold serves as a director at many companies, including Alstom S.A., Continental AG, TUI AG, Metro AG and Rothschild GmbH. His former directorships include DaimlerChrysler Services AG, and he has been the Chairman of the East-West Committee of German Industry. He is a Commander of the Legion of Honour (France) and Professor of the European Business School.

Mark Olson

Mark Olson’s former positions include Federal Reserve Board Governor; Chairman of the US Public Company Accounting Oversight Board; Staff Director of the US Senate Securities Sub-committee of the Banking, Housing, and Urban Affairs Committee; President of the American Bankers Association; bank president; and CEO. He was a partner at EY from 1988 to 1999.
Commitment to quality

Infrastructure supporting quality

The Global Managing Partner – Quality & Risk Management (GMP – Q&RM) coordinates organization-wide quality initiatives across EY’s four service lines: Assurance, Advisory, Tax and Transaction Advisory Services.

The GMP – Q&RM is overseen by the Chairman and Chief Executive Officer and the Chief Operating Officer of EYG and is a member of the Global Executive. Member firm partners are appointed to lead quality and risk management initiatives in the service lines and member firms, supported by other professionals. The GMP – Q&RM is also responsible for establishing globally consistent Q&RM execution priorities. These priorities are cascaded to member firms, and their execution is monitored through a formal Enterprise Risk Management program.

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

The Global Vice Chair – Professional Practice, referred to as the Professional Practice Director (PPD), is overseen by both the GMP – Q&RM and Global Vice Chair – Assurance and works directly with the Area PPDs to establish global audit quality control policies and procedures. The Area PPDs are overseen by the Global PPD, the Area Q&RM Leader and the Area Assurance Leader. This helps provide greater assurance as to the objectivity of audit quality and consultation processes.

The Global PPD and Area PPDs also lead and oversee the Professional Practice group, a Global and Area network of technical subject matter specialists in accounting and auditing standards who consult on accounting, auditing and financial reporting matters and perform various practice monitoring and risk management activities.

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

There is often the need for additional resources to augment the Professional Practice group, including networks of professionals focused on:

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

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

- Instilling professional values
- Internal quality control system
- Client acceptance and continuance
- Performing audits
- Review and consultation
- Audit partner rotation
- Audit quality reviews
- Compliance with legal requirements
Instilling professional values

Tone at the top

Our senior leaders are responsible for setting the right tone at the top and demonstrating through their actions EY’s commitment to building a better working world. We also communicate to our people that quality and professional responsibility start with them. Our shared values, which inspire our people and guide them to do the right thing, and our commitment to quality are embedded in who we are and in everything we do.

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

Our global culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We believe it is important to determine that engagement teams and clients correctly follow consultation advice, and we emphasize this when necessary.

Our stance consistently has been that no single client is more important than professional reputation — the reputation of EY and the reputation of each of our professionals.

Code of conduct

The Global Code of Conduct provides a clear set of the standards that guide our actions and our business conduct. It is organized into five categories containing principles that are to be followed by everyone within EY to guide behavior across all areas of activity:

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

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

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

When a report comes into the EY/Ethics Hotline, either by phone or internet, it receives immediate attention. Depending on the content of the report, appropriate individuals from Q&RM, Human Resources, Legal or other functions are involved to address the report. All matters are handled by experienced individuals, with oversight from the global Q&RM function. For those matters that are reported outside of the EY/Ethics Hotline, the same procedures are followed.

Our values

Who we are

People who demonstrate integrity, respect and teaming
People with energy, enthusiasm and the courage to lead
People who build relationships based on doing the right thing
Internal quality control system

Providing high-quality professional audit services independently, objectively and ethically is fundamental to the member firms’ 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.

The role of member firms as auditors is to provide assurance on the fair presentation of the financial reports of the companies we audit. Member firms bring together qualified teams to provide services, drawing on their knowledge across industry sectors and services. We strive continually to improve our quality and risk management processes across member firms 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 member firms’ audit services has never been more important. Reflecting the strength of EY’s commitment to quality, we continue to invest heavily in developing the audit methodology, tools and other resources needed to support quality service delivery. This reflects the strength of our commitment to building a better working world and specifically to building trust and confidence in the capital markets and in economies the world over.

While the market and stakeholders continue to demand high-quality audits, they also demand increasingly efficient and effective delivery of audit services. EY continues to seek ways to improve the effectiveness and the efficiency of the audit methodology and processes, while maintaining audit quality. We work to understand where our audit quality may not be up to our own expectations and those of stakeholders, including external audit firm regulators. We seek to learn from external and internal inspection activities and to identify root causes of quality occurrences for continuous improvement in audit quality, and we believe that an important part of the audit inspections process is to effectively take appropriate quality improvement actions.

Effectiveness of quality control system

EY has designed a comprehensive set of global audit quality-control policies and practices. These meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). Each member firm is individually responsible to its clients and is required to adopt these global policies and procedures, supplementing them as necessary to comply with local laws and professional guidelines and to address specific business needs.

Each member firm is also required to execute the EY Audit Quality Review (AQR) program and evaluate annually whether its system of audit quality control has operated effectively (in a manner so as to provide reasonable assurance that each member firm and its people comply with applicable professional and internal standards and regulatory requirements).

The results of each member firm’s AQR program and external inspections are evaluated and communicated within EY to provide the basis for continuous improvement in audit quality, consistent with the highest standards in the profession.

The Global Executive is responsible for implementing quality improvement and protection programs. As such, it reviews the results of internal AQR programs and external regulatory reviews, as well as any key actions designed to address areas for improvement.
Client acceptance and continuance

**EY policy**

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

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

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

**Putting policy into practice**

The Global Tool for Acceptance and Continuance (GTAC) is EY’s intranet-based system for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. GTAC takes users through the acceptance and continuance requirements and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

The client acceptance process requires careful consideration of the risk characteristics of a prospective client and several due diligence procedures. Before a member firm takes on a new engagement or client, it determines if it can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for the member firm to provide. The approval process is rigorous; no new audit engagement may be accepted without the approval of a member firm PPD.

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

**Close monitoring**

As a result of this review, certain audit engagements are identified as requiring, and are then subjected to, additional oversight procedures during the audit, and some audit clients are discontinued. As with the client acceptance process, a member firm 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 the member firm 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.
Performing audits

Audit methodology

EY’s Global 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. Applying a consistent audit methodology throughout our organization allows us to bring together audit teams with diverse competencies across geographies to execute audits and to communicate results using a common approach – an approach that enhances audit quality. Making risk assessments, reconsidering and modifying them as appropriate, and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. EY GAM also emphasizes applying appropriate professional skepticism in executing audit procedures. EY GAM is based on International Standards on Auditing (ISAs) and is supplemented by member practices to comply with the local auditing standards and regulatory or statutory requirements.

EY GAM represents our comprehensive methodology; it is organized into interdependent phases designed to focus on the client’s business and financial statement risks and on how those risks affect the audit of the financial statements. EY GAM consists of three key components: requirements; supplemental guidance; and supporting forms, templates and examples. The requirements reflect the typical flow of how an EY member practice executes an audit. The supplemental guidance provides the requirements and guidance for specific situations and circumstances that may arise during an audit. The supporting forms, templates and examples include leading practice illustrations and help perform and document audit procedures.

Enhancements to the audit methodology are made regularly as a result of new standards, emerging auditing issues and matters, implementation experiences, and external and internal inspection results. For example, EY GAM has been updated following the issuance of ISA 610, Using the Work of Internal Auditors. We also recently issued a new audit approach tailored for the private middle market that meets the requirements of the ISAs.

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

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

Technology

Audit engagement teams use technology to help execute and document the work performed in accordance with EY GAM. Our primary audit support tool, GAMx, drives uniform execution of EY GAM and appropriate audit documentation, strengthening the ability of member firms to deliver consistent, high-quality audits. It provides linked access to knowledge databases (audit guidance and interpretations), professional standards, documentation templates and other tools necessary to execute and document a risk-based audit effectively.

GAMx facilitates engagement team collaboration through the sharing of information and the documentation of procedures and conclusions. GAMx also enables secure peer-to-peer communications, so our people can work together as if they were in the same physical location. Audit engagement teams use other software applications, forms and templates during various phases of an audit to assist in making and documenting audit considerations, sourcing data and analysis.

EY has a number of data analysis tools for use in audits. These help engagement teams analyze a client’s data, enhance risk assessment processes and enable the investigation of higher-risk transactions for further investigation.

A key element of Vision 2020 is significant investment in our audit practice, particularly in the technology tools and enablers used to execute audits. These efforts encompass a fresh look at how we can best harness technology toward enhancing audit quality in our changing world. We are developing a new audit support tool that will replace GAMx. We are also developing new research tools and data analysis tools for our auditors. Through these efforts, we strive to make the audits of the future smarter, more effective and more efficient.
Formation of audit engagement teams

EY policies require an annual review of partner assignments by member firm Assurance leadership and PPDs. This review makes 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 people to an audit engagement is also made under the direction of member firm Assurance leadership. Factors considered when assigning people to audit teams include competence, engagement size and complexity, specialized industry knowledge and experience, timing of work, continuity, and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal experts are assigned as part of the audit engagement team to help perform audit procedures and obtain appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as information systems, asset valuation, tax and actuarial analysis. As a part of being a multidisciplinary organization, EY professionals from non-audit service lines become integral members of the audit team. Their professional expertise and their knowledge of EY’s purpose, culture and standards support the provision of audit quality.
Reviews of audit work

EY policies describe the requirements for timely and direct executive participation on audits and the level of reviews of the work performed. Supervisory members of the audit engagement team perform a detailed review of the audit documentation for accuracy and completeness. Engagement executives perform a second-level review to determine adequacy of the audit work as a whole and the related accounting and financial statement presentation. A tax representative reviews the significant tax and other relevant working papers. For listed and certain other companies, an engagement quality reviewer (described below) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the company being audited and the member firm’s 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

These 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 the team’s work and conclusions.

Consultation requirements

EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. 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 interest of objectivity and professional skepticism, our policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have served, within a specified period of time, the client to which the consultation relates.

Our consultation policies also require consultations to be documented, 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 generally spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. It is not limited to a review of the financial statements and conclusions at the time of issuance of an audit report. 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. Member firm PPDs review and approve all engagement quality review assignments for listed companies and those considered higher risk.

Audit engagement team disagreement-resolution process

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a professional disagreement arises or they are uncomfortable about a matter relating to a client engagement. Policies and procedures are designed to empower members of an audit engagement team by requiring them to raise any disagreements relating to significant accounting, auditing or reporting matters.
These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person’s responsibility, and authority, to make their own views heard and canvass the views of others.

Differences of professional opinion that arise during an audit generally are resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, he or she has both the right and the obligation to see that the issue is referred to the next level of authority until agreement is reached or a final decision is made. Until such time, parties to the discussion do not withdraw, step aside or otherwise extract themselves from the process.

If the engagement quality reviewer makes recommendations that the engagement partner does not accept or the matter is not resolved to the reviewer’s satisfaction, the audit report is not issued until the matter is resolved by following consultation processes for resolution of professional differences. Documentation requirements for disagreements and their resolution are the same as for other consultations. Anyone involved in the process may separately document his or her personal position in an attachment to the documentation of the final decision.
Audit partner rotation

EY supports the requirement for audit partner rotation to help strengthen auditor independence. Member firms comply with the audit partner rotation requirements of the code of the International Ethics Standards Board for Accountants (IESBA), each individual country’s standard setter and/or regulator, and the US Securities and Exchange Commission (SEC) where required. EY 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; together they are important safeguards of audit quality.

For public interest entities where rotation of the audit partner is not mandated by local independence regulation, or is less restrictive than the IESBA requirements, the EYG Independence Policy requires the lead engagement partner and the engagement quality reviewer to be rotated after seven years. For a new public interest entity (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, regardless of the time they served 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.

Member firms have tools to track partner rotation that enable effective monitoring of requirements. EY has also implemented a process for partner-rotation planning and decision-making that involves consultation with, and approvals by, member firm Professional Practice and Independence professionals. This process includes open discussion with audit committees in the interest of providing appropriate transition and uninterrupted audit quality.
Audit quality reviews

The global Audit Quality Review (AQR) program is the cornerstone to EY’s efforts to maintain and improve audit quality. All EY member firms execute the global AQR program, report results and develop responsive actions plans. The primary goals of the program are to determine whether global and member firm systems of quality controls are appropriately designed and followed in the execution of audit engagements and to provide member firms 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, as amended (ISQC No.1) and is supplemented where necessary to comply with member firms’ professional standards and regulatory requirements. It also aids member firms in their continual effort to identify areas where they can improve performance or enhance policies and procedures.

The global AQR program is implemented annually and is coordinated and monitored by representatives of the PPD network, with oversight by the global Q&RM network.

The engagements reviewed each year are selected via a risk-based approach emphasizing audit clients 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.

For all findings or deficiencies, whether material or minor, EY looks at the findings from internal and external inspections to identify root causes, develop action plans and seek to improve audit quality.

For engagement reviews resulting in findings or deficiencies deemed less than material but greater than minor, we address the results with individual partners in the same way as those with material findings.

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.

AQR results are compiled and reported at many different levels and in different ways. For example, the AQR results are summarized at the global and member firm levels and by type of service, industry and other key characteristics. In addition to reporting the results to Global and Area executives, they are shared more broadly in meetings, memos and other communications to client-serving professional staff.

The results of the global AQR program and external practice-monitoring and inspection activities are evaluated and communicated to improve quality. Quality improvement plans describe the follow-up actions to be taken, the people responsible, the timetable and deadlines, and sign-off on completed actions. Measures to resolve audit quality issues noted from the global AQR program, regulatory inspections and peer reviews are addressed by our Assurance leadership and our PPD network with input from Q&RM groups. Actions taken are monitored by members of the PPD and Q&RM groups. These programs help monitor our member firms’ continuing quality improvement efforts.

It is our goal that all audit engagements meet the highest expectations of quality, and we strive to improve any situations where these expectations are not met.

In 2012, the global AQR program encompassed the inspection of approximately 1,470 audit engagements conducted in more than 90 member firms, covering approximately one-third of all EY audit partners. This compares with approximately 1,350 engagements inspected in 2011, conducted in more than 90 firms and covering around one-third of all EY audit partners.
Compliance with legal requirements

The Global Code of Conduct provides a clear set of standards that guide our member firms’ actions and business conduct. Member firms comply with applicable laws and regulations, and the EY values underpin our commitment to doing the right thing. This important commitment is supported by a number of policies and procedures, including:

**Anti-bribery**

The global Anti-bribery Policy provides our people with direction around certain unethical and illegal activities. It emphasizes the obligation of our people to comply with anti-bribery laws and provides greater definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered.

**Insider trading**

EY’s 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.

**Data privacy**

The global Personal Data Privacy Policy sets out the principles to be applied to the use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers and business associates. This policy is consistent with applicable laws and regulations concerning data protection and privacy when processing personal data. It provides a foundation for maintaining the privacy of all personal data used by member firms.

**Document retention**

EY member practices apply their retention policies to all engagements and personnel. Documents must be preserved whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceeding involving EY or a client that may relate to a member firm’s work.
Independence practices

EY believes that auditor independence is fundamental to the quality of audits and investor confidence in financial reporting and more broadly in the capital markets. We invest heavily in practices to make sure we are independent in both fact and appearance.

The Global Vice Chair – Independence leads and oversees the Global Independence function, a component of our Global Q&RM group. The GMP – Q&RM oversees the Global Vice Chair – Independence. The Global Independence function coordinates a network of Area and member firm independence leaders and is responsible for establishing independence policies, procedures, compliance, monitoring, training, consultation and communication to guide member firms in applying, interpreting and complying with applicable auditor independence rules.

Professionals working in the Global Independence function are also responsible for developing the tools, technology and programs that enable member firms to monitor compliance with independence rules and policies.

EY’s independence practices are designed to enable member firms and people to comply with the independence standards applicable to specific engagements, including, for example, the independence standards of the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC) and local independence standards.

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

Failure to comply with applicable professional independence requirements will factor into a person’s promotion and compensation decisions and may lead to other disciplinary measures.

Member practices implement global applications, tools and processes to support their professionals and other employees in complying with independence policies.

EYG Independence Policy

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

Global Independence System

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

Global Monitoring System

The Global Monitoring System (GMS) is another important global tool that helps identify proscribed securities and other impermissible financial interests. People ranked as manager and above are required to enter any securities they hold, or those held by their immediate family, into the GMS. When a person enters a proscribed security, they receive a notice and are required to dispose of the security. Identified exceptions are reported through the Global Independence Incident Reporting System for regulatory matters. GMS also facilitates annual and quarterly confirmation of compliance with independence policies, as described below.
Independence compliance

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

Independence confirmations

Timely and accurate completion of annual and quarterly independence confirmations is a high priority for the responsible leadership teams. Annually, member practices are included in an Area-wide process to confirm compliance with the EYG Independence Policy and requirements and to report identified exceptions, if any.

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

Global independence compliance reviews

EY conducts a number of testing and member firm visits to assess compliance with independence matters. These include reviewing for non-audit services, business relationships with the companies they audit and financial relationships of member firms.

Each year, EY’s global Independence team establishes a program for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. EY oversees that member firms have appropriately completed the required personal independence compliance testing. The results of the testing program are presented to the Q&RM Executive Committee, including plans for ongoing improvement.

Non-audit services

Compliance with professional standards governing the provision of non-audit services to audit clients is designed to be achieved through a variety of mechanisms. These include the use of tools (e.g., GTAC – see page 12 – and Service Offering Reference Tool (SORT) – see below), training, and required procedures completed during the performance of audits and internal inspection processes.

Global independence learning

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

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

The annual independence learning 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. Member firms will also supplement this program with local content to cover local independence requirements that differ from the EYG Independence Policy.

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

Service Offering Reference Tool (SORT)

Member firms’ portfolio of services are assessed and monitored on an ongoing basis, confirming that they are permitted by law and professional standards, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. When appropriate, member firms exit or restrict services that could present undue independence or other risks. SORT provides our people with information about our service offerings. SORT includes guidance around which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues.

Business Relationship Evaluation Tool (BRET)

BRET helps to determine that our business relationships comply with independence requirements. Our people are required to use BRET to evaluate and obtain advance approval of any potential business relationship with an audit client.

Audit committees and corporate governance

EY recognizes the important role audit committees and similar corporate governance bodies play in the oversight of auditor independence. Empowered and independent audit committees play a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. Member firms are committed to robust and regular communication with audit committees or those charged with governance. Through our quality review programs, we monitor and test compliance with our standards for audit committee communications, as well as the preapproval of services, where applicable.
Creating high-performing teams

EY is building a better working world for its people by recruiting, managing and retaining top talent and developing the highest-performing teams and outstanding leaders.

A strategic objective is to attract and build lifelong relationships with a diverse group of talented assurance professionals.

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

Recruitment and hiring

Recruiting for the audit practice is performed primarily on university campuses and supplemented, when necessary, by hiring people with prior work experience. Candidates are evaluated based on the following competencies:

- Intellectual competence
- Leadership skills
- Team/personal skills
- Motivation
- Communication skills

EY aspires to have a leading people culture everywhere in the world. We believe that creating a culture that attracts, retains and develops outstanding people leads to higher quality service.

Valuing diversity and inclusiveness

The global workforce is becoming more diverse – a trend to be celebrated and encouraged. For global organizations such as EY, an important aspect of creating the right working environment is a focus on inclusiveness.

Inclusiveness is essential to making the diverse mix work. It is about equity and opportunity – making sure that differences are celebrated so that talented people from any background can rise to the top and providing opportunities to develop and advance for all from day one.

It is a source of pride for us that EY is regularly cited by external organizations as being a leader in diversity practices and for providing an excellent working environment.
Continuing professional education of statutory auditors

Professional development

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

The learning component of EYU is based on an extensive and globally consistent learning curriculum that helps all of our people develop the right technical and personal leadership skills wherever they are located around the world. Core audit training courses are supplemented by learning programs that are developed in response to changes in accounting and reporting standards, independence and professional standards, and emerging practice issues. Audit professionals are required to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (8 hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

In addition to formal learning, professional development occurs through coaching and experiences our professionals receive on the job. Coaching helps to transform knowledge and experience into practice. Experienced professionals are expected to coach and develop less experienced personnel to create a continual learning environment.

Performance management

A comprehensive performance management process requires our people to set goals, have clear work expectations, receive feedback and talk about their performance. The Performance Management and Development Process (PMDP) is designed to help our people grow and succeed in their careers. Under the PMDP, periodic job performance reviews are combined with annual self-appraisal and annual reviews. As part of the annual review process, each professional, in conjunction with his or her counselor (an assigned, more experienced professional), identifies opportunities for further development. Professionals and their counselors are guided by a set of expectations that articulate the knowledge, skills and behaviors that should be maintained and developed for the respective rank. These expectations derive from, and align with, EY’s global strategy and values.
Knowledge and internal communications

We understand the importance of providing client engagement teams with up-to-date information to help them perform their professional responsibilities.

EY has made significant investments in knowledge and communication networks to enable rapid dissemination of information, built around intranet and email applications. These systems provide access to hundreds of knowledge databases. Examples include:

- **Global Accounting & Auditing Information Tool (GAAIT)** is EY’s standard accounting and auditing research tool. It includes local and international accounting and auditing standards and interpretative guidance.

- **Global Accounting and Auditing News** is a weekly newsletter providing coverage of global Assurance and Independence policies and procedures, news from the International Accounting Standards Board (IASB) and International Federation of Accountants (IFAC), and internal commentary and guidance regarding international accounting, auditing and independence developments.

- **Your EY Daily News** is a daily e-newsletter that reports on the latest news and information about EY and its services.

- **Perspectives** is a quarterly global e-magazine that provides strategic updates on all four service lines, as well as observations and viewpoints on issues affecting EY and its clients.

- **EY Point of View** and **Overviews** are publications that provide perspective on current public policy and regulatory developments of importance to our profession, stakeholders and capital markets. These publications are also made available publicly via our website and other channels.

- Practice alerts and webcasts include a range of global and country-specific practice alerts and specific webcasts within the Assurance practice, including those highlighting inspection findings as an opportunity for practice improvement.

Quality control policy and practice manuals and other guidance materials are included on our intranet. This promotes consistency, accuracy, quality and accessibility in our internal and external communications and functions as a risk management tool. This information, along with guidance materials from outside organizations, is updated regularly and maintained in an electronically searchable format.

**Internal surveys and continuous improvement**

We regularly gather data from various quality control processes, such as Audit Quality Reviews, consultation processes and other methods, to help further improve policies, practices and training. We supplement this data with surveys of our people. The Global People Survey gauges what people think about EY’s culture and how member firms conduct business, one of the best indicators of their focus on quality. Results from these and other feedback tools help identify where member firms are doing well and where improvements can be made. The results also guide us in establishing action plans and initiatives.
Revenue and remuneration

Financial information

The financial information presented below represents combined worldwide revenues of member firms for the financial year that ended 30 June 2013.

EY is not a global corporate structure where ownership, legal control or profits are consolidated at a central parent entity. Revenues include expenses billed to clients. Revenues between member firms have been eliminated. Also, revenue amounts disclosed herein include revenue from audit and non-audit clients.

Revenue is presented in the tables on this page in accordance with Art. 40 para. 1 (i) of the European Union’s 8th Company Law Directive. “Other assurance” services revenue includes accounting and financing services; certain due diligence services; and risk-related services including internal controls, internal audits, technology and security, Sarbanes-Oxley (SOX) compliance, actuarial, fraud and forensics, and other attestation services. “Other non-audit” services revenue includes transaction, valuation, performance improvement, restructuring and other advisory-related services.

Revenues for the financial year ended 30 June 2013

<table>
<thead>
<tr>
<th>Services</th>
<th>Revenues – US$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit</td>
<td>9,736</td>
</tr>
<tr>
<td>Other assurance</td>
<td>5,477</td>
</tr>
<tr>
<td>Tax</td>
<td>6,946</td>
</tr>
<tr>
<td>Other non-audit</td>
<td>3,671</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,829</strong></td>
</tr>
</tbody>
</table>

Revenues for the financial year ended 30 June 2012

<table>
<thead>
<tr>
<th>Services</th>
<th>Revenues – US$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory audit</td>
<td>9,685</td>
</tr>
<tr>
<td>Other assurance</td>
<td>4,995</td>
</tr>
<tr>
<td>Tax</td>
<td>6,370</td>
</tr>
<tr>
<td>Other non-audit</td>
<td>3,370</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,420</strong></td>
</tr>
</tbody>
</table>
Partner remuneration

Quality is at the center of EY’s business strategy and a key component of our performance management systems. Partners and other professionals are evaluated and compensated based on criteria that include specific quality and risk management indicators, covering both actions and results.

The Global Partner Performance Management (GPPM) process is a globally consistent evaluation process for all partners in member firms around the world. It reinforces the global business agenda by linking their performance to wider goals and values. GPPM is an annual process that includes goal setting, personal development planning, performance review, and recognition and reward. It is the cornerstone of the evaluation process to document partners’ goals and performance. A partner’s goals are required to reflect various global priorities, one of which is quality.

We prohibit evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-assurance services to their audit clients. This reinforces to our partners their professional obligation to maintain our independence and objectivity.

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

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

Our partner compensation philosophy calls for meaningfully differentiated rewards based on a partner’s level of performance, as measured by the GPPM process. Partners are assessed annually on their performance in quality service delivery, leading people, operational excellence, and market leadership and growth.

A cap system is in operation so that a partner’s overall year-end rating is always aligned with the partner’s rating on the quality metric.

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

- Seniority
- Role and responsibility
- Long-term potential
- Mobility

Instances of non-compliance with quality standards result in remedial actions, which may include compensation adjustment, additional training, additional supervision or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include separation from EY.
As auditors of listed companies and other public interest entities around the globe, we are proud of the important role EY plays in promoting transparency and supporting investor confidence in financial reporting and in executing high-quality audits. This is one way in which we fulfill our purpose to build a better working world. We take our public interest responsibilities seriously, and we are committed to maintaining an open and frank dialogue with our stakeholders.

Our global policy environment is shaped by a wide range of policymakers, including governments, regulators, standard setters and international organizations. Through engagement with policymakers and other stakeholders, we provide our perspective and seek to better understand their points of view. We encourage improvements in corporate governance, financial reporting and other matters that affect our capital markets more broadly. For example, we are engaging increasingly with global organizations like the Financial Stability Board, the International Forum of Independent Audit Regulators and the Basel Committee on Banking Supervision. We also actively participate in global forums, such as the World Economic Forum, that bring together thought leaders on issues important to us and our stakeholders, ranging from promoting diversity to supporting entrepreneurship.

Selected stakeholder engagement in 2013

During the past year, international organizations and policymakers around the world have focused on a number of issues affecting our profession, including the independence of auditors, the quality of audits and the usefulness of financial reporting. Policy options such as enhanced auditor reporting, more meaningful corporate disclosure, mandatory audit firm rotation or tendering, and increased transparency of audit committee auditor oversight are being actively debated in a number of jurisdictions.

We have met regularly with investors, regulators, legislators and other policymakers in 2013 to discuss these issues. These conversations highlighted the importance of strong corporate governance, with active and engaged audit committees who are transparent with shareholders about their oversight of the external auditor. We heard a strong desire for meaningful change to increase the usefulness and informational value of the auditor’s report, and we believe that auditors should be required to highlight matters that, in the auditor’s judgment, are of most significance in the audit of the financial statements.

Investors are among our key stakeholders. This past year EY has continued to increase its investor engagement around the world to make sure we understand investor perspectives on auditing, financial reporting, corporate governance and other capital market issues. For example, during 2013, EY held three dialogue dinners with investors and other stakeholders from around the globe. These are the latest in a series of dinners convened since 2011 to foster discussion about ways to improve corporate governance. Some of these discussions covered a range of topical governance matters, while others focused on governance in particular geographic markets or sectors of the economy. These dinners are independently moderated and held on a Chatham House or off-the-record basis to encourage frank discussion.

EY also continues to participate in the Global Auditor Investor Dialogue, an informal network of leading global institutional investors and major global auditing networks, to exchange views on current financial reporting and auditing issues. EY has also become a member of the Asian Corporate Governance Association and continues to be an active member and sponsor of the International Corporate Governance Network. These organizations enhance our ability to hear the perspectives of a wide variety of investors and others and better understand their views.

For more about our views

A selection of our most recent thought leadership is available on our EY Insights application for mobile and tablet devices, and you can find many of our leaders on Twitter and other social media.
Commitment to our communities

EY’s commitment to building a better working world begins with our people and extends to the work done with clients and other stakeholders in the marketplace. The net effect is the benefit this generates for communities around the world. The most significant impact we have on society is by our support of global and local economic stability and growth, which addresses some of the major issues that the world is facing.

EY supports organizations and activities that contribute to building a better working world at the global, regional and local level. EY is proud to be part of the UN Global Compact and has pledged to uphold its ten universally accepted principles in the areas of human rights, labor, the environment and anti-corruption. EY reports its progress every year.

Supporting communities through charitable giving

We contribute to not-for-profit organizations that are aligned with our corporate responsibility strategy, as well as those that address the most pressing needs of the communities in which we live and work.

Demonstrating environmental stewardship

We believe that any commitment to a greener world starts with us. As such, we’re challenging ourselves to work in an environmentally responsible manner and to find new ways to reduce our carbon footprint and waste.

EY continues to build out its greenhouse gas measurement and reporting. Working with in-house Climate Change and Sustainability Services professionals, EY has established a global methodology for calculating environmental impacts. EY is looking for ways to evolve and employ leading practices to make sure it has a credible global footprint.

The UN Global Compact’s ten principles

**Human rights**

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

**Labor**

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labor;
5. The effective abolition of child labor; and
6. The elimination of discrimination in respect of employment and occupation.

**Environment**

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and

**Anti-Corruption**

10. Businesses should work against all forms of corruption, including extortion and bribery.
# Appendix

## Global Advisory Council members

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albert Anelli</td>
<td>Montreal</td>
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<tr>
<td>Laurence Avram Diday</td>
<td>Paris</td>
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<tr>
<td>Mark Beischel</td>
<td>Cincinatti</td>
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<tr>
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<td>Owen Chan</td>
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<td>Leslie Fiorentino</td>
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<tr>
<td>Francisco González Carrera</td>
<td>Madrid</td>
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<tr>
<td>Shyamala Gopinath*</td>
<td>Mumbai</td>
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<tr>
<td>Kelly Grier</td>
<td>Chicago</td>
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<tr>
<td>Tarsicio Guevara</td>
<td>Mexico City</td>
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<td>Istvan Havas</td>
<td>Budapest</td>
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<td>Richard Lambert*</td>
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<tr>
<td>Lim Hwee Hua*</td>
<td>Singapore</td>
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<td>Pekka Luoma</td>
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<tr>
<td>Klaus Mangold*</td>
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<tr>
<td>Jonathan McCarter</td>
<td>Houston</td>
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<td>Andrew Miller</td>
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<td>Luiz Carlos Nannini</td>
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<td>Samar Obaid</td>
<td>Amman</td>
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<tr>
<td>Mark Olson*</td>
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<td>Tae Wook Park</td>
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<td>Jamayssar Persaud</td>
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<td>Tokyo</td>
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<td>Peter Tryhane</td>
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## Global Executive members

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<tr>
<td>Johan van den Bos</td>
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<tr>
<td>Stefan Viering</td>
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<td>Michael Wachtel</td>
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<td>Steve Wilts</td>
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<td>Voon Kar Yong</td>
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<td>Donald Zimmerman</td>
<td>Atlanta</td>
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<tr>
<td>Beth Brooke</td>
<td>Washington, DC</td>
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<tr>
<td>Mike Cullen</td>
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<tr>
<td>Carmine DiSibio</td>
<td>New York</td>
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<tr>
<td>John Ferraro</td>
<td>London</td>
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<tr>
<td>Peter Griffith</td>
<td>Los Angeles</td>
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<tr>
<td>David Holtze</td>
<td>London</td>
</tr>
<tr>
<td>Stephen Howe Jr.</td>
<td>New York</td>
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<tr>
<td>Yoshitaka Kato</td>
<td>Tokyo</td>
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<tr>
<td>Norman Lonergan</td>
<td>London</td>
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<tr>
<td>Rajiv Memani</td>
<td>Gurgaon</td>
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<tr>
<td>Pip McCrostie</td>
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<td>Christian Mouillon</td>
<td>Paris</td>
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<td>Albert Ng</td>
<td>Shanghai</td>
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<td>Jay Nibbe</td>
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<td>Mark Otty</td>
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<tr>
<td>Lou Pagnutti</td>
<td>London</td>
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<tr>
<td>Felice Persico</td>
<td>Milan</td>
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<tr>
<td>Steven Phan</td>
<td>Singapore</td>
</tr>
<tr>
<td>Mark Weinberger</td>
<td>Washington, DC and London</td>
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</tbody>
</table>

* INE
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