

Memorandum

To: US Executive Board, Carmine DiSibio

Date: October 24, 2022

Re: Proposed transaction to split EY

The undersigned retired partners wish to take this opportunity to provide some reactions to the proposed split of EY (the "Transaction"). We appreciate the firm's effort to provide information through the recent webcast. Unfortunately, we found that this presentation raised more questions than it answered and did little to address certain substantive concerns we have relative to what we believe is being contemplated. Moreover, we all have had conversations with current firm audit, tax, and consulting partners, and many have expressed similar concerns. It's important to note that we clearly understand the business conflicts and independence concerns that exist between the audit and consulting service lines and the attendant desire to split the two businesses. Our comments below do not speak to whether the overall Transaction is right or wrong for EY. That judgment is the responsibility of the current leadership team and ultimately rests with the partner vote and the firm's regulators. Our overriding concern is to see both business lines continue to be robust and successful in the future. However, as we understand how things are currently being contemplated, we are not sure this critical objective will be met. To that end, we respectfully provide the following perspectives and recommendations. While this commentary is predominantly US firm focused, we believe many of these issues exist throughout the EY Global network.

1. The Pension Obligation

While we understand there are myriad legal and tax complexities involved in the pension plan decisions, overall, we fail to see the equity and fairness of apportioning \$6.5 billion of the present \$7.5 billion pension obligation to AssureCo. We appreciate this obvious inequity is trying to be addressed through the contemplated allocation of certain transaction proceeds to cover a portion of this liability. However, we were greatly dismayed by the inability of anyone to identify what "substantial funding" means in this context. As accountants and tax professionals, we know the concept of "substantial" or "substantially all" has never been specifically defined and could range from 51% to over 90%. We get that building earning projections and making asset return estimates can be difficult, but the fact that no specific identification of what the firm believes is "substantial" (or to even present a possible range in this context) is troubling and gives us little confidence that an appropriate level of funding will ultimately occur. **In any event, given the advertised value of Newco presently being trumpeted, we see no reason why the pension obligation shouldn't be funded 100% and encourage you to do so.** We would hope that any difference between 100% and whatever is currently being assumed under the firm's "substantially all" concept could be absorbed by a transaction of this size.

Post Transaction, AssureCo will have a significantly lower level of earnings and the assumption of this \$6.5 billion obligation could still, depending on the reliability of initial assumptions and ongoing asset performance, potentially strain its prospective operations (even under an initial full funding scenario). We think it is fair and appropriate to do everything possible to lessen this concern and (i) enhance the long-term viability of AssureCo and (ii) increase the safety of the prospective pension payments.

We highlight here that in the Cap Gemini transaction, retired partners received a 10% increase in pension levels in recognition of the substantial legacy efforts that enabled the consulting enterprise to attain such a value at that time. It was disappointing that no mention was made on the webcast of the efforts of the current retired partner base in building the practice that is expected to result in a much larger valuation in this Transaction, and whether any consideration was given to adopting an approach used in the previous Cap Gemini arrangement.

Finally, we understand that the firm will be establishing a committee of retired partners to provide advice on pension matters. We applaud the formation of such a committee and anticipate it will take a fresh look

at the above issues and others, including funding alternatives such as the purchase of annuity products from a third party to fully isolate AssureCo from any future pension risk.

2. Proposed Bifurcation of the Tax Service Line

A strong tax service line is critical to the success of an audit firm. It has always been this way and we believe this dynamic will continue. In our experiences, EY Channel 1 and Channel 2 tax service providers have always operated in a collaborative manner. Both groups have shared experiences, knowledge, learnings, and resources and each benefitted greatly from this collaboration. This increased the effectiveness and success of the overall Tax Service line and made it one of the best in the business. Understanding these facts, we question how it makes sense to proceed with the contemplated bifurcation of the tax service line. We believe such bifurcation will benefit neither AssureCo nor Newco. AssureCo will likely lose valuable resources necessary to respond to audit client tax matters. Newco will lose an important source of knowledge and on-the-job training for staff working in the tax area (as many of these resources grew-up, and continue to work, on audit assignments). We also fear that in this competitive tax environment, law firms and other private tax service providers (including the firm's direct competitors) could pick off EY tax resources forced to move to Newco and that are unhappy with the dynamics of working in a public company environment. We understand that a minority of existing tax resources will remain in AssureCo in the US and the minority may even be smaller in Europe. We just don't see how this plan makes sense. The planned split seems artificial and no clarification for the compelling business need to do this was outlined on the webcast. The bifurcation could result in neither practice having the size, scale, and competence to be truly viable in the marketplace. **We strongly encourage you to keep the overall tax service line together where it should continue to be a critical component of AssureCo.**

3. AssureCo Leadership

We were highly perplexed by the lack of communication (and perhaps the lack of decision making) regarding the contemplated leadership of AssureCo post Transaction in both the US and Globally. In our experiences, a decision like this is step one in any bifurcation transaction. We fail to see how this critical matter has not been addressed while the planned transaction has moved so far down the field. Whilst it is presumed that Mr. DiSibio will lead Newco, it is totally unclear who will manage AssureCo prospectively. No clarification was provided on the webcast. More importantly, the lack of identified AssureCo leadership raises questions as to who is presently involved in determining the best path forward on important AssureCo/Newco separation decisions and leads to concerns surrounding who is protecting the interests of the partners and employees that will continue in AssureCo. Currently, it appears that Mr. DiSibio is presiding over the decisions relating to both entities. This makes no sense. It also raises substantial doubt in our minds (as discussed further below) that the resources remaining in AssureCo will be sufficient to permit it to continue to exist as a vibrant and successful business. **We encourage you to move forward with leadership decisions and communicate such conclusions as soon as possible and in a transparent manner.** The fact that such decisions are coming so late in the game is truly disappointing.

4. AssureCo Resources

We all know how challenging it is to attract and retain the level and volume of resources needed to conduct high-quality audits on a global basis. This issue covers both people and service line expertise. We discussed the critical role of tax above. In addition, appropriate IT, valuation, actuarial, Strategy & Transactions, regulatory/compliance in the FSI space and other specialty resources are critical to the execution of a high-quality audit. We question how these AssureCo/Newco resource decisions are being made and as noted above, who is representing the interests of AssureCo in such discussions. Again, no clarification was offered on the webcast regarding this threshold issue. Additionally, whilst we understand that initial reactions to the Transaction from the firm's regulators around the globe were favorable, we doubt this will continue if questions arise as to the appropriate level of resources and expertise remaining in AssureCo. Likewise, we expect firm clients will be highly disappointed to learn that AssureCo resource

adequacy could be an issue and we understand the firm's competitors are already raising this matter with companies EY audits. **We encourage you to substantially increase the transparency surrounding how the resource and service line expertise allocations are being made, ensure that both AssureCo and Newco believe such decisions are appropriate, and give both the confidence that their respective businesses will be successful on a going forward basis.** Thereafter, we suspect conversations with the firm's regulators and clients will be more productive.

Finally, we understand that AssureCo may, because of the split, be forced to immediately replace important resources and rebuild certain practice lines that had been moved into the Newco structure. If such resources and practice lines are presently natural fits within AssureCo, why move them only to see AssureCo immediately rebuild these same areas and compete directly with Newco? Again, this approach makes no common sense, and it appears to us such contemplated moves are being driven by artificial reasons.

We hope you take these important recommendations constructively. We have spent all or most of our careers at the firm and we are proud to call ourselves retired EY partners. Not only are we some of the firm's largest creditors, but we are also many of the firm's biggest supporters. As such, we believe we serve as an important voice on a Transaction like the one being contemplated. We understand that some of the above suggestions could slow down the process, but we think it would be well worth the delay and help ensure greater ultimate success for both sides of the Transaction. For example, why couldn't the firm proceed with the formal separation of consulting and assurance into separate entities and operate (as we understand DT has done) while some of these important details are further evaluated and finalized.