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IN THE MATTER OF:

THE EXECUTIVE COUNSEL TO THE FINANCIAL REPORTING COUNCIL

-and-

1. ERNST & YOUNG LLP
2. JULIAN GRAY

SETTLEMENT AGREEMENT

1. This Settlement Agreement ("**Settlement Agreement**") is made on the 4th day of September 2017 between Gareth Rees QC as the Executive Counsel of the Financial Reporting Council ("**FRC**"), of 8th Floor, 125 London Wall, London, EC2Y 5AS ("**the Executive Counsel**") of the first part, and Ernst & Young LLP ("**EY**") of 1 More London Place, London, SE1 2AF of the second part and Julian Gray ("**Mr Gray**") of the third part. The Executive Counsel, EY and Mr Gray together are described as "**the Parties**".
2. The Settlement Agreement is evidenced by the signatures of the Executive Counsel on his own behalf, by Lisa Cameron on behalf of EY and by Mr Gray on his own behalf.
3. The Particulars of Fact and Acts of Misconduct against EY and Mr Gray ("**the Particulars**") as, respectively, a member firm and member of the Institute of Chartered Accountants in England and Wales ("**ICAEW**") were prepared by the Executive Counsel in accordance with the FRC Accountancy Scheme ("**the Scheme**") and are annexed. The Particulars relate to the conduct of EY and Mr Gray in relation to the audit of the financial statements of Tech Data¹ for the financial year ended 31 January 2012. More specifically, the conduct of each of EY and Mr Gray fell significantly short of the standards reasonably to be expected of, respectively, a Member Firm and a Member in respect of the audit in the following areas:

¹ Until 4 October 2013, Tech Data was named Computer 2000 Distribution Limited. References to Tech Data also include any predecessor company.

- (i) drop shipment accruals;
 - (ii) vendor rebates; and
 - (iii) ageing and provisioning of inventory and receivables.
4. EY and Mr Gray admit the Particulars, including the Acts of Misconduct alleged against each of them.
5. The Parties recognise that the determination to be made in this case is a matter for a person appointed from the Tribunal Panel ("**the Tribunal member**") in accordance with paragraph 8(4)(ii) of the Scheme.

EY - Sanction

6. The Executive Counsel and EY have agreed the following terms of settlement:
- a) A Fine of £2,750,000 (adjusted for aggravating and mitigating factors and discounted for settlement to £1,800,000). The Fine shall be paid not later than 28 days after the date when the Settlement Agreement takes effect; and
 - b) EY to receive a Reprimand.
7. In reaching this Settlement Agreement with EY, the Executive Counsel considered the following stages and took account of the following factors in accordance with the FRC's Sanctions Guidance (1 June 2014) ("**the Sanctions Guidance**"):

Nature and Seriousness of the Misconduct

8. The Misconduct could undermine confidence in the standards of conduct in general of Member Firms and/or in financial reporting and/or in the profession generally;
9. The Misconduct involved a failure to comply with professional standards across a number of areas of the audit;
10. The nature, extent and importance of the standards breached. The Misconduct included failings regarding professional scepticism, which is a key component of auditors' duties;
11. The Misconduct was not dishonest, deliberate or reckless;
12. The Misconduct did not involve a failure to act or conduct business with integrity;

13. The Misconduct did not cause the loss of money to investors or creditors or in terms of the market value of the company; and
14. The Misconduct did not adversely affect a significant number of people in the United Kingdom (such as the public, investors or other market users, consumers, clients, employees, pensioners or creditors).

Identification of Sanction

15. Having assessed the nature and seriousness of the Misconduct, the Executive Counsel has determined that a Fine and a Reprimand is an appropriate sanction. Executive Counsel has then taken into account any aggravating and mitigating factors that exist (to the extent that they have not already been taken into account in relation to the seriousness of the Misconduct). Having considered those additional factors set out below, the Executive Counsel has determined that the Fine should be reduced by 10% to £2,475,000.

Aggravating Factors

16. In 2013, EY was fined £750,000 (adjusted from £850,000 to reflect the admissions made by EY) following admitted Misconduct and entering into a Settlement Agreement with Executive Counsel in respect of its audit of European Home Retail Plc and Farepak Food and Gifts Limited during 2005 and 2006.

Mitigating Factors

17. EY co-operated during the investigation of the Misconduct by the Executive Counsel. However, this is not a significant mitigating factor given EY has a duty to co-operate fully with Executive Counsel in accordance with paragraph 14 of the Scheme;
18. There is evidence to suggest that EY and Mr Gray were deliberately misled by Tech Data management;
19. Since the admitted Misconduct took place, EY has taken steps to improve audit quality;
20. EY did not stand to gain any profit or benefit from the Misconduct; and
21. EY has apologised for the Misconduct.

Deterrence

22. No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

23. Having taken into account admissions by EY and the stage at which those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the Sanctions Guidance), the Executive Counsel determined that a reduction to the Fine of approximately 27%, to £1,800,000, as a settlement factor is appropriate.

Other Considerations

24. In accordance with paragraph 32(ii) of the Sanctions Guidance, the Executive Counsel has taken into account the size and financial resources of EY and the effect of a Fine on its business; and whether there are arrangements that would result in part or all of the Fine being paid or indemnified by insurers.

EY - Costs

25. The Executive Counsel and EY have agreed the following terms of settlement:

A sum of £225,000 to be paid by EY as a contribution towards the Executive Counsel's costs of, and incidental to, the investigation into both EY and Mr Gray. The costs shall be paid not later than 28 days after the date when the Settlement Agreement takes effect.

26. In accordance with paragraph 62 of the Sanctions Guidance, the Executive Counsel has taken into account EY's financial position and the impact of the Fine; and whether there are arrangements that would result in part or all of the costs being paid or indemnified by insurers.

Mr Gray - Sanction

27. The Executive Counsel and Mr Gray have agreed the following terms of settlement:
- a) A Fine of £90,000 (adjusted for aggravating and mitigating factors and discounted for settlement to £59,000). The Fine shall be paid not later than 28 days after the date when the Settlement Agreement takes effect; and
 - b) Mr Gray to receive a Reprimand.

28. In reaching this Settlement Agreement with Mr Gray, the Executive Counsel considered the following stages and took account of the following factors in accordance with the Sanctions Guidance:

Nature and Seriousness of the Misconduct

29. The Misconduct could undermine confidence in the standards of conduct in general of Members, and/or in financial reporting and/or in the profession generally;
30. The Misconduct involved a failure to comply with professional standards across a number of areas of the audit;
31. The nature, extent and importance of the standards breached. The Misconduct included failings regarding professional scepticism, which is a key component of auditors' duties;
32. The Misconduct was not dishonest, deliberate or reckless;
33. The Misconduct did not involve a failure to act or conduct business with integrity;
34. Mr Gray held a senior position and had supervisory responsibilities;
35. The Misconduct did not cause the loss of money to investors or creditors or in terms of the market value of the company; and
36. The Misconduct did not adversely affect a significant number of people in the United Kingdom (such as the public, investors or other market users, consumers, clients, employees, pensioners or creditors).

Identification of Sanction

37. Having assessed the nature and seriousness of the Misconduct, the Executive Counsel has determined that a Fine and a Reprimand is an appropriate sanction. Executive Counsel has then taken into account any aggravating and mitigating factors that exist (to the extent that they have not already been taken into account in relation to the seriousness of the Misconduct). Having considered those additional factors set out below, the Executive Counsel has determined that the Fine should be reduced by 10% to £81,000.

Aggravating Factors

38. Executive Counsel has concluded there are no aggravating factors to be taken into account.

Mitigating Factors

39. Mr Gray holds a hitherto unblemished compliance history and disciplinary record;
40. Mr Gray co-operated during the investigation of the Misconduct by the Executive Counsel. However, this is not a significant mitigating factor given Mr Gray has a duty to co-operate fully with Executive Counsel in accordance with paragraph 14 of the Scheme;
41. There is evidence to suggest that Mr Gray and EY were deliberately misled by the Tech Data management;
42. Mr Gray did not stand to gain any profit or benefit from the Misconduct; and
43. Mr Gray has apologised for the Misconduct.

Deterrence

44. No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

45. Having taken into account full admissions by Mr Gray and the stage at which those admissions were made (in Stage 1 of the case in accordance with paragraph 59 of the Sanctions Guidance), the Executive Counsel determined that a reduction to the Fine of approximately 27%, to £59,000, as a settlement factor is appropriate.

Other Considerations

46. In accordance with paragraph 32(iii) of the Sanctions Guidance, the Executive Counsel has taken into account Mr Gray's financial resources and whether there are arrangements that would result in part or all of the Fine being paid or indemnified by insurers or his firm, EY.

Mr Gray - Costs

47. The Executive Counsel and Mr Gray have agreed that there shall be no order for costs against Mr Gray.

48. If the decision of the Tribunal is to approve the Settlement Agreement, including the sanctions set out above, then the Settlement Agreement shall take effect from the next working day after the date on which the notice of the decision is sent to EY and Mr Gray in accordance with paragraph 8(4)(iv) of the Scheme.
49. The Settlement Agreement and annexed amended Formal Complaint will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.

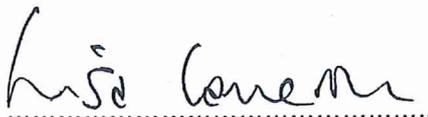


4th September 2017

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Gareth Rees QC

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Date

Executive Counsel



4 September 2017

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Lisa Cameron

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Date

On behalf of Ernst & Young LLP



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Julian Gray

4 September 2017

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Date