



# Annual Review 2019/2020

Ernst & Young Nederland LLP



Building a better  
working world



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# Foreword

## Navigating the crisis together

The fiscal year ending 30 June 2020 was well on track until March. Results and prospects were promising, while revenue was developing in line with our plans. There was healthy demand for our services and we were working hard to deliver a high-quality service to our clients. Community investment activities were on track and the overall outlook was promising.

Then, eight months into the year, like all over Europe, EY found itself facing a new, unexpected reality. At first, the COVID-19 pandemic felt like a faraway issue, but as it suddenly began moving closer, there was no time to sit back and reflect. EY quickly transitioned from an office-based business to a home-working organization and took immediate steps to safeguard the health and safety of our employees, clients and suppliers. Working from home, service delivery to clients continued, thanks to the hard work of EY colleagues to make this happen. The unifying power of a partner organization shone through once again, as teams were suddenly 'scattered *and* connected'. Partners pulled together and showed their entrepreneurial spirit. A dedicated effort was made to ensure their teams' well-being and they reached out to clients about potential concerns. Indeed, the focus of the EY professionals has been even more firmly on our clients as we look to help them through these difficult times. This has led to sessions to share experiences and best practices as well as virtual client seminars, besides other helpful information shared online.

As a firm, we also gathered best practices from third parties to handle this extraordinary chain of events. As a major situation like this lowers the threshold for connecting and sharing, a daily note on the crisis was circulated to all members of our organization. Based on the positive feedback, it was clear there was a need to communicate clearly and consistently about the steps being taken to limit the impact of the virus, to improve acceptance of these measures. Furthermore, a close eye was kept on how employees were coping in their home

setting. Efforts were made to ensure people could continue to do their work, at their own preferred working hours, with new workarounds found where needed.

Even though most EY offices - and those of our clients - literally had to close, there was a strong sense of connection with clients and colleagues alike. Sometimes a crisis brings out the best in people, and that has indeed been the case at EY. New ideas and initiatives have emerged to help support each other, and collaboration between the service lines has been strengthened. The focus of EY professionals is more firmly on their clients than ever, and we are dedicating special attention to helping them through these difficult times. This has resulted in special internal sessions to share experiences and solutions, as well as online client seminars and the sharing of helpful information via the internet.

From June, it initially became easier to return to the office if needed. Many people are glad to be interacting face to face again. Not everyone has a suitable space to set up a home office, while people can also find it difficult to stay motivated when working from home. More widely, it is important to find a balance between working remotely and at the office, which is why EY views the current situation as an opportunity to learn and to make greater use of innovative connectivity solutions. A working group has been set up to examine what EY learned as a firm during the past months and what might be done differently in the future.

COVID-19 will clearly have a lasting economic impact. The fallout from the pandemic is starting to be seen across both the public and private sectors, where debt levels are rising along with unemployment. It is sad to see the crisis taking a heavy toll on younger generations here in the Netherlands and in other countries. This is the case for young people in further education but, equally,

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**It is important the wider business community harnesses the current momentum to find a new balance between the economy, individual well-being and the environment.**

those taking the first steps in their careers. Many employers are treading carefully, and this will impact future prospects for employment, at least in the short term.

While the Dutch economy is forecast to bounce back from the current recession in 2021, it will not be 'business as usual' for quite some time. Consumer and business confidence have both been affected, and certain industries will take longer to recover than others. Global supply chains are also vulnerable because there is often a high degree of interdependence between companies and industries, and this will add further disruption to the global economy. Such uncertainty will no doubt continue to impact our clients, and consequently our own service lines, over the weeks and months ahead.

EY has always been a resilient organization, but must be prepared for the complexities this coming fiscal year will bring. Nevertheless, the Board sees opportunities ahead as well as challenges. It is important the wider business community harnesses the momentum generated by the pandemic to find a new balance between the economy, individual well-being and the environment. EY Netherlands, therefore, endorses the Green Recovery

Statement, a call for a sustainable economic recovery following the COVID-19 crisis, now signed by nearly 300 companies. The statement dovetails with EY's ambition to make a strong case for sustainable business development.

EY Netherlands closed the fiscal year satisfactorily on several fronts. Thanks to the dedication and professionalism of the partners and employees, this has been realized in a year many are unlikely to ever forget.

Coen Boogaart

Chair of the Board of Directors

Ernst & Young Nederland LLP

28 September 2020

# EY Netherlands at a glance

## Who we are and what we do

EY is a globally operating advisory and assurance organization. Its activities are divided into the service lines Assurance, Tax, Strategy and Transactions, and Consulting. 284,000 EY professionals worldwide guarantee high-quality services. EY Nederland supports and contributes to the global organization-wide vision and strategy. At the same time, we have our own country-specific responsibilities to carry out.

EY Nederland employs more than 4,500 people across 15 locations. EY Nederland's partners (255 at the end of the fiscal year) hold ultimate responsibility for the quality of the services provided to clients and for developing our people. Each partner manages a section of the client portfolio.

We aim to deliver sustainable added value to our clients and employees, and to society as a whole. As a knowledge organization, we help clients and other stakeholders achieve ecological, social and economic value - as an integrated part of their strategy. We do this by sharing knowledge and providing education. This is how we stimulate sustainable economic growth.

For more information about our service lines, please visit the 'What we do' section of our corporate website.

Assurance  
Tax  
Strategy and Transactions  
Consulting

Service lines

300,000

EY Professionals worldwide

4,552      255

EY Nederland

Partners

15

Locations

## Total revenue

(in millions of euros)

**905** 3% ▲

2019-2020

**877**

2018-2019

## Profit for the fiscal year

(in millions of euros)

**153** 161

2019-2020

2018-2019

## Operating profit margin

(% of total revenue)

**17%** 19%

2019-2020

2018-2019

## Community Investment

**20,473** 780

Hours spent

Engaged employees

## Retention rate top talents

**94%** 91%

2019-2020

2018-2019

## Assessment of service quality

Clients where relationship was improved

**50%** 48%

2019-2020

2018-2019

Clients where relationship remained the same

**47%** 44%

2019-2020

2018-2019

Clients where relationship deteriorated

**3%** 8%

2019-2020

2018-2019

\* For EY Nederland at a glance - reporting standards and data compilation, see page 46/47.

Ernst & Young Belastingadviseurs LLP ('EY Tax') has a strategic alliance with HVG Law LLP. In connection with this strategic alliance, the key figures of HVG Law LLP have been incorporated in the key figures of EY Tax. However, as no 'control' can be exercised over the activities of HVG Law LLP, the figures of HVG Law LLP have not been included in the (consolidated) financial statements.

# Report of the Board of Directors

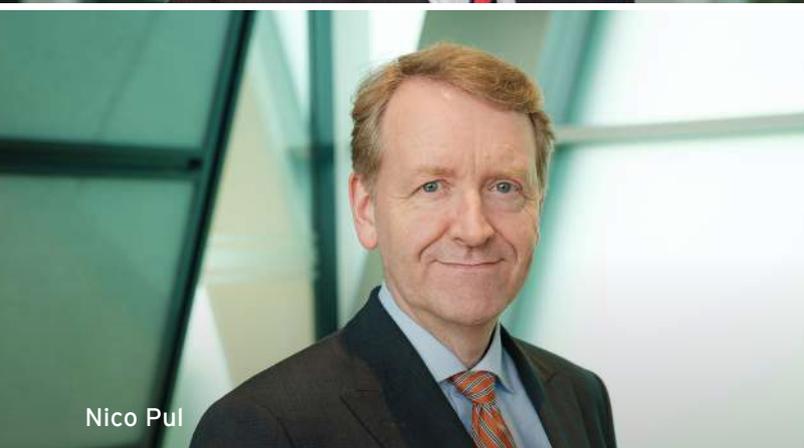
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Coen Boogaart



Mirjam Sijmons



Nico Pul



Jeroen Davidson



Rob Lelieveld



Stephan Lauers

Given the ongoing impact of the COVID-19 crisis, which is severely testing people and companies, we have opted for a short and concise explanation of what we have achieved this financial year. Of course, we do discuss the impact of the virus. However, it is gratifying to see that our services have continued virtually unimpeded on many fronts, albeit in an adapted form and remotely.

### Board of directors

We refer to our corporate website for a complete overview of personal information on the members of the board. [ey.nl/jaarverslag](https://ey.nl/jaarverslag)

## Dynamic crisis management

EY Netherlands acted swiftly to keep the virus at bay. In early March, before the Netherlands announced an intelligent lockdown, we mobilized our crisis organization. The Board of Directors took the lead, with the chair circulating updates on the situation to partners and employees in daily, and later weekly, communications. This central management was widely accepted and appreciated. The multidisciplinary crisis team met daily and consisted of representatives from all service lines and Core Business Services. As a result, we were able to respond swiftly across our organization. Needless to say, we followed the guidelines of the Netherlands National Institute for Public Health and the Environment (RIVM).

In early March, all internal and external meetings were cancelled. Face-to-face meetings with clients and proposal discussions were suspended. Shortly after, most of our offices were closed for regular activities. We managed to transform our office-based business into a home-working organization with all the necessary virtual and digital processes and home facilities for our more than 4,500 employees and temporary hires. The virtual discussions became increasingly meaningful; many of our activities were made available to clients online and through webinars; and, for the first time in our history, we concluded digital agreements with our clients.

Since early June, we have been gradually upscaling admittance numbers at our offices, while always keeping safety top of mind. It is a logistical challenge to effectively manage the flow of people to and from our offices. Until a vaccine or effective treatment for the virus becomes available, we will continue to look for responsible ways to meet and work at our offices and from home.

## Key figures

Key figures <sup>1</sup>	2019/ 2020	Δ	2018/ 2019	Δ	2017/ 2018	Δ	2016/ 2017	Δ	2015/ 2016	Δ
<b>Finance (in millions of euros)</b>										
Assurance	343	1%	339	0%	340	7%	319	7%	299	1%
Tax	297	3%	287	5%	273	3%	266	4%	255	1%
Consulting	152	3%	147	16%	127	2%	125	22%	102	3%
Strategy and Transactions	74	-2%	75	14%	66	22%	54	38%	39	7%
Rendering of services	866	2%	848	5%	806	6%	764	10%	695	2%
Core Business Services (Other income)	39	34%	29	-7%	31	3%	30	-6%	32	24%
<b>Total</b>	<b>905</b>	<b>3%</b>	<b>877</b>	<b>5%</b>	<b>837</b>	<b>5%</b>	<b>794</b>	<b>9%</b>	<b>727</b>	<b>2%</b>
<b>Financial results</b>										
Profit for the fiscal year	153	-5%	161	4%	155	5%	148	9%	135	-8%
Income available for distribution	126	-8%	137	4%	132	5%	126	10%	115	-7%
Average partner income (in thousands of euros)	496	-5%	519	1%	513	6%	485	3%	470	-12%
<b>Average number of FTE staff and partners</b>										
Client serving staff	3,950	1%	3,899	8%	3,614	3%	3,502	7%	3,263	10%
Support staff	538	0%	537	6%	507	-3%	524	1%	521	-1%
Total staff	4,488	1%	4,436	8%	4,121	2%	4,026	6%	3,784	8%
Partners	255	-4%	264	3%	257	-1%	261	6%	245	7%
<b>Total</b>	<b>4,743</b>	<b>1%</b>	<b>4,700</b>	<b>7%</b>	<b>4,378</b>	<b>2%</b>	<b>4,287</b>	<b>6%</b>	<b>4,029</b>	<b>8%</b>
<b>Environment</b>										
Travel	12,504	-26%	16,955	2%	16,618	-6%	17,641	9%	16,113	3%
Offices including paper usage and waste	2,727	-28%	3,783	-2%	3,874	8%	3,591	-4%	3,745	18%
<b>Emissions (tCO<sub>2</sub>)</b>	<b>15,231</b>	<b>-27%</b>	<b>20,738</b>	<b>1%</b>	<b>20,492</b>	<b>-3%</b>	<b>21,232</b>	<b>7%</b>	<b>19,858</b>	<b>6%</b>
<b>tCO<sub>2</sub> per FTE</b>	<b>3.2</b>		<b>4.4</b>		<b>4.7</b>		<b>5.0</b>		<b>4.9</b>	

<sup>1</sup> Ernst & Young Belastingadviseurs LLP ('EY Tax') has a strategic alliance with HVG Law LLP. In connection with this strategic alliance, the key figures of HVG Law LLP have been incorporated in the key figures of EY Tax. However, as no 'control' can be exercised over the activities of HVG Law LLP, the figures of HVG Law LLP have not been included in the (consolidated) financial statements.

## Material themes 2019-2020

Theme	Definition	Performance management (KPIs)	Results 2019-20
<b>Technological innovation</b>	Investing in 'new' technology and digitalization to improve the range and quality of services and to develop new products and services. Examples include online tooling, blockchain, data analytics, robotic process automation and artificial intelligence.	▶ Number of hours spent on innovative services	16.730
<b>Customer satisfaction</b>	Providing exceptional and high-quality services with which we exceed the expectations of our clients and clearly demonstrate the added value of our services to our clients.	▶ Customer satisfaction score (% of clients who indicate that the relationship has improved or remained the same)	97%
<b>Retaining and recruiting talented employees</b>	Investing in engaged and loyal employees. This includes personal career planning and development, diverse and varied work, a healthy work-life balance, a friendly working environment, a clear mission (meaningfulness), a motivating appraisal method, suitable coaching and support and inspiring leadership. The focus lies on recruiting the best employees in a tight labor market and meeting the expectations of a new generation of employees.	▶ Percentage female employees ▶ Retaining top talent ▶ Number of hours spent on community investment projects ▶ Hours and euros spent on training and education	41% 94% 20,473 487,000 hours 15.8 million
<b>Culture change</b>	Investing in a culture of high-quality teamwork, trust, integrity and quality. To promote quality, employees must feel safe to acknowledge mistakes. This means a shift from a hierarchical and formal culture toward an open error-management culture.	▶ Percentage of overtime	3.7%
<b>Integrity and independence</b>	Providing services that satisfy our ethical standards. Central issues in this context are anti-corruption, sound due diligence when accepting clients and (personal) independence during assurance assignments.	▶ Number of violations regarding non-permitted advisory services at audit clients ▶ Personal Independence violations partners and associate partners	0 0%
<b>Compliance</b>	Working in accordance with applicable laws and regulations and anticipating the increasing restrictions imposed by supervisory bodies. Extra attention is also being paid to stricter compliance with the requirements of the Act on the Supervision of Audit Firms (Wta) and the Decree on the Supervision of Audit firms (Bta).	▶ Quality review engagements 1 or 2	97%
<b>Optimization effectiveness and efficiency of processes</b>	Adequate process management that guarantees sufficient partner and manager involvement. Increasing the efficiency and effectiveness of processes through technological and personal developments so a higher service quality can be delivered. The focus lies on internal process-related improvements of the services.	▶ Operating profit margin ▶ Revenue growth	17% 3%

## NextWave: guiding us in difficult times

### **Our mission is *Building a better working world*.**

We devote ourselves and our knowledge to building a better working world. We use our advice and services to help build confidence in global capital markets and economies. We are professionals dedicated to our clients and society. We want to be a partner that makes economic and social activity possible in a familiar and contemporary way. This is how we play our part in building a better working world - for our people, our clients and society. In these difficult times, it is more important than ever that we pursue our mission.

*NextWave*, our strategic approach deployed worldwide at EY in the autumn of 2019, gives our mission more form and substance. *NextWave* focuses explicitly on creating long-term value rooted in four basic values: people, client, social and financial. The strategy that accompanies this can be summarized as:

- ▶ Client centricity
- ▶ Exceptional and diverse people
- ▶ Global integration and teaming
- ▶ Data and technology

These ambitions determine the way we manage the organization. The Board of Directors is responsible for the implementation of the strategy that should lead to value creation in the short, medium and long term.

The value creation model on the next page shows how EY Netherlands' core activities add value. The material themes are determined by a stakeholder dialogue. In the short term, our efforts generate output every fiscal year, which we express in revenue per service line. We quantify the short- and medium-term progress in a set of KPIs related to each focus area: clients, people, society and finance. The aggregated effects of our value creation are what ultimately generate our long-term impact and contribution. We define and monitor these using the guidelines set by the UN Sustainable Development Goals, among other leading benchmarks.

### More information

How we contribute to the various goals can be found in our Corporate Responsibility report, see [ey.nl/jaarverslag](https://www.ey.nl/jaarverslag).

Our ambition

Create long-term value as the world's most trusted, distinctive professional services organization.

Strategic pillars

Client centricity, exceptional and diverse people, data and technology, global integration and teaming.

# Building a better working world

Material topics

Retaining and recruiting talented employees	Integrity and independence	Technological innovation	Culture change	Customer satisfaction	Compliance with laws and regulations	Optimizing the effectiveness and efficiency of processes
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Outcome



Impact



● Most material SDGs

## Long-term value creation and sustainable growth

In this exceptional fiscal year, focusing on value creation has taken on a special dimension. We are experiencing firsthand the importance of health, human interaction and good relationships. In addition to the commitment, expertise and innovative capacity of our employees, collegiality and leadership are more valued by us than ever. The word 'together' has taken on genuine meaning.

### People value

#### Connected with our employees - from a distance

Our transition to home working has been positively received by employees and has gone well from day one: work simply continued, and there was uninterrupted and intensive virtual interaction between colleagues and with clients.

Remote access was already well supported by our IT infrastructure before the COVID-19 pandemic. For those who needed it, we have provided additional facilities that enabled employees to work better from home. Yet this situation has not been ideal for everyone. Families with young children had an especially hard time managing their work and private lives while childcare facilities and schools were closed. We tried to be as flexible as possible to allow parents to manage their time around their home office situation.

The crisis has shown, once again, that there is strong sense of togetherness at EY Netherlands. Though virtual contact can never replace face-to-face human contact, our colleagues have enjoyed taking part in a wide range of remote social activities, including pub quizzes, weekly team updates, coffee breaks, pizza sessions and virtual after work drinks.

Through our new Vitality portal, we offer a variety of employee support programs aimed at enhancing well-being, such as mindfulness, yoga and vitality lectures. Sick leave is one of the indicators we monitor to keep track of

how our employees are doing. At the end of the fiscal year, absenteeism stood at 3.87%.

#### Teaming

To achieve the highest level of service quality, we aim for a healthy mix of opinions, experience and backgrounds when forming our teams. We train team members in Highest Performing Team (HPT) sessions, in which they work together on themes such as trust, conflict management, commitment, working styles and dealing with feedback. In March, the HPT center of excellence immediately focused on enabling virtual sessions. A Teaming SharePoint was developed to help support team leaders in their role. Several successful virtual team sessions have already been held.

#### Attracting and retaining talent

Recruitment went well during the fiscal year. In our new recruitment campaign, *Bring yourself - Build your future*, we position EY as an attractive employer that caters to a diverse range of talent, including business economists, accountants and lawyers, but also to people with a more technical background. While people were working from home, we managed to switch effortlessly from in-house days with students at the office to virtual events and online interviews with students and professionals.

We view capacity numbers with a critical eye. The COVID-19 crisis has forced us to consider more carefully whether and when to hire new colleagues. Aside from the economic circumstances requiring it, we want to integrate new colleagues well so they can make a strong start to their EY career. Working remotely, it simply becomes more difficult to build a bond with a new employer from the outset. It is also more difficult to coach on the job. For this reason, some new employees are joining us at a later stage.

#### Welcome on board

Among other things, we have been working on our 'onboarding' program. We personally delivered laptops and phones to employees' homes. On the first workday, they participated in a virtual training activity called *Welcome to EY*, which they revisited a week later. This

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## We develop our employees and inspire them so they can recognize the connection between their daily work and building a better working world

enabled us to show EY's best side even during this extraordinary period. Fortunately, we can once again receive new colleagues at the office, where they will be welcomed on their first day by their personal supervisor.

94%

Retention rate toptalents

EY is not the only company trying to attract high-quality professionals, however, and the so-called 'war for talent' continues unabated. That is why we also encourage internal mobility among our employees so we can retain their knowledge and expertise.

This year, we welcomed a total of 769 new colleagues, compared with 1,100 last fiscal year. The total number at the end of the fiscal year was 4,552, compared with 4,707 in 2018/19.

We continue to develop talent. All EY Netherlands employees are able to take online courses or join training events through our e-learning portal. We also hold webinars for short training activities on topics such as agile working.

### Open culture

EY Netherlands invests in a culture of mutual cooperation, trust, integrity and quality with continuous learning and improvement. To promote quality, employees must feel they can safely acknowledge mistakes. The COVID-19 crisis has shown that working from home is a good option and that managers can confidently give their employees more freedom to work remotely. To develop the desired culture, our partners and managers participate in a leadership program, in addition to professional training activities. They are learning how to lead by example: they have to be transparent, open to criticism and create an open culture and atmosphere in which everyone can learn from each other. We have made good progress with these activities. Our partners have already completed the programs, while directors and senior managers will do that (partly) virtually.

### Diversity and inclusion

June 2020 saw the build-up of social unrest around the world, leading to a growing Black Lives Matter movement. EY takes a clear position: we do not tolerate racism. As a social and diverse organization, we feel involved in the widespread disapproval felt by people on this matter.

We strongly believe that a diverse composition of teams, including management, contributes to a better world and to sustainable success. We are working on increasing diversity in all layers of our organization. Everyone has equal opportunities at EY, regardless of gender, cultural background, sexual preference or employment restriction. This dovetails with the values we uphold, such as teamwork and respect. When recruiting new employees, we aim to maintain an equal balance of men and women. Across the whole organization, 41% of EY employees are female.

We want our organization to be a reflection of society and therefore attach great importance to inclusiveness. When possible, activities related to this issue were still held throughout the recent intelligent lockdown, albeit digitally.

### Listening ear

Partly in response to the COVID-19 pandemic, we set up a helpline for employees who are feeling (a bit) lonely or depressed as a result of working from home, or who simply need a listening ear. We noticed that our foreign colleagues who are working here temporarily or on a longer-term basis, and have not yet been able to build up a social network, have a greater need for specific assistance and more meaningful contact. This need goes beyond what the helpline could offer. So we set up a separate community for this group that brings together foreign colleagues living in the same area. 102 people have so far registered to take part in this initiative.

### Confidential counselors

In 2021, we will be expanding our network of counselors by introducing part-time professionals in every region. By giving our employees access to a counselor, we aim to create a safe and supportive organizational culture and work environment in which people can function optimally and do their best work. This includes having the confidence to report (potential) irregularities and bring them out into the open.

## Client value

### Deepening our relationship with our clients

Knowing that we have still been there for our clients in difficult times has energized us and shows that we truly live and breathe our EY mission. A constant flow of initiatives and ideas throughout the pandemic have helped ensure the continuity of our different services.

By actively contacting our clients and asking where we could be of value to them, we were able to find answers to key commercial and personal questions, and to offer our services in clear terms. Under the heading *Now, Next & Beyond*, we offered clients insight, help and advice. We also offered several programs for businesses that were starting or relaunching, including offering the EY Finance Navigator tool to start-ups and scale-ups free of charge, and advised clients on the correct fiscal and legal implementation of the government's emergency measures. Companies are also having to restructure as a result of the sharp decline in revenue due to the pandemic. Our Strategy and Transactions service line is offering its expertise in this respect. It goes without saying that we will support our clients during these uncertain times so they can continue to meet their obligations, such as completing tax returns and preparing financial statements.

Our COVID-19 website shares practical insights on how companies can respond to developments and how they can enhance the resilience of their enterprise.

### Customer appreciation

Every year, we assess the quality of our services via our *Client Experience* program. This fiscal year, we recorded 801 *Client Experience* formal feedback moments with clients, an increase of 48% compared with the previous year (2018/2019: 543). Of those clients who provided feedback, 50% indicated that their relationship with EY Netherlands was better than the previous fiscal year (2018/2019: 48%). According to 47% of those interviewed, their relationship with EY Netherlands remained the same (2018/2019: 44%) and 3% of

respondents stated that the relationship as not as good as the previous fiscal year (2018/2019: 8%).

## Assessment of service quality

Compared with the previous fiscal year

Relationship with EY Nederland has improved

50%

Relationship remained the same

47%

Relationship as not as good

3%

Contact moments with clients

801	543
2019-2020	2018-2019

### Quality of services continues

The quality of EY Netherlands' assurance services is supervised by the Dutch Authority for the Financial Markets (AFM). In recent years, we have worked hard to achieve and maintain the desired level of quality in our *Step Change to Quality (SC2Q)* program.

SC2Q has given us an energy boost. It has been an opportunity to make important changes to our organization, and to raise our performance to a higher level and keep it there. These changes, which have been confirmed through our internal investigations, have not gone unnoticed by the supervising authorities. For example, between June 2019 and February 2020, the AFM conducted an investigation into the quality of the Big 4 major accountancy firms. It concluded that all four firms are now on the right track.

In November 2019, the PCAOB carried out a quality control inspection as well as three audit assignments. We have not yet received a written report of the

investigations' findings yet, but based on immediate feedback received at the time, we do not expect the investigations to have uncovered any issues.

This up-to-date picture of the capacity of the major accountancy firms for change provides further clarity for our stakeholders. The recent AFM report unfortunately could not be taken into account by the Accountancy Monitoring Committee (MCA) and the Committee for the future of the accountancy sector (CTA), but we consider it important that it will be from now on.

On 14 January of this fiscal year, the MCA presented its final report 'Spiegel voor de accountancysector' ('A mirror for the accountancy sector'). Furthermore, on 30 January 2020, the CTA presented its final report 'Vertrouwen op controle' ('Trust in control') to the Dutch Finance Minister, Wopke Hoekstra. The report explores how audit quality can be improved in a sustainable way and whether the structure of the audit sector needs to be adapted for this purpose. On 20 March 2020, Minister Hoekstra sent the Cabinet's response to both reports to the House of Representatives. The response put forward a package of measures to sustainably increase the quality of the accountancy sector, focusing on the statutory audit of financial statements. Two so-called "kwartiermakers" were recently appointed to carry out and follow up on the recommendations, and to monitor progress.

We brought the execution phase of SC2Q to a successful close in September 2020 and it will be ended as a program in the coming months. Our conclusion is that we have been able to realize a number of important changes and that many of the goals we have set for ourselves have been achieved. The essence of the program is that we have developed a culture and infrastructure that help us to continuously learn and improve. Going forward, further improvements will be realized as part of our regular business plans and processes.

## Quality review engagements

### Rating 1

There were no or minor findings

<b>92</b> 79%	<b>64</b> 80%
2019-2020	2018-2019

### Rating 2

The findings were more than minor, but less than material

<b>21</b> 18%	<b>13</b> 16%
2019-2020	2018-2019

### Rating 3

There were material findings

<b>4</b> 3%	<b>3</b> 4%
2019-2020	2018-2019

For more detailed information about the *Step Change to Quality* program, please read our annual review page, where the Transparency Report 2019-2020 will be made available a month after the publication of the annual review.

We view the CTA's critical but balanced report as an important step toward restoring trust in the audit opinions of the accountancy profession. The report's recommendations dovetail with our strategy to emphasize our people and the quality of audits to instill confidence from the perspective of society, our clients and capital markets. We therefore feel supported by this report and will continue along this path. We also fully agree with CTA's call for EY and the entire chain to take steps together. We definitely believe that working closely together is the way forward.

### Intellectual capital

#### Sustainable business development through innovation

With the *NextWave* strategy, EY is committed to creating long-term value through client centricity and technology. Innovation is critical in achieving this. New collaborations,

developments and tools that assist our clients in their digital transformation can be found in all branches of our services. More generally, innovation and digitalization come in three ways: digitalizing the delivery of our services, creating new digital services for our clients and developing assets to be used as part of our service delivery. To achieve these results, innovation within EY involves a mix of top-down and bottom-up approaches.

#### Top-down innovation initiatives

Recent examples are the Canvas audit platform and the client portal. These are proprietary tools used in EY Assurance. Other examples are Questor and the Model Risk Platform solutions used to engage Audit and Consultancy clients within financial services organizations.

The Tax service line recently created the Tax Lab innovation team. This dedicated team succeeded in launching the OneStep Portal within months. The OneStep Portal functions as a gateway to our service centers around the globe. It connects EY talent with clients to ease mandatory procedures, such as the anti-money laundering (AML) process. This way, the client does not have to perform manual and repetitive tasks to be compliant with EY's client acceptance procedures.

#### Bottom-up corporate innovation program

Through our *Innovate EY* program, we are building an innovation- and entrepreneurship-driven culture while turning ideas into business value. The ultimate goal is to make an impact with valuable innovations, create new revenue streams, drive down costs and improve the

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Increasingly, stakeholders expect companies to focus not only on short-term profit but also on creating long-term value

quality of our work. The program also serves as a vehicle to attract and retain talent.

We take a different approach toward bottom-up innovation, based on what we have learned in the past. The *Innovate EY* program focuses strongly on the inclusion of clients in developing new solutions and the definition of innovation challenges for each service line. This structured approach has drastically increased the conversion rate between initial ideas and successfully implemented solutions for our clients. Because innovation is a vital part of EY's sustainable growth, EY Netherlands' leadership has invited more and more colleagues to make innovation part of their service delivery. This trend is evident across the entire EMEIA region.

#### Co-creation examples

One example is *EY Serious Gaming*, a gamification methodology embedded in a digital platform that allows clients to experience real-life business challenges, including decision-making while testing possible EY solutions. Another solution is the capacity planning tool CTRL, which helps departments and teams of service organizations to better prepare for the future by providing insight into the supply and demand of work. The tool analyzes the past and predicts the future capacity gap.

#### EYnovation supports the start-up ecosystem

In addition to the bottom-up and top-down approaches, we also support the start-up ecosystem. Through the *EYnovation™* program, we actively support several start-ups and scale-ups by sharing our strategic, legal, fiscal and financial knowledge. We connect to these start-ups by supporting accelerator programs, such as HighTechXL (Eindhoven), PortXL (Rotterdam), ACE (Amsterdam) and Yes! Delft (Delft). During the COVID-19 crisis, we made the EY Finance Navigator software freely available for start-ups. TFN is a financial planning tool for start-ups and scale-ups.

## Social value

### Our services

Increasingly, stakeholders expect companies to focus not only on short-term profit but also on creating long-term value. We support our clients with knowledge about sustainable entrepreneurship by:

- ▶ Providing assurance on non-financial information
- ▶ Carrying out impact measurements
- ▶ Providing advice on integrated reporting, impact investing and sustainable business strategies

### Always investing in the future

We recruit a large number of highly talented young people each year and make a concerted effort to train and coach them during their time with us. Of these, some will remain at EY for the rest of their working lives while others will leave and seek other careers. All will benefit from the significant investment we make in their knowledge and expertise.

### Corporate Responsibility report

For more details on this topic, please consult our Corporate Responsibility report. [ey.nl/jaarverslag](https://ey.nl/jaarverslag)

## Community Investment

# 20,473

Hours spent

# 780

Engaged employees

### Teaching young children

We are committed in various ways to the future generation, for example by teaching them skills that will build their self-confidence, flexibility and resilience.

EY professionals participate in The Next School Foundation's *Teacher for a day* program. The program brings together professionals from the business community and teachers to develop curricula that show the 'real world' usefulness of certain school subjects. These lessons have been held online during the COVID-19 pandemic.

In addition, this year we organized another *Social Impact Day* for children from underprivileged neighborhoods, whom we invited to our offices all over the country. There, they had the chance to experience a large company such as EY and discover the skills needed to work at our organization.

When the COVID-19 crisis broke, many colleagues had to find new ways to contribute to children's education. A good example is the initiative of a group of actuaries who started giving extra lessons online.

### Supporting impact entrepreneurs with knowledge and expertise

In the context of impact entrepreneurship, we mainly target start-ups and scale-ups. EY Netherlands has become a strategic partner of Impact Hub Amsterdam, to which more than 500 social entrepreneurs are affiliated. Events and initiatives allow us to share our knowledge and

skills with these entrepreneurs, who are often just starting up. For example, we organized a speed-up event for start-ups on financial issues. A special COVID-19 webpage has been set up, bringing together a variety of initiatives aimed at this target group.

### Gains for nature and the environment

#### Unintended gain: fewer CO<sub>2</sub> emissions

The COVID-19 pandemic has been the cause of a strong reduction in CO<sub>2</sub> emissions. This is the result of government measures instructing people to work from home, as well as the grounding of aircraft. About 82% of EY Netherlands' carbon footprint is the result of staff mobility and 16% relates to office buildings. Energy consumption in our offices and by cars and public transport decreased dramatically due to collective working from home. In addition, the widespread closing of national borders since early 2020 sharply reduced business travel by airplane, which causes about 23% of our total CO<sub>2</sub> emissions. The pandemic almost exclusively affected the second quarter of the 2020 fiscal year. However, we expect its impact to continue into the coming fiscal year as well.

### Financial value

#### Crisis averted thanks to solid financial base

Revenue growth compared with the previous fiscal year was limited to 3.0%, resulting in revenues of € 905 million (2018/19: € 877 million).

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We are teaching future generation skills that will build their self-confidence, flexibility and resilience

Revenue growth from services provided by our four operational service lines amounted to € 18 million (2.0%). Assurance increased by € 4 million (1.2%), Tax by € 10 million (3.4%) and Consulting by € 5 million (3.2%). Revenue from Strategy and Transactions decreased by € 1 million (-1.8%). Other income increased by € 10 million (33.9%).

Operating expenses increased by € 34 million (4.6%) to € 747 million (2018/19: € 713 million). These various operating expenses are not directly comparable with those of the previous fiscal year due to the adoption of IFRS 16 guidelines with regard to leasing, which mainly led to a shift in the operating expenses. From fiscal year 2019/20, the lease contracts relating to office buildings, cars and mobile equipment have been included on the balance sheet, resulting in an increase in depreciation expenses of € 29 million. This is offset by a reduction in employee expenses (car leases for an amount of € 11 million) and other operating expenses (rental costs of office buildings and mobile equipment for an amount of € 18 million). The increase in operating expenses is explained by the 4.6% increase in purchased services, the 1% increase in the workforce and various incidental charges within other operating expenses.

Operating profit amounted to € 158 million, a decrease of € 6 million (-3.7%) compared with the previous fiscal year. The operating profit margin was 17.5%, compared with 18.7% in the previous fiscal year. Partly as a result of the adoption of IFRS 16, financing expenses rose by € 1 million (18.3%), resulting in a profit before tax of € 154 million (2018/19: € 161 million).

Of the profit for the financial year of € 153 million, € 27 million (2018/19: € 24 million) was reserved, in particular, for the settlement of deferred rights of former partners and partners, the office vacancy provision, goodwill in connection with acquisitions and interest due on capital. The remaining amount of € 126 million (2018/19: € 137 million) is, therefore, available for distribution as partner earnings. The distributions are made to the partners' private companies (B.V.s).

Solvency and working capital have been improved by the partners. This has created a solid base with which to weather the economic storm that came into force shortly after the lockdown.

### More information

See Annual Accounts. [ey.nl/jaarverslag](https://ey.nl/jaarverslag)

Income statement (in millions of euros) <sup>1</sup>	2019/2020	Δ	2018/2019
Assurance	343	1.2%	339
Tax	297	3.4%	287
Consulting	152	3.2%	147
Strategy and Transactions	74	-1.8%	75
<b>Rendering of services</b>	<b>866</b>	<b>2.0%</b>	<b>848</b>
Core Business Services	39	33.9%	29
<b>Revenue</b>	<b>905</b>	<b>3.1%</b>	<b>877</b>
Purchased services	128	4.6%	123
Employee expenses	400	1.1%	395
Depreciation and amortization	35	371.6%	7
Other operating expenses	184	-2.3%	188
<b>Operating expenses</b>	<b>747</b>	<b>4.6%</b>	<b>713</b>
<b>Operating profit</b>	<b>158</b>	<b>-3.7%</b>	<b>164</b>
Finance income and expenses	- 4	18.3%	- 3
<b>Profit before tax</b>	<b>154</b>	<b>-4.2%</b>	<b>161</b>
Income tax expenses	- 1	N/A	0
<b>Profit for the fiscal year</b>	<b>153</b>	<b>-4.7%</b>	<b>161</b>
Undistributable items and interest on capital	- 27	13.0%	- 24
<b>Income available for distribution</b>	<b>126</b>	<b>-7.7%</b>	<b>137</b>

<sup>1</sup> Ernst & Young Belastingadviseurs LLP ('EY Tax') has a strategic alliance with HVG Law LLP. In connection with this strategic alliance, the key figures of HVG Law LLP have been incorporated in the key figures of EY Tax. However, as no 'control' can be exercised over the activities of HVG Law LLP, the figures of HVG Law LLP have not been included in the (consolidated) financial statements.

## Risk management

Some events cannot be predicted, and the COVID-19 pandemic is a case in point. The chances of this kind of pandemic occurring were unlikely, which is why it was not included in most companies' risk profiles, including ours. It was an unexpected event, which is having a major impact on the world, our worldview and the future.

The pandemic is having a significant impact on economies and economic forecasts, and the effects on different sectors vary substantially. We are also witnessing different impacts per service line and, within that, per sub-service line. Our success in achieving our goals, especially in times of economic crisis, depends largely on the degree to which we can flexibly respond to the new reality, identify risks in good time and relate them to potential opportunities and possibilities.

### Crisis management

It goes without saying that our employees' health will always be our top priority. That is why we set up a crisis team before the intelligent lockdown was announced, and this team immediately implemented a comprehensive package of measures, such as good home-working facilities. The aim was to manage the crisis as effectively as possible, guaranteeing the safety of our people.

When the measures were eased for the first time after the intelligent lockdown, the one-and-a-half-metres@EY committee was established - initially to reflect on a safe (partial and gradual) return to our offices, bearing in mind the need for 1.5-meter social distancing. The committee is also considering a new normal for the future, now that we have identified certain advantages of working from home and how these can be easily supported through the use of modern technology.

### Self-assessment

As in previous years, we conducted a risk self-assessment with the service lines and the Board of Directors (BoD) to update our key risks (Risks That Matter). These are the risks that have the greatest impact on our strategic objectives and the execution of our sound and controlled business operations. The purpose of this analysis is to gain an overview and understanding of the management of these Risks That Matter, so senior management can determine whether adjustments are necessary. The combination of identified Risks That Matter results in a risk profile for EY Netherlands. Based on this, we can make well-founded decisions for the short and long term, aimed at developing a sustainable business model. Partly as a result of the COVID-19 crisis, we have identified two new Risks That Matter compared with the previous fiscal year, namely *Pricing & Margin* and *Crisis management*. See the table for more details about the Risks That Matter.

# Risks That Matter

**Our ambition: Create long-term value as the world's most trusted, distinctive professional services organization**

Ambition dimensions	Risks That Matter	Control objective	Control measures
<b>Client value</b> To help clients grow, optimize and protect value	Partnership cohesion	Optimal collaboration among service lines	<ul style="list-style-type: none"> <li>▶ Representatives of all service lines and CBS in BoD</li> <li>▶ Leadership program for (associate) partners</li> <li>▶ Partner discussions/meetings</li> <li>▶ Channel Board</li> <li>▶ Mixed account teams within and between service lines</li> </ul>
	Channel & account strategy	Clear strategy per account	<ul style="list-style-type: none"> <li>▶ Channel Board</li> <li>▶ Account teams</li> <li>▶ Assessment of service quality</li> <li>▶ Client Engagement, and Acceptance and Continuance policy</li> </ul>
	Innovation	Innovating organization	<ul style="list-style-type: none"> <li>▶ EY wavespace™</li> <li>▶ Audit of the Future</li> <li>▶ Dedicated board member EY Assurance</li> <li>▶ European Growth Platform, Growth Drivers</li> <li>▶ EY Innovate Office</li> <li>▶ EY(NL/Global), Innovation Board, Innovation Program</li> </ul>
	Information security	Protected against data leaks and cybercrime	<ul style="list-style-type: none"> <li>▶ Data Protection Team</li> <li>▶ GDPR framework</li> <li>▶ Web Based Learnings/training</li> <li>▶ IT management organization</li> </ul>
	Partnerships	Optimizing and managing partnerships	<ul style="list-style-type: none"> <li>▶ Policy, processes and procedures</li> </ul>
	Operating model	Clear roles, responsibilities and mandates (international) organization	<ul style="list-style-type: none"> <li>▶ EY Advisory Netherlands LLP</li> <li>▶ Representatives of service lines and CBS in BoD</li> <li>▶ Three lines of defense, In Control process</li> </ul>
<b>People value</b> To create an exceptional experience for EY people	Recruitment & Retention	Recruiting and retaining talent	<ul style="list-style-type: none"> <li>▶ Recruitment campaigns</li> <li>▶ Young Professional Board</li> <li>▶ High Performing Teams program</li> <li>▶ Talentplan FY21</li> <li>▶ Global People Survey</li> </ul>
	Quality-driven and healthy (risk) culture	Complying with internal standards and values as a learning organization	<ul style="list-style-type: none"> <li>▶ Partner leadership training</li> <li>▶ Diversity and inclusiveness policy</li> <li>▶ Confidential counselor network</li> <li>▶ Vitality Plan</li> <li>▶ Coronavirus helpline</li> </ul>
	Supporting professionals	Optimal (technological) facilities	<ul style="list-style-type: none"> <li>▶ Digital technology, IT management organization</li> </ul>
	Crisis management	Preservation of business continuity and safeguarding people's safety	<ul style="list-style-type: none"> <li>▶ Crisis management team</li> <li>▶ Security Officer</li> <li>▶ One-and-a-half-meters@EY</li> </ul>

Ambition dimensions	Risks That Matter	Control objective	Control measures
<b>Social value</b> To build trust in the capital markets and have a positive impact on communities and the planet	Quality (Assurance) services	Sustainable quality assurance	<ul style="list-style-type: none"> <li>▶ Professional support</li> <li>▶ Engagement quality review/Assurance quality review</li> <li>▶ Coaching on the job</li> <li>▶ Root Cause Analysis</li> <li>▶ Partner Workload Analysis</li> <li>▶ Quality Management Team</li> <li>▶ Assessment of service quality consultancy</li> <li>▶ Project approach to be compliant with recommendations Accountancy Monitoring Committee and Committee for Future of Accountancy Sector reports</li> </ul>
	Social expectations	Ability to anticipate social expectations	<ul style="list-style-type: none"> <li>▶ Stakeholder dialogue politicians and top-level people from business community</li> </ul>
	Regulatory pressure	Meeting internal and external expectations	<ul style="list-style-type: none"> <li>▶ Support organization</li> <li>▶ Quality surveys</li> <li>▶ Violations/incident reports</li> <li>▶ Anti-Money Laundering</li> <li>▶ Independence/Privacy office</li> <li>▶ Training &amp; Development</li> </ul>
<b>Financial value</b> To be the long-term growth leader	External competition	Retain positioning and competitive advantage	<ul style="list-style-type: none"> <li>▶ Audit of the Future</li> <li>▶ High-Performing Teams</li> <li>▶ Pricing &amp; Margin Management</li> <li>▶ Innovation program</li> <li>▶ Collaboration service lines</li> <li>▶ Marketing campaign</li> </ul>
	Economic circumstances	Resistant against impact on revenue by volatile, negative of uncertain developments	<ul style="list-style-type: none"> <li>▶ Monitoring assignment portfolios</li> <li>▶ Stay in contact with client</li> <li>▶ Stress scenarios</li> <li>▶ TAX Transformation program</li> </ul>
	Pricing & Margin	Safeguard sustainability of business model	<ul style="list-style-type: none"> <li>▶ Pricing &amp; Margin management service lines, BoD, international network</li> <li>▶ Deal Review Process</li> </ul>
	Geopolitical	Organization's ability to anticipate geopolitical change	<ul style="list-style-type: none"> <li>▶ Stakeholder dialogue</li> <li>▶ Scenario analyses</li> </ul>

## In Control statement

The Board of Directors of Ernst & Young Nederland LLP bears final responsibility for designing and implementing effective risk management and internal control systems. The aim of these systems is to manage and control the risks of the organization in such a manner that the organization is able to realize its objectives. The measures regarding the general control environment, such as the global code of conduct, the risk management principles, authorization schedules and the procedures for client acceptance and continuance, are important elements in the internal control system.

The Board of Directors has regularly discussed these risk management and internal control systems. During the past year, the organization has further defined the most important processes, risks and control measures, and evaluated their effectiveness. The basis for this is our internal control framework, which is based on the COSO model. These discussions and evaluations have served not only to strengthen our employees' insight with regard to quality control and risk management, but also their awareness and responsibility around these issues. The organization-wide implementation of the control framework also contributes to a continuous improvement process with regard to managing risks and the realization of our objectives.

Taking into account their inherent limitations, the risk management and internal control systems are designed to provide a reasonable degree of assurance, but not absolute assurance, that the significant risks to which the organization is exposed are sufficiently controlled. However, these systems cannot always prevent the occurrence of inaccuracies, fraud, or violations of rules and regulations.

Taking into account the aforementioned limitations, the Board of Directors concludes that the functioning of our risk management and internal control systems provides a reasonable degree of assurance that the financial reporting does not contain any material misstatements.

The board also concludes that, based on the current state of affairs, it is justified that the financial reporting has been prepared based on the going-concern assumption and material risks and uncertainties have been reported that are relevant for the continuity of the organization for the period of 12 months after the preparation of this annual review.

The evaluation of the risk management and internal control systems and actions identified to improve these systems were discussed with the Supervisory Board.

### Board of Directors Ernst & Young Nederland LLP

Coen Boogaart

Jeroen Davidson

Stephan Lauers

Rob Lelieveld

Nico Pul

Mirjam Sijmons

28 September 2020

## Governance

Ernst & Young Nederland LLP (EY Netherlands) is a member firm of Ernst & Young Global Ltd. (EY Global), a globally operating and leading accounting and consultancy organization. The Dutch organization supports and contributes to the global organization-wide vision and strategy. At the same time, we have our own responsibilities to carry out locally and nationally.

Ernst & Young Nederland LLP (EYNL) provides assistance and coordinating leadership to Ernst & Young Accountants LLP (EYA), EY Advisory Netherlands LLP (EYAN), Ernst & Young Belastingadviseurs LLP (EYB) and other EY entities in the Netherlands to optimize their shared course of business and practices and promote their joint strategy.

EYNL carries out its operations in the Netherlands but does not itself provide services to clients. These services are provided by the Dutch EY entities, predominantly EYA, EYAN and EYB. At the beginning of FY2020, the consultancy activities that still took place under the heading of the Assurance-LLP were split off into separate LLPs.

Our activities in the Netherlands are part of the EMEIA Area, which comprises EY Global member firms in 97 countries in Europe, the Middle East, India and Africa. There are 10 Regions within the EMEIA Area. The Netherlands forms part of the Western Europe, Maghreb and FSSA (WEM) Region. This Region does not include services to financial sector clients in the WEM countries, as these industry sectors are part of the EMEIA Financial Services Region.

### Leadership

EYNL is governed by a Board of Directors and has a Supervisory Board that oversees the policy of the Board of Directors and the general state of affairs of EYNL. All other entities within the EYNL group solely have a Board of Directors, with the exception of EYA, which also has a Supervisory Board. The Supervisory Board of EYA comprises of the same members as the Supervisory Board of EYNL.

### More information

For more information on our leadership see our corporate website > [Ons Bestuur. ey.nl/jaarverslag](https://www.ey.nl/jaarverslag)

### Three lines model

Our organization is structured according to the 'three lines' model to ensure structured, sound and controlled business operations within the boundaries of risk appetite (see also Risk Management). This comprises value creation and value protection.

#### First line

The first line comprises all departments that coordinate, execute and/or support the primary processes aimed at our professionals, clients and services. The first line is responsible for the sound and controlled business operations of these primary business processes.

#### Second line

The often specialized departments that facilitate, advise and monitor the first line are referred to as the 'second line'. They include Legal, AML, Independence, Data privacy and Risk.

#### Third line

Departments that provide additional assurance to the BoD from an independent position by carrying out reviews that focus on the functioning of the primary and support processes are referred to as the third line. At EY Netherlands, that is Internal Audit (IA).

### Risk culture

Our values determine who we are. They guide our actions, decision-making and conduct toward colleagues and clients. They also provide guidance for our partners and employees in their relationship with each other, with clients and with society. These values have been further elaborated in our EY Global Code of Conduct. The conduct of every employee and partner, individually as well as in cooperation with others within our professional teams, determines the quality of our work and how society, and our clients and other stakeholders perceive us. Integrity and the will to constantly learn and improve are the most important pillars of our culture. Our partners and employees aim to provide services in such a way that these services help strengthen the confidence in capital markets and economies worldwide.

### Independence

Independence is an important category in our Global Code of Conduct. Violations of external or internal independence rules can lead to conflicts of interest and reputation damage. This is why we constantly assess

whether our services comply with applicable laws, regulations and professional standards.

We refrain from providing services if this would lead to a violation of the independence rules. In addition, all our professionals and partners abide by the rules for personal independence.



Number of violations

### GDPR compliance

Since the introduction of the new General Data Protection Regulation (GDPR) in 2018, we have redesigned various processes, both internally and vis-à-vis clients. Judging by the number of notifications and requests received in the special mailbox we set up for GDPR, our measures are having the desired effect.

## Future expectations

It may take some time for life to return to normal. As long as there are no good medical or preventive treatments for COVID-19, we have to live with this new reality. That means social distancing and possibly the introduction of new lockdown measures if the virus reappears heavily.

The economic recession will be a reality by the time this annual review is published. This will certainly affect our services in the coming fiscal year. We are witnessing an increase in the number of bankruptcies and higher unemployment than in 2019, which will put social safety nets under greater strain. The level of debt has risen in the public and private sectors. Falling demand is therefore likely to continue among consumers and in the business community. Decisions will be deferred or adjusted.

Global supply chains are vulnerable because there is often a high degree of interdependence. Uncertainty around public health risks will continue to put pressure on consumer and business confidence. Households will spend prudently. Growth will be moderate or non-existent. Meanwhile, the labor market is changing dramatically, especially for younger generations. All in all, the outlook appears uncertain and challenging.

We have, of course, considered at great length how to deal with this situation. We are ready for various future scenarios and have a set of measures in place to respond quickly if needed. Our people are our most valuable assets, and we must treasure them. While our aim is to make it through the crisis with all our professionals, we will carefully weigh which areas of knowledge and expertise we want to continue to develop. We will continue

investing in talent and take steps that will ensure the future of the business and allow us to continue serving our clients in the best way possible. Above all, we are committed to being there for our clients and helping them through the crisis, as we strive for our purpose of *Building a better working world*.

This crisis has shown us just how resilient and motivated our people really are. Their capacity to adapt and innovate is strong, as is their sense of responsibility. We are proud of that. Collaboration across the service lines has also greatly improved. Indeed, that was our aim, but the COVID-19 pandemic has been a major catalyst in this respect. We stand by our business and our mission and are committed to our clients; we will get through this extraordinary period together. We are proud of the flexibility and commitment shown by our colleagues: even with all offices closed, EY has continued doing what it has always been good at.

Board of Directors EY Netherlands

28 September 2020

# Report of the Supervisory Board

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Pauline van der Meer Mohr



Steven van Eijck



Tanja Nagel



Monique Maarsen



Patrick Rottiers

## Introduction

It would be inappropriate to start our SB Report in any other way than to comment on the significant impact that the COVID-19 pandemic has had on the business operations of both EY and its clients. In the course of the year under review, COVID-19 struck after eight months of business as usual. We were fully focused on our overarching task and responsibility: to supervise the policy of the Board of Directors (BoD) and the general state of affairs of EY in the Netherlands (hereinafter EYNL). In particular, we assessed those areas where such policy and state of affairs could influence or impact the audit activities and organization associated with EYNL, as performed by Ernst & Young Accountants LLP (hereinafter: EYA).

### Impact of COVID-19

As the COVID-19 pandemic peaked during the four-month period between March-June 2020, we supervised the balancing act of the BoD as short-term crisis management became intertwined with mid-term strategy and the longer-term focus on sustainable results. We specifically monitored the consequences of COVID-19, which accelerated the trend of working and serving clients from home. We oversaw how the pursuit of 'sustainable results' reflected the ability to generate earnings, enabling EYNL and EYA to recruit and retain the best talent - partners and employees - now and in the future.

### A Supervisory Board for EYA and new charters

Taking into account the particulars of EY's legal structure, a supervisory board for EYA (SB EYA) was established. The duties and responsibilities of the SB EYA are enshrined in a charter, adopted on 12 February 2020. On 18 December 2019, a revised charter for the already existing supervisory board of Ernst & Young Nederland LLP (SB EYNL) was adopted. Both bodies are jointly referred to as the Supervisory Board or SB hereinafter. The members of both our boards have formed a personal union, implying that the composition of the SB EYNL is identical to that of the SB EYA. So this year, for the first time, the SB not only directly supervised the Board of Directors of EYNL, but also the EYA Board.

### SB and EYA

The SB met with the full Board of EYA in January 2020 to discuss a number of specific issues related to EYA. On the agenda were the quality policy as well as the future of the sector and innovative developments on that front. We challenged the EYA Board to enhance the appeal of EYA's profession. And we shared our thoughts with the EYA Board on safeguarding quality in a structural fashion, because further improving quality in the short and long term is an important foundation for reinforcing stakeholder trust. In addition, we reviewed the succession planning process with the EYA Board.

### SB and EYNL

In addition, the SB met with the BoD in January and again in June to reflect on a broad range of subjects related to EYNL. We reviewed the efforts of the BoD to ensure that the strategy refresh of EY Global - introduced in October 2019 as *NextWave* - was converted to a country level for local implementation throughout EYNL. We assessed the impact that evolutionary developments may have on the sector in three areas in particular - cyber security, managed services and digital. In the June meeting with the BoD, the action needed to mitigate the impact of COVID-19 on the performances of both EY and its clients was foremost in our minds. And, as a consequence, to oversee implementation and consistent execution of the precautionary measures taken by the BoD. Furthermore, we discussed in depth the best way to facilitate succession planning with the BoD.

### Step Change to Quality

We kept a watchful eye on the progress of *Step Change to Quality*, the transition program aimed at raising quality to a consistently higher level. As the program entered its final phase, and will be closed out later this year after completion of an internal quality review, we challenged the BoD and EYA Board to ensure that sufficient, demonstrable and rapid progress was still being made. We supervised management clarification and approval of the key objectives. We assessed the way the transition program intensified, accelerated and broadened our

efforts to monitor the BoD's and EYA Board's endeavor to consistently raise the quality of audit services, from the perspective of both public interest and professional standards. Key drivers in this process included continuous learning and improvement.

We invested considerable time and energy in monitoring the progress of various inquiries, including the Signals and Incidents analysis. We noted with satisfaction that the findings of the AFM review have in the eyes of this financial authority put EY 'back on track' and moving smoothly from the 'red zone' into the green. Top of mind throughout this period was to keep the CTA - the Commission for the Future of the Accountancy Sector - abreast of developments in a balanced manner.

### Stakeholder Dialogue

We reconfirmed our commitment to the imperative of ongoing dialogue with EY's stakeholders and invested considerable effort in maintaining contact or reconnecting with key stakeholders in our community.

Stakeholder dialogue was originally promoted to facilitate discussion with our international network and other stakeholders - and it proved to be effective. We oversaw how stakeholder dialogue became a cornerstone of EY's integrated reporting efforts. We focused on engaging the public in stakeholder dialogue and identifying, acknowledging and managing potential reputational risk and public interest-related risk. We invested significant time and energy in extensive stakeholder dialogue, regularly talking to stakeholders in the audit sector as well as a broad-based group of EY partners and employees in the Netherlands.

### SB Profile

The SB is composed in such a way that a combination of experience, expertise, competencies, professionalism, background, diversity with respect to gender, age and personality, and independence enables us to fulfil this role. We outline how we organized our supervisory duties below.

## Meetings and assessments

In the year under review, the SB EYNL and the SB EYA held six formal meetings and consulted regularly with the BoD and EYA Board on covid-19 matters. These meetings, almost without exception, were attended by all members of the SB EYNL and the SB EYA, with no member being frequently absent for reasons other than illness. Meetings were held with the external auditor to discuss both the approach to the audit process and the audit report itself. We met with the Works Council and attended a variety of events within and outside EY - SB round tables, partner meetings and other periodic gatherings. With the help of external professionals, we conducted a rigorous self-assessment to determine our collective performance as a Board and the performance of each of us. The profile and composition of the SB EYNL and the SB EYA and the feedback emanating from the aforementioned

stakeholders were recurring discussion topics. We held individual performance evaluation interviews with the BoD and EYA Board based on non-revenue related criteria around quality, markets, talent and operations. Quality drives the performance evaluation.

## Duties and powers

The duties and powers of the SB are communicated in the Charter of the Supervisory Board of Ernst & Young Nederland LLP (SB EYNL) and the Charter of the Supervisory Board of Ernst & Young Accountants LLP (SB EYA), as adopted on 18 December 2019 and 12 February 2020 respectively. The personal union formed by the SB EYNL and SB EYA means that the members of both

corporate bodies mirror one another. In compliance with some elements of the Dutch Corporate Governance Code, the composition, procedures and mandate of the SB are taken into consideration. The findings of the review of the previous charter have been incorporated and include the desired regulatory and legal changes.

## Composition Supervisory Board and Committees

On 30 June 2020, the SB consisted of four independent members and one non-independent member and is fully in line with the Supervisory Board profile. More detailed personal information on the board members can be found on our corporate website.

As per 30 June 2020, the SB consists of the following members:

	Date of initial appointment	Term	End of current term	Eligible for reappointment	Public Interest Committee	Quality & Governance Committee	Audit & Risk Committee	Talent & Remuneration Committee
Pauline van der Meer Mohr, Chair	1-7-2015	2	30-6-2023	No	Member	Chair	-	Member
Steven van Eijck, Vice-Chair	1-7-2015 <sup>1</sup>	2	31-1-2021	No	Chair	-	Member	Member
Monique Maarsen	1-7-2015	2	30-6-2023	No	Member	-	Chair	Member
Tanja Nagel	1-9-2017	1	31-8-2021	Yes	-	Member	Member	Chair
Patrick Rottiers	12-11-2018 <sup>2</sup>	1	11-11-2022	Yes	-	Member	-	Member

<sup>1</sup> Steven van Eijck also served as a member of the Public Interest Committee of EYA between 1-2-2013 and 1-7-2015

<sup>2</sup> Patrick Rottiers is the non-independent member

## Committees

### **Audit & Risk Committee**

The key task of the Audit & Risk Committee is to assist the SB in fulfilling its supervision activities for internal and external reporting, design and operation of the internal risk management controls, significant capital investments, budget preparation, tax and the external audit function. It is also charged with monitoring compliance with the relevant rules and regulations that govern the provision of financial and non-financial information by EYNL. Six meetings as well as additional informal meetings with the Chair of the BoD and the CFO were held during which the COVID-19 pandemic, financial performance versus budget and key risks were discussed. The committee met with the external auditor to discuss the auditors' reports. Particular attention was paid to processing the changes to IFRS regulations. In its regular consultations with the Risk Management and the Internal Audit departments, the Audit & Risk Committee discussed the Risk Management topics, Risks That Matter and the Quarterly RM NL report as well as the Internal Audit plan and its execution.

### **Talent & Remuneration Committee**

The Talent & Remuneration Committee met four times during the year under review. Diversity policy was on the agenda, as well as the status and progress of the leadership program and succession planning in general. We fully endorsed the nomination of André Wijnsma as Markets Leader of the EYA Board, succeeding Jules Verhagen, who after many years of dedicated senior management duties returned to the daily practice of serving EY's clients. Also discussed were the results of the People Survey and the ensuing Talent Plan, as well as the installation of a network of confidential counselors. Other key priorities were aligning promotion and remuneration based on quality, and fostering the tone at the top.

### **Quality & Governance Committee**

The Quality & Governance Committee is charged with overseeing compliance with EY's chosen corporate governance structure in the Netherlands. It is responsible for monitoring and advising on audit quality and committee members discussed the results of both the AQR review and the AFM dashboard research. This committee held four meetings in the year under review, considering amongst others the status and progress of *Step Change to Quality* as well as signal and incident reporting, the Compliance Officer's report and subsequent discussion of the plan and its execution.

### **Public Interest Committee**

The Public Interest Committee focused on the intensification of the stakeholder dialogue while supporting the SB in monitoring compliance with the public interest. This committee held three meetings in the year under review, and the stakeholder dialogue was on the agenda of each of them. Committee members reviewed and endorsed the 2020 stakeholder dialogue plan and supervised its execution. Monitoring the activities with regard to corporate social responsibility, the status of integrated reporting and the organization's go-to-market approach were other key themes.

## Independence and training

### Independence

The duties and powers of the SB determine the position of its members under prevailing independence rules. As described in its charters, independence in both fact and appearance is required. The Independence Officer of EY monitors both the financial and personal independence of SB members. As set forth above, all SB members except one qualify as independent in accordance with the regulations. No decisions were rendered by the SB in which conflicts of interest occurred in compliance with the relevant articles of its charters.

### Training

The training plan defined for 2019/2020 focused on the priority of audit quality, which we discussed with internal specialists. Another focal area was a perceived gap in IT and digital, which we addressed with external professional assistance. With a view to the ever-changing world in which the SB observes and oversees management by the Board of Directors, our members also attended a number of round-table sessions.

## Annual reports

### Financial Statements

The Board of Directors prepared the 2019/2020 Annual review and Financial Statements of EYNL and the Board of Directors of EYA prepared the Financial Statements of EYA. These Financial Statements were audited by BDO LLP. The SB discussed the findings with the external auditor of EYNL and EYA in the presence of the BoD including its EYA representatives. The SB approved the Financial Statements on 25 September 2020.

### Transparency Report

We reviewed the content of the 2019/2020 Transparency Report, to be published in October 2020, with EYA policymakers. In our view, the developing text and tone of the report is in line with our observations during the past year and representative of the way in which EYNL has embedded *Step Change to Quality* and a broad range of socially-relevant topics related to quality.

## Outlook

Despite the substantial impact of COVID-19 on day-to-day operations in the last quarter of the year under review, the SB is confident that the EYA Board, with the support of the Board of Directors, is capable of and committed to nurturing and fostering the cultural change and quality improvements that reflect the role of the organization in serving the public interest.

We are sensitive to the significance of accountants in society and the imperative of robust and effective supervision of the financial statements of companies and organizations. We are fully focused on ever-increasing stakeholder expectations and have regularly addressed this issue with the EYA Board and the BoD. The services that EY provides, both assurance and non-assurance, add value to client business. EY partners and employees, working together in dedicated, multidisciplinary teams, are proud of their work because it has been performed effectively and in accordance with EY's standards.

We supervised the progress EYNL is making toward achieving financial results in line with expectations, despite the impact of COVID-19. We continue to see tangible evidence that EYNL and EYA are well positioned to address the challenges ahead as the economy in key markets sets out on the road to recovery. *Step Change to Quality* is delivering results and we have hard-working, knowledgeable professionals taking care of client interests. We are monitoring the way in which the interests of employees and partners of EYNL are fostered through the Talent & Remuneration Committee, in which all five of us continue to play an active role.

The culture of EYNL and EYA is one of connecting and being connected, and we see this reflected in the ongoing flexibility and sensitivity of our organization, underlined by the will to adapt to the new normal. The tone and content of this Integrated Report is fully in line with how we perceive EYNL and we would like to express our sincere appreciation and gratitude to the Board of Directors of EYNL, the EYA Board as well as all partners and employees for their commitment to EY stakeholders.

Rotterdam, 28 September 2020

Pauline van der Meer Mohr, Steven van Eijck, Monique Maarsen, Tanja Nagel, Patrick Rottiers

A large yellow trapezoidal graphic with a slanted top edge, positioned on the left side of the page. The text 'Financial statements' is centered within this graphic.

# Financial statements

# Consolidated statement of profit or loss of Ernst & Young Nederland LLP

for the year ended 30 June 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
<b>Revenue</b>			
Rendering of services	6.1	821,947	804,074
Other income	7	37,817	28,315
		<b>859,764</b>	<b>832,389</b>
<b>Operating expenses</b>			
Services provided by foreign EY member firms and third parties	8.1	123,225	118,160
Employee benefits expenses	8.2	380,411	376,867
Amortization of intangible assets	11	1,434	1,200
Depreciation of property, plant and equipment	12	4,854	6,180
Depreciation of right-of-use assets	13	28,513	-
Other operating expenses	8.3	173,061	177,353
		<b>711,498</b>	<b>679,760</b>
<b>Operating profit</b>			
		<b>148,266</b>	<b>152,629</b>
Finance income	9.1	1	291
Finance expenses	9.2	-3,958	-3,850
<b>Profit before tax</b>			
		<b>144,309</b>	<b>149,070</b>
Income tax (expense)/income	10	-751	91
<b>Profit for the financial year</b>			
		<b>143,558</b>	<b>149,161</b>
<b>Profit attributable to members of EYNL</b>			
		<b>143,558</b>	<b>149,161</b>

# Consolidated statement of other comprehensive income of Ernst & Young Nederland LLP

for the year ended 30 June 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
<b>Profit for the financial year</b>		<b>143,558</b>	<b>149,161</b>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains and (losses) on defined benefit plans	21.2	68	204
<b>Other comprehensive income for the year, net of tax</b>		<b>68</b>	<b>204</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>143,626</b>	<b>149,365</b>
<b>Total comprehensive income for the year attributable to members of EYNL</b>		<b>143,626</b>	<b>149,365</b>

# Consolidated statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2020 | In thousands of euros

	Notes	30 June 2020	30 June 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	24,536	26,595
Property, plant and equipment	12	22,271	28,231
Right-of-use assets	13	123,479	-
Other non-current financial assets	14	6,926	7,709
		<b>177,212</b>	<b>62,535</b>
<b>Current assets</b>			
Trade and other receivables <sup>1</sup>	15	252,853	291,942
Prepayments	16	87,443	68,218
Other current financial assets	14	131	20
Cash and cash equivalents		82,882	52,247
		<b>423,309</b>	<b>412,427</b>
<b>Total assets</b>		<b>600,521</b>	<b>474,962</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables <sup>1</sup>	17	154,542	197,820
Interest-bearing loans and borrowings	18	36,438	9,226
Provisions	20	1,106	3,298
Employee benefits	21	28,515	28,529
Income tax payable		1,712	1,032
		<b>222,313</b>	<b>239,905</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	18	167,482	55,111
Other non-current financial liabilities	19	731	8,051
Provisions	20	3,410	6,116
Employee benefits	21	24,448	22,460
		<b>196,071</b>	<b>91,738</b>
<b>Total liabilities</b>		<b>418,384</b>	<b>331,643</b>
<b>Equity</b>			
Members' capital	22	112,038	84,407
Reserves	23	70,099	58,912
<b>Total equity</b>		<b>182,137</b>	<b>143,319</b>
<b>Total equity and liabilities</b>		<b>600,521</b>	<b>474,962</b>

<sup>1</sup> Reclassification of 30 June 2019 amounts for comparative purposes (refer to Note 2.1).

The financial statements of Ernst & Young Nederland LLP, registered no. OC335595, were signed on 28 September 2020 by C.B. Boogaart on behalf of Drs. C.B. Boogaart B.V.

# Consolidated statement of changes in equity of Ernst & Young Nederland LLP

In thousands of euros

	Members' capital	Profit available for distribution	Retained earnings	Total reserves	Total equity
At 1 July 2018	82,408	127,755	-88,329	39,426	121,834
Profit for the financial year	-	131,673	17,488	149,161	149,161
Other comprehensive income	-	204	-	204	204
<b>Total comprehensive income</b>	<b>-</b>	<b>131,877</b>	<b>17,488</b>	<b>149,365</b>	<b>149,365</b>
Profit distribution					
2017/2018	-	-127,755	-2,124	-129,879	-129,879
Contribution of capital from members	9,065	-	-	-	9,065
Repayment on retirement	-7,066	-	-	-	-7,066
<b>At 30 June 2019</b>	<b>84,407</b>	<b>131,877</b>	<b>-72,965</b>	<b>58,912</b>	<b>143,319</b>
Profit for the financial year	-	128,087	15,471	143,558	143,558
Other comprehensive income	-	68	-	68	68
<b>Total comprehensive income</b>	<b>-</b>	<b>128,155</b>	<b>15,471</b>	<b>143,626</b>	<b>143,626</b>
Profit distribution					
2018/2019	-	-131,877	-562	-132,439	-132,439
Contribution of capital from members	35,598	-	-	-	35,598
Repayment on retirement	-7,967	-	-	-	-7,967
<b>At 30 June 2020</b>	<b>112,038</b>	<b>128,155</b>	<b>-58,056</b>	<b>70,099</b>	<b>182,137</b>

Negative retained earnings are mainly a result of settlement of drawing rights in 2006/2007 and 2008/2009 with current and retired members. These negative retained earnings do not have any impact on the going concern assumption under which these statements have been prepared. Also the future cash flow will not be significantly negatively influenced as a result of the settlement of the drawing rights. For these reasons EYNL will be able to continue distribution of its profits.

# Consolidated statement of cash flows of Ernst & Young Nederland LLP

for the year ended 30 June 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
<b>Operating activities</b>			
Profit for the financial year		143,558	149,161
Adjustment for:			
Amortization of intangible assets	11	1,434	700
Depreciation of property, plant and equipment	12	4,854	6,180
Depreciation of right-of-use assets	13	28,513	-
Finance income and expenses	9	3,957	3,559
(Gains) losses on leases and the sale of assets	13	-257	-
Increase in employee benefits provision	21	1,988	4,265
(Decrease) in provisions	20	-2,973	-2,019
		<b>181,074</b>	<b>161,846</b>
Working capital adjustments:			
Decrease/(Increase) in trade and other receivables and prepayments		34,505	-31,776
(Decrease)/Increase in trade and other payables		-20,479	2,273
Income tax paid		680	528
<b>Net cash flow from operating activities</b>		<b>195,780</b>	<b>132,871</b>
<b>Investing activities</b>			
Purchase of intangible assets	11	-125	-
Disposals of intangible assets	11	750	-
Purchase of property, plant and equipment	12	-2,197	-8,106
Disposals of property, plant and equipment	12	344	93
Additions to other non-current financial assets/loans		-50	-1,006
Repayment/disposals of other non-current financial assets/loans		1,077	122
Acquisition of a subsidiary, net of cash acquired	5	-	-4,224
Interest received		-	291
<b>Net cash flow used in investing activities</b>		<b>-201</b>	<b>-12,830</b>
<b>Financing activities</b>			
Payment (to)/from members (current account)		-40,036	3,734
Prepayments to current members	16	-61,483	-61,229
Payment of profit distribution 2018/2019 (2017/2018)		-70,956	-68,649
Contributions of capital from members	22	35,598	9,065
Repayment of capital contributions on retirement	22	-7,967	-7,066
Repayment of lease liabilities	13	-30,423	-1,279
Proceeds from interest-bearing loans and borrowings	18	27,121	11,858
Repayment of interest bearing loans and borrowings	18	-13,507	-14,665
Interest paid		-3,291	-1,958
<b>Net cash flows used in financing activities</b>		<b>-164,944</b>	<b>-130,189</b>
<b>Net cash flow</b>		<b>30,635</b>	<b>-10,148</b>
Net cash and cash equivalents 1 July		52,247	62,395
Net cash flow		30,635	-10,148
<b>Net cash and cash equivalents 30 June</b>		<b>82,882</b>	<b>52,247</b>

# Other information

## Assurance report of the independent auditor

To: the board of directors of Ernst & Young Nederland LLP

### Report on the Annual Review 2019/2020

#### Our opinion

We have examined the Annual Review (further: “the Integrated Report”) of Ernst & Young Nederland LLP (further: “EY”), based in Rotterdam, for the year ended 30 June 2020. The references in the Integrated Report (to [www.ey.com/nl](http://www.ey.com/nl), external websites and other documents) are excluded from our engagement.

In our opinion, the Integrated Report for the year ended 30 June 2020 is prepared, in all material aspects, in accordance with the applied criteria. This opinion is subject to the inherent limitations outlined below.

#### Inherent limitations

In the Integrated Report, prospective information such as ambitions, strategy, plans, expectations and estimates is included. Inherent to this prospective information is that achievability is uncertain. Therefore we will not provide any assurance relating to the achievability of the prospective information.

#### Basis for our opinion

We conducted our examination in accordance with Dutch law, including the Dutch Standard on auditing 3810N ‘Assurance-opdrachten inzake maatschappelijke verslagen’. This requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain reasonable assurance about whether the Integrated Report is free of material misstatements. Our responsibilities on this basis are described in the ‘Our responsibilities for examining the Integrated Report’ section of our report.

We are independent of Ernst & Young Nederland LLP in accordance with the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO)” and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants (VGBA)”.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Applicable criteria

#### Identification of criteria

The criteria EY used for the preparation of the Integrated Report were:

- ▶ The ‘guiding principles’ and ‘content elements’ of the International Integrated Reporting Council (IIRC)
- ▶ The own accounting principles of EY as included in the chapter ‘About this report’ of the Integrated Report

### Description of responsibilities

#### Responsibilities of management

Management is responsible for the preparation of the Integrated Report in accordance with the applicable criteria, including the identification of stakeholders and the selection of material topics. The choices made by management regarding the scope of the non-financial information and the reporting policies are set out in section ‘About this report’ of the Integrated Report.

Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the information on the Integrated Report

free that is from material misstatement, whether due to errors or fraud.

### **Our responsibilities for examining the Integrated Report**

Our responsibility is to plan and perform our audit to obtain sufficient and appropriate assurance information for our opinion. A reasonable assurance engagement in accordance with Dutch Standard on auditing 3810N involves performing procedures to obtain audit evidence about the correct and complete presentation of the Integrated Report.

We apply the “Nadere voorschriften kwaliteitssystemen (NVKS)” (regulations on quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our audit included among others:

- ▶ identifying and assessing the risks of material misstatement of the Integrated Report, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
- ▶ in order to obtain reasonable assurance on the Integrated Report, we performed substantive procedures to determine the correctness and completeness of the reported information.

Rotterdam, 28 September 2020

For and on behalf of BDO Audit & Assurance B.V.,

C.M. Steehouwer MSc RA

# Annex

## About this report

This integrated annual review published by Ernst & Young Nederland LLP covers the fiscal year running from 1 July 2019 to 30 June 2020. In this review, we report on activities taking place in the Netherlands. The accompanying annual account is published separately on the annual review website.

### Concise report, more detailed information on the website

In connection with the COVID-19 pandemic and its consequences for the economy and our company, EY Netherlands' Board of Directors (BoD) has established a clear strategy. Our focus is on continuing our services to our clients and maintaining jobs for our employees. We are keeping spending that is not directly related to these matters to a strict minimum. That is why we have chosen to publish a modest version of the integrated annual review this year.

This also dovetails with the decision made last fiscal year to take a 'core & more' approach. This entails publishing an annual review containing the broad outlines of the most relevant information. For more detailed information on the various topics, we refer to the reports or explanatory information on our corporate website. You can view this information via online links. This also applies to the financial statements, which is published separately on the annual review website. The most important financial statements can be found in this review.

### Report guidelines

We are not applying the GRI Standards this year. We are, however, adhering to the International Integrated Reporting Council's principles and guidelines of the framework for integrated annual reporting.

In this review, we report on the same material financial and non-financial themes as last fiscal year.

- ▶ Retaining and recruiting talent
- ▶ Customer satisfaction
- ▶ Integrity and independence
- ▶ Optimization, effectiveness
- ▶ Technological Innovation
- ▶ Cultural change
- ▶ Compliance

The 'EY Netherlands at a glance' section has been downsized compared with the previous year. However, KPIs relating to the material themes are reported on a comparable manner in the 'Material themes' table on page 11. See also the 'Reporting principles' table on page 46.

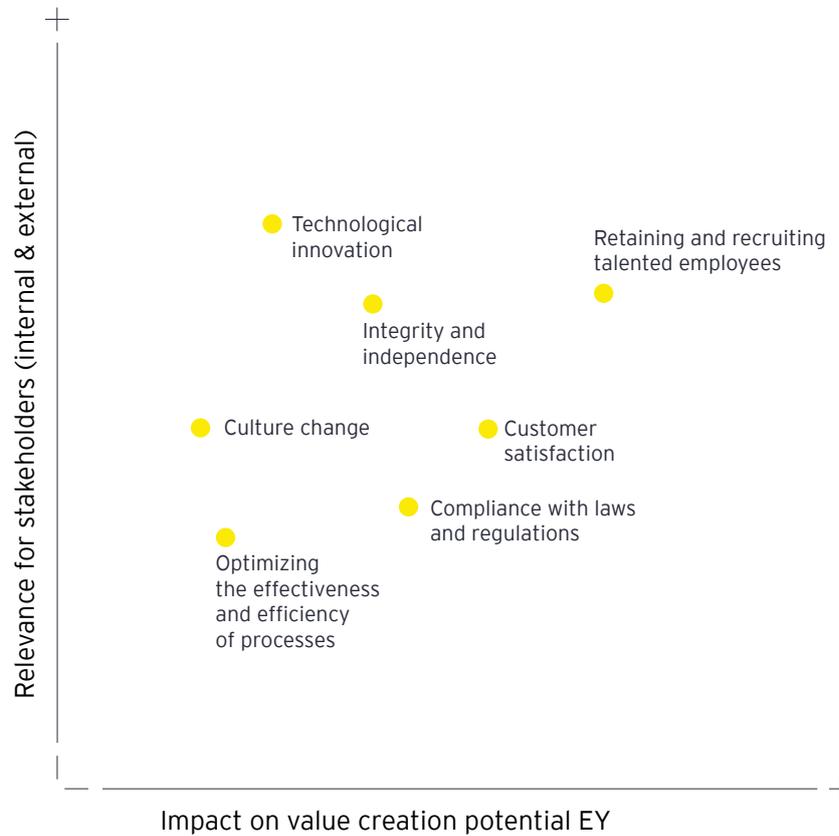
### Preparation of the annual review

The BoD is responsible for the contents of the annual review. This annual review was prepared by the Brand, Marketing & Communication department. The financial data and non-financial KPIs in the annual review were gathered by the Finance department. The Supervisory Board secretary (and the BoD) prepare the Supervisory Board report. The CFO is responsible for the financial statements and the accompanying notes. The annual review committee is responsible for preparing and arranging for the approval of the structure and the text of the Report of the Board of Directors.

### Stakeholder dialogue

We attach great importance to the views of our internal and external stakeholders. Their input enables the determination of our business operations, (CR) strategy and annual reporting. Our circle of key stakeholders includes clients, former and current employees, partners, supervisory directors, legislators, regulators and supervisors, politicians, investors, universities, NGOs and start-ups. This fiscal year, we performed another materiality analysis, the result of which was only known after closing the fiscal year.

## Materiality matrix



## Assurance

We asked our external auditor, BDO Audit & Assurance B.V., to verify the accuracy of both the financial and non-financial information in this integrated annual review with a reasonable degree of assurance. The assurance report can be found on page 43. The audit report is included in the annual review in the Other information section.

## Reporting principles

KPI	Measurement
Financial	<ul style="list-style-type: none"> <li>▶ Total revenue: sum of revenues as disclosed in the financial statements.</li> <li>▶ Operating profit margin: operating profit as a percentage of our total revenues</li> <li>▶ Profit over the fiscal year: revenue minus operating expenses, finance income and expenses, and taxes.</li> <li>▶ Revenue by service line: allocation of revenue to service lines.</li> <li>▶ Revenue growth: increase in % of revenues for the current year compared with revenues for the previous year.</li> </ul>
Retention rate top talent in %	<ul style="list-style-type: none"> <li>▶ Retention% at the end of the fiscal year of employees with a personal performance score of 3 (on a scale of 1 to 3) over the previous fiscal year.</li> </ul>
Percentage of female employees	<ul style="list-style-type: none"> <li>▶ Year-end headcount</li> </ul>
People Pulse: engagement score	<ul style="list-style-type: none"> <li>▶ The Global People Pulse Survey is conducted by an external party (Qualtrix) across a range of topics relevant to our organization and our employees. Due to the COVID-19 pandemic, the survey was not executed in 2019/2020.</li> </ul>
Assessment of Service Quality (ASQ)	<ul style="list-style-type: none"> <li>▶ Internal program with which the quality of our services is measured by means of interviews and (online) questionnaires with our clients. The clients' assessment of the relationship with EY is expressed in percentages. The categories are: improved, deteriorated or remained the same. HVG Law LLP does not participate in this program.</li> </ul>
Quality review engagements	<ul style="list-style-type: none"> <li>▶ Internal reviews of engagements selected on the basis of risk, focusing on clients that are large, complex or of significant public interest. Primary goal of the review is to determine compliance with quality control systems, policies and procedures, professional standards, and regulatory standards. In connection with the implementation of a new review method, no quality reviews were conducted at the Tax service line in 2018/2019.</li> </ul>
Independence review partners	<ul style="list-style-type: none"> <li>▶ Outcome of our yearly Personal Independence Compliance Testing (PICT) program. This program tests compliance with personal independence confirmation requirements. In the fiscal year 2019/2020 testing cycle, the independence of 48 partners and directors was tested.</li> </ul>
Number of violations regarding non-permitted advisory services	<ul style="list-style-type: none"> <li>▶ Number of cases where based on EU regulations and the more restrictive Dutch 'Regulation regarding the Independence of Accountants performing Assurance engagements' (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO) prohibited non-audit services are provided to OOB/PIE clients.</li> </ul>
Community investment hours	<ul style="list-style-type: none"> <li>▶ Hours spent on social activities consist of pro bono advisory, skills-based volunteering and Corporate Responsibility (CR) related staff hours. The engaged employees are determined per project and reported on an aggregated level.</li> </ul>

KPI	Measurement
Emissions measured in tCO <sub>2</sub> per FTE	▶ Total emissions in tCO <sub>2</sub> divided by the average total number of FTEs including partners. The conversion factors have been updated in accordance with <a href="http://www.CO2emissiefactoren.nl">www.CO2emissiefactoren.nl</a> .
Percentage of overtime	▶ The total number of accounted for hours based on time sheets as a percentage of the total number of contract hours.
Hours spent on innovation	▶ The total number of accounted for hours on assignments related to the EY and HVG Law Innovate programs in the fiscal year 2019/2020. As of 2019/2020 the EY Law innovation hours (1,265) are included in this KPI.
Hours and amount spent on training	▶ The number of hours spent on training and the corresponding expenditure in euros recognized during the fiscal year.

### Boundaries and scope

EY reports on its activities in the Netherlands. The strategy with the three pillars that follows from 'Vision 2020+', and the corresponding performance indicators, form the framework for this report.

This integrated report comprises the activities of Ernst & Young Nederland LLP, Ernst & Young Accountants LLP, Ernst & Young Belastingadviseurs LLP, EY Advisory Netherlands LLP, Ernst & Young Actuarissen B.V., Ernst & Young CertifyPoint B.V., Ernst & Young VAT Rep B.V., Ernst & Young Real Estate Advisory Services B.V., CFORS B.V., Ernst & Young Participaties Coöperatief U.A., Ernst & Young Participaties B.V., EY-Parthenon B.V., EY Montesquieu Finance B.V., EY Montesquieu Institutional Risk Management B.V. and EY VODW B.V.

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