

# Transparency Report 2020

Part 2

Ernst & Young Accountants LLP

Ernst & Young Accountants LLP





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# About us

## Legal structure, ownership and governance

Ernst & Young Accountants LLP (EYA) is an audit firm operating in the Netherlands and is organized as a UK Limited Liability Partnership. EYA is a member firm of Ernst & Young Global Limited, a UK company limited by guarantee (EYG). In this report, we refer to ourselves as “EYA,” “we,” “us” or “our.” EY refers collectively to the global organization of the member firms of EYG.

Our firm engages in various professional activities through the service line Assurance.

EYG member firms are grouped into three geographic Areas: Americas; Asia-Pacific; and Europe, Middle East, India and Africa (EMEIA). The Areas comprise multiple Regions, which themselves consist of member firms.

Our activities in the Netherlands are part of the EMEIA Area, which comprises EYG member firms in 97 countries in Europe, the Middle East, India and Africa. Within the EMEIA Area, there are 10 Regions. As of 1 July 2017, the Netherlands forms part of the WEM Region (Western Europe & Maghreb). This Region does not include the financial sectors in the WEM countries, as these industry sectors are part of the EMEIA Financial Services Reghio. Although Financial Services constitutes a separate Region within EMEIA, in this Transparency Report, we report all activities of EYA, including Financial Services with respect to assurance in the Netherlands.

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

Each Region elects a Regional Partner Forum (RPF), whose representatives advise and act as a sounding board to Regional leadership. The partner elected as Presiding Partner of the RPF also serves as the Region’s representative on the Global Governance Council (see page 5).

In Europe, there is a holding entity, EY Europe SCRL (EY Europe). EY Europe is a Limited Liability Cooperative Company (SCRL or CVBA) incorporated in Belgium. It is an audit firm registered with the Institut des Reviseurs d’Entreprises (IRE-IBR) in Belgium, but it does not carry out audits or provide any professional services.

To the extent permitted by local legal and regulatory requirements, EY Europe has acquired or will acquire voting control of the EYG member firms operating in Europe. EY Europe is a member firm of EYG. EY Europe acquired voting control of Ernst & Young Nederland LLP as of 29 March 2019.

The Board of Directors of EY Europe is made up of senior partners of EYG member firms in Europe. It has authority and accountability for strategy execution and management of EY Europe.

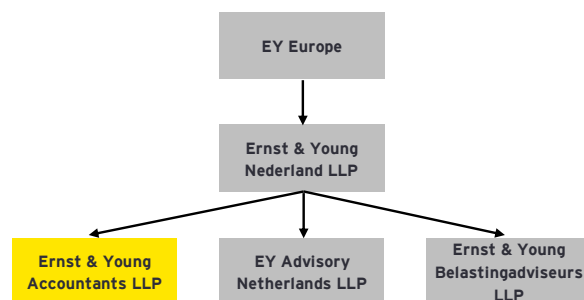
### Ownership

Our firm is owned by the private practice companies of our partners in the Netherlands (“members”). Apart from holding a stake in EYA, our members also co-own Ernst & Young Nederland LLP, together with the members of Ernst & Young Belastingadviseurs LLP and the members of EY Advisory Netherlands LLP.

### Control

EY Europe obtained voting control in Ernst & Young Nederland LLP on 29 March 2019 and therefore maintains indirect control over our firm.

The Board of Directors of EY Europe is made up of senior partners of EYG member firms in Europe. It has authority and accountability for strategy execution and management of EY Europe.



## Organization

- ▶ The network of EYA operates from 15 offices in the Netherlands and comprises:
- ▶ Ernst & Young Nederland LLP
- ▶ Ernst & Young Belastingadviseurs LLP - tax services
- ▶ EY Advisory Netherlands LLP - (transaction) advisory services
- ▶ Ernst & Young Actuarissen B.V. - actuarial services
- ▶ Ernst & Young CertifyPoint B.V. - independent and impartial certification
- ▶ Ernst & Young VAT Rep B.V. - VAT representation
- ▶ Ernst & Young Real Estate Advisory Services B.V. - real estate investment advice and valuations
- ▶ Stichting Ernst & Young Foundation - support for initiatives by not-for-profit organizations regarding sustainability and environmental issues
- ▶ Centre B.V. - EPM services, including financial consolidation, budgeting, planning and forecasting, to large international clients. Liquidated in August 2019
- ▶ CFORS B.V. - development of software solutions for banks and insurers, enabling them to comply with new reporting standards, such as Solvency II, CRD IV and IFRS 4
- ▶ EY Montesquieu Finance B.V. - advice regarding finance
- ▶ EY Montesquieu Institutional Risk Management B.V. - advice regarding risk management
- ▶ EY-Parthenon B.V. - global strategy consulting
- ▶ EY VODW B.V. - strategic marketing, client-focused innovation and digital transformation

Ernst & Young Belastingadviseurs LLP has a strategic alliance with HVG Law LLP. HVG Law LLP is not part of the network of EYA.

Ernst & Young Nederland LLP coordinates and facilitates EY's activities in the Netherlands, but does not provide services to external clients. The economic profits of EYA are distributed among the partners through Ernst & Young Nederland LLP.

## Governance in the Netherlands

Ernst & Young Nederland LLP is governed by a Board of Directors elected by EY Europe. During the fiscal year 2019/2020, Coen Boogaart (Chair, Country Managing Partner in the Netherlands), Rob Lelieveld (Chair of EYA), Jeroen Davidson (Chair of Ernst & Young Belastingadviseurs LLP), Mirjam Sijmons (Talent & Transformation), Nico Pul (Quality) and Stephan Lauers (Chair of EY Advisory Netherlands LLP) were Board members for the full fiscal year.

The Board provides coordinating leadership in order to optimize the shared course of business and practices of EYA, EY Advisory Netherlands LLP and Ernst & Young Belastingadviseurs LLP, and to promote their joint strategy. The Board regularly discusses various topics with the Regional Partner Forum, whose members are partners elected by their peers to represent the partners' interests and viewpoints.

## Governance of the Audit Firm

The Board of Directors of EYA is responsible for the reputational, financial and commercial standing of our firm as cornerstones of its sustainable success. Appointment procedures, time in office and other relevant personal details of members of the Board are published on our website.

The Board manages our firm's operational and financial effectiveness, its compliance with local and international professional standards and audit regulations, the implementation of our assurance strategy, methodology and tools, and the sufficiency of our resources.

The members of the Board of Directors of EYA are appointed by Ernst & Young Nederland LLP. There are currently seven Board members: Rob Lelieveld (Chair), André Wijnsma (Markets), Nico Pul (Quality), Patrick Gabriëls (Innovation), Mirjam Sijmons (Talent & Transformation), Auke de Bos (Professional Practice Director) and Tom de Kuijper (Operations). André Wijnsma succeeded Jules Verhagen as Board member per 1 February 2020.

## Policymakers and Co-Policymakers

On 31 October 2020, the following persons are the policymakers and co-policymakers (*beleidsbepalers* and *medebeleidsbepalers*) at EYA.

### Policymakers:

- ▶ The seven members of the Board of EYA mentioned above
- ▶ Coen Boogaart, Chair of the Board of Directors of Ernst & Young Nederland LLP
- ▶ Jeroen Davidson, member of the Board of Directors of Ernst & Young Nederland LLP
- ▶ Stephan Lauers, member of the Board of Directors of Ernst & Young Nederland LLP

### Co-policymakers:

- ▶ Judy Teigland, EY's Managing Partner Europe
- ▶ Alain Perroux, Regional Managing Partner WEM
- ▶ Peter Wollmert, Assurance Leader Europe
- ▶ Bernard Heller, Professional Practice Director Europe
- ▶ Jean Roch Varon, Assurance Leader WEM
- ▶ The five members of the Supervisory Board mentioned below

## Our Supervisory Board in the Netherlands

As of 25 September 2019 a supervisory board has been established at EYA ("SB EYA"). This SB EYA will focus specifically on EYA. The task and responsibility of the SB EYA is to supervise (the policy of) the day-to-day policymakers and the general course of affairs concerning EYA and its associated entities and the quality control system of EYA. In the performance of its duties, the SB EYA shall be guided by the interests of EYA, its associated professional practice and the public interest in safeguarding the quality of statutory audits. The SB EYA's Charter describes its duties and powers'.

The SB EYA consists of four external, independent members and one non-independent member. The four independent members are Pauline van der Meer Mohr (Chair), Steven van Eijck, Monique Maarsen and Tanja Nagel. The non-independent member is Patrick Rottiers.

The members of SB EYA and the supervisory board of Ernst & Young Nederland LLP have formed a personal union, implying that the composition of the SB EYNL is identical to that of the SB EYA. The supervisory board of Ernst & Young Nederland LLP reports on its activities during the fiscal year 2019/2020 in the Annual Report 2019/2020 Ernst & Young Nederland LLP and in Part 1 of the Transparency Report 2019/2020 EYA.

## Network arrangements

EY is a global leader in assurance, tax, strategy, transaction and consulting services. Worldwide, over 298,000 people in member firms in more than 150 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional skepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

This integrated approach enables EY member firms to develop and draw upon the range and depth of experience required to perform such diverse and complex audits.

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

entity. Their obligations and responsibilities as members of EYG are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organization, described below, reflect the principle that EY, as a global organization, has a common shared strategy.

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

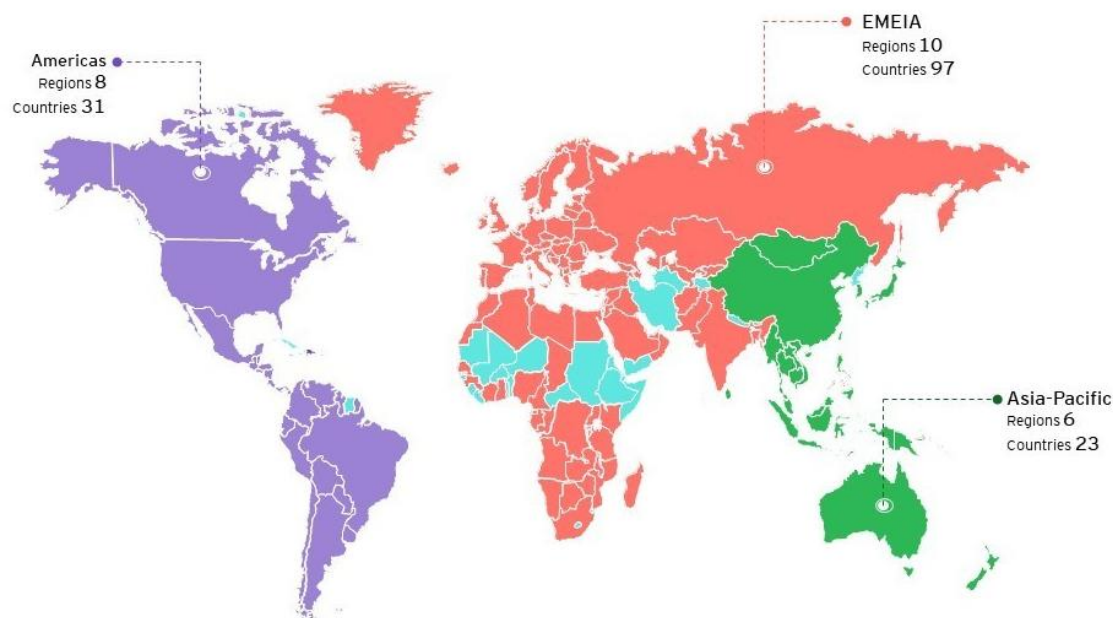
### Global Governance Council

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

### Independent Non-Executives

Up to six Independent Non-Executives (INEs) are appointed from outside EY. The INEs are senior leaders from both the public and private sectors and reflect diverse geographic and professional backgrounds. They bring to the global organization, and the GGC, the significant benefit of their varied perspectives and

■ Figures are as of 1 July 2020



depth of knowledge. The INEs also form a majority of the Public Interest Sub-Committee (PIC) of the GGC. The role of the PIC includes public interest aspects of decision-making, issues raised under whistle-blowing policies and procedures, and stakeholder dialogue and engagement in quality and risk management discussions. The INEs are nominated by a dedicated committee.

## Global Executive

The Global Executive (GE) brings together EY's leadership functions, services and geographies. As of 1 July 2020, it is chaired by the Chairman and CEO of EYG, and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent; the leaders of the global service lines – Assurance, Consulting (previously Advisory), Strategy and Transactions (previously Transaction Advisory Services) and Tax; and one EYG member firm partner on rotation.

The GE also includes the Global Vice Chair of Markets, the Global Vice Chair of Transformation, the Chief Client Technology Officer, the Chair of the Global Accounts Committee, the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

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

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

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

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

## GE committees

Established by the GE and bringing together representatives from across the organization, the GE committees are responsible for making

recommendations to the GE. In addition to the Global Audit Committee, examples of other committees include Assurance, Consulting, Tax, Strategy and Transactions, Global Markets and Investments, Global Accounts, Emerging Markets, Talent and Risk Management.

## Global Practice Group

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

## EYG member firms

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

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

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

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



## Commitment to Sustainable Audit Quality

### Infrastructure supporting quality

#### Quality in our service lines

NextWave is EY's global strategy and ambition to deliver long-term value to clients, people and society. NextWave reconfirms EY's purpose, ambition, and strategy. EY's purpose of building a better working world continues to inspire EY people to not only serve clients, but also to use our knowledge, skills and experiences to support the communities in which we live and work. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies around the world.

Delivering high-quality audits and continuously improving what we do are fundamental to building a better working world. To do so, we recruit, develop and retain the right people; embrace innovation; encourage simplification; and monitor what we do closely. Serving the public interest through the delivery of high-quality audits consistently around the world is a top priority. Significant investments continue to be made to deliver state-of-the-art tools and develop EY people. EY audit teams embrace a digital-first approach and are supported by a more than US\$600m investment in new and emerging technologies.

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

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

#### Professional Practice

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

This helps provide greater assurance as to the objectivity of audit quality and consultation processes.

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

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

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

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

#### Risk Management

Risk Management (RM) oversees organization-wide activities designed to help EY people meet global and local compliance responsibilities and support client-facing teams in delivering quality and exceptional client service. Responsibility for high-quality service and ownership of the risks associated with quality is placed with the member firms and their service lines.

Among other things, the Global RM Leader helps oversee the identification and management of these risks, as well as other risks across the organization as part of the broader Enterprise Risk Management framework.

Member firm partners are appointed to lead risk management initiatives (supported by other staff and professionals), including coordinating with the service lines on such matters. The Global RM Leader is responsible for establishing globally consistent risk management execution priorities and enterprise-wide risk management.

These priorities cascade to member firms through an Enterprise Risk Management (ERM) program.

There were additional complexities in 2020 as the world deals with the COVID-19 pandemic. This required a coordinated response across EY via activation of the Global Crisis Management Program (GCMP). Every aspect and geography of the business was affected. The GCMP, led by the Global RM Leader, involved EY's leadership on a frequent and consistent basis. The GCMP is an extensive program that is reviewed regularly. It includes plans that cascade from the Global and Area levels.

### **Global Confidentiality Policy**

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

- ▶ Social media guidance
- ▶ Information-handling requirements

In addition, the global policy on Reporting Fraud, Illegal Acts and Other Non-compliance with Laws, Regulations and EY's Global Code of Conduct requires EY professionals to speak up on observing behavior that is believed to be a violation of a law or regulation, applicable standard or EY's Global Code of Conduct. This includes the unauthorized or improper disclosure of confidential information.

Furthermore, the global policy on Personal Data Protection supports and builds upon provisions within the EY Global Code of Conduct regarding respecting and protecting personal information, in accordance with local law and professional standards, which has been updated consistent with the EU General Data Protection Regulation (GDPR).

### **Cybersecurity**

Managing the risk of major and complex cyberattacks is a part of doing business for all organizations. While no systems are immune from the threat of cyberattacks, EYA is vigilant in the steps it takes to secure and protect client data. The EY approach to cybersecurity is proactive and includes the implementation of technologies and processes necessary to manage and minimize cybersecurity risks globally. EY information security and data privacy programs, consistent with industry practices and applicable legal requirements, are designed to protect against unauthorized access to systems and data. There is a dedicated team of cybersecurity specialists who constantly monitor and defend EY systems.

Beyond technical and process controls, all EY people are required to affirm in writing their understanding of the principles contained in the EY Global Code of Conduct and their commitment to abide by them. There are also required security awareness learning activities. Various policies outline the due care that must be taken with technology and data, including, but not limited to, the Global Information Security Policy, and a global policy on the Acceptable Use of Technology. EY cybersecurity policies and processes recognize the importance of timely communication. EY people receive regular and periodic communications reminding them of their responsibilities from these policies and of general security awareness practice.

## **Dutch quality and risk infrastructure**

### **Three lines model**

Our quality and risk management structure is based on the 'three lines model'. We differentiate between operational management functions that own and manage risks (first line), risk management and compliance monitoring functions (second line) and an independent internal audit function (third line). Our quality and risk infrastructure is aligned with our international 'three lines model', ensuring separate roles are allocated optimally.

In order to reduce the risk of suboptimal quality, a well-functioning quality control system is important. Part of the remit of the first line is to provide the right message to our client-serving professionals. Therefore, our audit teams know they have the responsibility to meet internal and external quality standards and to reduce quality-related risks. This is the tone at the top that is communicated to them regularly, this is what they are taught in learning and training sessions.

The second line is formed by risk management and compliance functions that monitor risks, first and foremost our Q-organization. The Q-organization is responsible for delivering all necessary support, including training and reviewing, to our professionals



and teams, in order to ensure that they are well-prepared to meet or exceed their quality targets.

The third line is formed by our independent Internal Audit department (IA).

The two key focus areas in our Quality-department (Q-Assurance) are Professional Practice (Vaktechniek) headed by our Professional Practice Director (PPD) and Quality Enablement, headed by our Quality Enablement Leader (QEL). PPD and QEL are members of the Board of Directors of EYA.

### **Professional Practice**

Professional Practice is a cornerstone of EY's quality and risk infrastructure. It is responsible for our quality policies and our quality control system. The Professional Practice tasks include issuing formal compliance approvals on various quality-related subjects and explaining to our professionals how to apply legislation, regulations, and internal as well as external audit norms and standards. Professional Practice does so both pro-actively and in reaction to consultations by our audit teams. It plays an active role in assurance risk management, e.g. through its mandatory approvals during our client acceptance and continuation process and regarding the composition of partners' portfolios, and through its role in the quality rating of partners. Professional Practice is also responsible for approval and monitoring of remedial actions resulting from our Audit Quality Reviews (AQRs).

### **Quality Enablement**

Whereas the Professional Practice is and remains a fundamental part of EY's quality effort all over the world, EY Global realized that EY's worldwide endeavor to sustainably improve audit quality would benefit from more support being provided to our audit teams. Given our emphasis in the Netherlands on sustainable, consistent quality in our Step Change to Quality (SC2Q) program, we expanded our Quality Enablement. Quality Enablement designs training and teaching materials explaining how to implement new audit rules in practice. It also organizes mandatory training courses for audit teams on the implementation of these new rules. Quality Enablement monitors whether its training efforts are effective, i.e., whether new rules are implemented correctly by the audit teams. Upon request, it helps teams who express doubts regarding the correct implementation through coaching and pre-issuance reviews. After an audit is finished, Quality Enablement can check the implementation through post-issuance reviews - either EY's standard AQRs or special Thematic Quality Reviews, focusing on the implementation of a specific rule or the solution chosen for specific problems. Finally, Quality Enablement performs root cause analyses of both insufficient and excellent results achieved by our audit teams.

In this set-up, Quality Enablement works according to a holistic, integrated approach towards 'supporting the audit teams on the ground': from the design of training programs and materials all the way to root cause analyses. Elements within this holistic approach are monitoring as a separate function, coaching to foster correct implementation and the thematic post-issuance quality reviews.

During 2019/2020 we combined PPG and QEG into the Q-Assurance department, enhancing cooperation and alignment, and directed by the Quality Management Team.

### **Internal Audit**

EY's third line is formed by an independent Internal Audit department (IA). In addition to controls in the first and the second line, IA provides internal assurance - from an independent position of the EY organization - to the Board of Directors (BoD) and the Supervisory Board (SB). In line with the Internal Audit Charter, IA draws up an annual plan that is approved by the BoD, after which it is submitted to the SB for approval. This risk-based annual plan contains the priorities of Internal Audit in conjunction with the strategic and operational objectives of EY Nederland.

Within IA, the Internal Audit Wta team, also part of the third line, independently monitors compliance with the provisions laid down by and pursuant to Sections 13 to 24b of the Dutch Audit Firm Supervision Act ('Wet toezicht accountantsorganisaties, Wta') and the EU Audit Regulation 537/2014 rules ('Wta supervision'). This is a statutory task, based on Section 23 of the Audit Firms Supervision Decree ('Besluit toezicht accountantsorganisaties, Bta') within the EY organization designated to the Internal Audit Wta Officer. The activities are carried out in accordance with the Internal Audit Wta Officer Regulations.

The annual plan with regard to risk-based supervision of compliance with the Wta is coordinated by the Internal Audit Wta Officer with the Board of Directors of EYA and subsequently included in the aforementioned IA annual plan. IA reports all investigation results to the BoD, periodically reports the core of the results to the Audit & Risk Committee of the SB and has contact with the external auditor. The Wta investigation results are reported by the Internal Audit Wta Officer to the policymakers of EYA and discussed in the (Committees of the) SB of EYA; periodic Wta reports are also discussed in the Quality & Governance Committee of the SB of EYA. IA was staffed by seven people (6.8 fte) on 30 June 2020 and one hired specialist.

# Instilled professional values

## Sustainable Audit Quality

Quality is the foundation of our work and central to EY's responsibility to provide confidence to the capital markets. This is reflected in the Sustainable Audit Quality (SAQ) program, which continues to be the highest priority for EY member firms' Assurance practices.

SAQ establishes a strong governance structure that enables each member firm to provide high-quality audits. It is implemented locally; and coordinated and overseen globally. The word "sustainable" in SAQ is used to demonstrate that this is not a one-off, short-term initiative, but an ongoing process of improvement.

There are six SAQ pillars: tone at the top; exceptional talent; simplification and innovation; audit technology and digital; enablement and quality support; and accountability. The pillars are supported by a foundation of serving the public interest.

Significant progress has been made through SAQ. EY member firms' internal and external inspection findings globally are improving, and there is greater consistency in execution. EY has deployed world-class technological tools that enhance the quality and value of EY audits, including the EY Canvas online audit platform, the EY Helix analytics platform and the EY Atlas research platform.

A key feature of EY Canvas is "My EY" (formerly known as the EY Canvas Client Portal), which enables clients to communicate with audit teams and confirm what information auditors have requested and whether that information has been provided. EY Canvas also facilitates the use of the "Milestones" project management functionality, which helps audit teams stay on pace with their audit execution and drive executive involvement. Finally, project management enhancements within Canvas empower audit teams to be focused on audit execution.

When Milestones, My EY, and the project management tools and enablement are used, engagement teams can more effectively execute audit tasks with appropriate skepticism and curiosity. As a result, audit quality is enhanced.

Other SAQ initiatives include: a new approach to pictorially depict a company's internal controls and processes; the Personal Workload Tool, which reviews personal responsibilities and assesses whether there is sufficient time to execute high-quality audits; Purpose-Led Outcome Thinking (PLOT), a framework that focuses on the behaviors that drive high-quality audits; and Key Findings Review, which helps coach EY teams.

There is also a network of Quality Enablement Leaders (QELs), an overall Global Audit Quality Committee and a Culture and Behaviors Taskforce. They help us in

executing and reviewing root cause analysis and understanding the impact of our initiatives in driving quality outcomes, better behaviors and a continuous improvement mindset.

Audit quality is something that every team member must understand and be committed to implementing locally. SAQ is essential to all our goals and ambitions, and each Regional and Area leader has oversight of the efforts to achieve those goals.

The SAQ infrastructure demonstrates that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.

## Tone at the top

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

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies and is embedded in the EY culture of consultation, training programs and internal communications. Senior management regularly reinforces the importance of performing quality work, complying with professional standards, adhering to our policies, and leading by example. In addition, EY assesses the quality of professional services provided as a key metric in evaluating and rewarding EY professionals.

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

The consistent stance of Ernst & Young Accountants LLP has been that no client is more important than our professional reputation – the reputation of our firm and the reputation of each of our professionals.

## Code of Conduct

We promote a culture of integrity among our professionals. The EY Global Code of Conduct provides a clear set of principles that guide our actions and our

business conduct and are to be followed by all EY personnel. The EY Global Code of Conduct is divided into five categories:

- ▶ Working with one another
- ▶ Working with clients and others
- ▶ Acting with professional integrity
- ▶ Maintaining our objectivity and independence
- ▶ Protecting data, information and intellectual capital

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

The Global Code of Conduct can be viewed on our website and is evaluated periodically. The most recent evaluation took place in June 2017.

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

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

During the fiscal year 2019/2020, no external reports regarding EYA were filed through the EY/Ethics Hotline (2018/2019: two; see KPI 37 in Appendix 4 of this Transparency Report).

In addition to the EY Ethics Hotline, our firm has a Whistleblowers' Regulation and a Complaints Regulation in place. No whistleblowers' notifications as defined in the Whistleblowers' Regulation were filed during this fiscal year.

In the fiscal year 2019/2020, our firm rendered a decision on one complaint relating to EYA. Complainant complained about services that had been rendered in 2002. Complaints relating to events over six years ago are not taken into account under the Complaints Regulation. Complainant insisted on an investigation. The Complaints Committee proposed to investigate whether invoking the time limit under the given circumstances was reasonable. After an investigation, including a hearing, the Complaints Committee found that invoking the time limit was not unreasonable, since the facts could no longer be established reliably.

Through other channels, our firm occasionally receives comments, questions or complaints from clients, liquidators or other stakeholders. Issues raised include different expectations regarding the assurance or services delivered and our timeliness in the delivery of our services. Most issues are dealt with satisfactorily at the operational level, i.e. by the teams involved. More substantial comments, questions and complaints are always dealt with at a higher level in the organization and are assessed and discussed on a case-by-case basis. In the fiscal year 2019/2020, we received three complaints relating to EYA through other channels than klachten.meldingen@nl.ey.com. This number does not include demand letters, which are covered in the 'Litigation' paragraph of this Transparency Report.

## Our values: who we are

People who demonstrate integrity, respect, teaming and inclusiveness

People with energy, enthusiasm and the courage to lead

People who build relationships based on doing the right thing

## Internal quality control system

### Structure

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

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

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

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

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

### **Effectiveness of the quality control system**

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

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

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

The Global Executive has responsibility for the implementation of quality improvement. As such, it reviews the results of the internal AQR program and external audit firm regulatory reviews, as well as any key actions designed to address areas for improvement.

The recent results of such monitoring, together with feedback from independent audit regulators, provide EYA with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.

### **Update to the control framework - ISQM 1**

In September 2020, the IAASB approved a quality management standard that includes significant changes to the way professional accountancy firms manage quality. The International Standard on Quality Management 1 (ISQM 1) will replace the current

International Standard on Quality Control 1 (ISQC 1) and take a more proactive and risk-based approach. ISQM 1 will be effective as of December 2022 but remains subject to final approval by the Public Interest Oversight Board, in accordance with due process.

ISQM 1 will require firms to design, implement, monitor and assess the overall system of quality management (SQM) that provides reasonable assurance a firm will meet its quality objectives.

The standard includes more robust requirements for the governance, leadership and culture of professional accountancy firms, and a risk assessment process that evaluates risks to achieving quality objectives and identification of controls that address those risks. It also requires more extensive monitoring of the SQM to evaluate the effectiveness and identify deficiencies that require corrective actions.

Many steps have already been taken to improve the SQM. An effective SQM is the foundation for EY's quality initiatives and is key to quality and operating effectiveness. The EY approach is to implement an SQM that is consistently applied across the entire network of member firms. This is especially important in a global economy where many audits involve the use of other EY member firms. A globally consistent SQM helps ensure engagement quality and consistent execution.

While the standard is effective as of December 2022, EYA has commenced work to implement the new standard alongside EY's System of Quality Management transformation program. Our initial steps have included:

- ▶ Identifying the functions and services lines that fall within the scope of ISQM 1
- ▶ Establishing a program governance structure to manage the design and implementation of a system of quality management that complies with ISQM 1
- ▶ Identifying and assessing quality risks and documenting controls in accordance with the network developed approach
- ▶ Identifying network resources and requirements and how they are implemented or used by the country in their SQM
- ▶ Identifying enhancements to the control framework and challenging current controls for compliance with the new standard

We believe that the requirements within ISQM 1 can help to improve quality at the firm and engagement level as an effective system of quality management is foundational to achieving consistent engagement quality.

# Client acceptance and continuance

## EY policy

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

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

In addition, the EY global policy on Conflicts of Interest defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest as quickly and efficiently as possible using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing “Chinese Walls” between engagement teams or declining an engagement to avoid an identified conflict.

The EY global policy on Conflicts of Interest and associated guidance consider the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest International Ethics Standards Board for Accountants (IESBA) standards.

## Putting policy into practice

We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. PACE takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

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

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

As a result of this review, certain audit engagements are identified as requiring additional oversight procedures during the audit (close monitoring), and some audit clients are discontinued. The additional oversight procedures include a detailed review of the planned audit steps to mitigate engagement risks. The capacity of the audit team (knowledge and quantity) is also reviewed. For Close Monitoring engagements, an Engagement Quality Reviewer is mandatory and, in addition, regular status updates are requested in order to monitor progress and changes in risk profile.

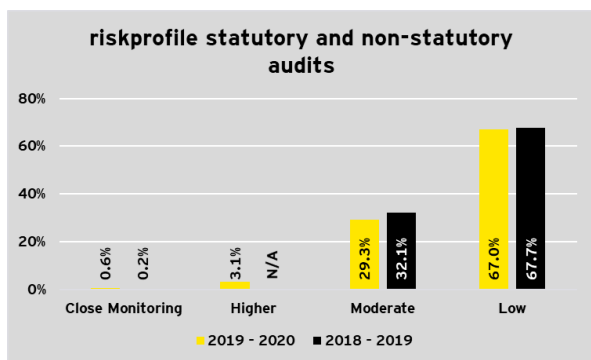
As with the client acceptance process, our PPD is involved in the client continuance process and must agree with the continuance decisions.

Decisions about acceptance or continuance of clients and engagements consider the engagement team's assessment of whether the company's management may pressure us to accept inappropriate accounting, auditing and reporting conclusions to undermine quality. Considerations and conclusions on the integrity of management are also essential to acceptance and continuance decisions.

We dedicate significant time and resources to the strict implementation and continuous improvement of our client acceptance and continuance policies. At this point the annual review of our quality control system showed some deficiencies on timely completion. As a board of Ernst & Young Accountants LLP we will take improvement actions to take away these deficiencies.

In order to better steer and monitor the development of our client portfolio from a risk perspective, we classify our clients according to four risk categories: Close Monitoring, Higher Risk, Moderate Risk and Low Risk. Higher Risk was introduced in 2019 - 2020 and is an offshoot of Moderate Risk.

The following graph shows the risk profile of the statutory and non-statutory audits



## Performance of audits

There has been significant investment by EY in improving audit methodologies and tools, with the goal of performing the highest-quality audits in the profession. This investment reflects EY's commitment to building trust and confidence in the capital markets and in economies the world over.

### Audit methodology

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgments and procedures in all audit engagements, regardless of size. EY GAM also requires compliance with relevant ethical requirements, including independence from the entity we audit. Making risk assessments; reconsidering and modifying them as appropriate; and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasizes applying appropriate professional skepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing (ISAs) and is supplemented in the Netherlands to comply with the local Dutch auditing standards and regulatory or statutory requirements.

Using an online tool, EY Atlas, an EY auditor is presented with a version of EY GAM organized by topic and designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. EY GAM consists of two key components: requirements and guidance; and supporting forms and examples. The requirements and guidance reflect both auditing standards and EY policies. The forms and examples include leading practice illustrations and assist in performing and documenting audit procedures.

EY GAM can be "profiled" or tailored to present the relevant requirements and guidance, depending on the nature of the entity being audited – e.g., there are profiles for listed entities and for those considered non-complex entities.

Following a successful pilot in 2019, EY GAM was updated to include the profession's first data-first approach to auditing, which is called Digital GAM. Utilizing the suite of EY Helix analyzers, the flow of audit procedures, supplemented with new requirements and guidance, enhances the way EY member firms perform audits. The EY audit approach combines the vast amounts of financial and non-financial data available from an entity's systems with broad sources of knowledge to enable EY auditors to obtain sufficient and appropriate audit evidence. Through visualizing whole populations of data and applying professional skepticism, EY auditors can provide an additional challenge to management's assertions to drive high audit quality.

Other enhancements have been made to address new standards; emerging auditing issues and matters; implementation experiences; and external and internal inspection results. Recently, EY GAM was updated for the requirements of ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* (effective for audits of periods beginning on or after 15 December 2019) and a suite of enablement to implement those requirements was issued.

In addition, current and emerging developments are monitored, and timely audit planning and execution communications are issued that emphasize areas noted during inspections as well as other key topics of interest to local audit regulators and the International Forum of Independent Audit Regulators (IFIAR). Specifically, with respect to the impact that COVID-19 is having on the global economy, guidance has been issued to address the accounting and financial reporting concerns that the entities EY member firms audit are facing, as well as audit considerations when performing audits in the current environment.

### Technology

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

EY Canvas, the global EY audit platform, lies at the heart of the audit and enables us to provide a high-quality audit. EY Canvas is built using state-of-the-art technology for web applications. This allows us to provide data security and to evolve our software to respond to changes in the accounting profession and regulatory environment.

Through the use of profile questions, audit engagements in EY Canvas are automatically configured with information relevant to an entity's listing requirements and industry. This helps to keep our audit plans customized and up-to-date, and provides direct linkage to our audit guidance, professional standards and documentation templates. EY Canvas is built with a user interface that allows the team to visualize risks and their relationship to the planned response and work performed in key areas. It

also enables a linkage for group audit teams to communicate inter-office risks and instructions so that the primary audit team can direct execution and monitor performance of the group audit.

EY Canvas includes the My EY client portal to assist teams in communicating with clients and streamlining their client requests. Mobile applications are integrated with EY Canvas to help our people in their audit work – e.g., in monitoring the status of the audit, capturing audit evidence securely and performing inventory observations.

Audit engagement teams use other applications, data analyzers and forms during various phases of an audit to assist in executing procedures, making and documenting audit conclusions and performing analysis. This includes EY Smart Automation, a collection of applications that are being developed and deployed globally through EY Canvas to digitally enable EY audit professionals in executing audit procedures and processes.

### Digital GAM and data analytics

At EY, we are making data analysis integral to our audits. Our use of data and analysis is not about additive procedures or visualizations. It is about taking large populations of company data and applying our globally consistent technology (EY Helix) and methodology (EY GAM) to audit that data.

EY Helix is a library of data analyzers for use in audits. These data analyzers are transforming the audit through the analysis of larger populations of audit-relevant data; identifying unseen patterns and trends in that data; and helping to direct our audit efforts. The use of data analytics also allows us to obtain better perspectives; richer insights; and a deeper understanding of transactions and areas of risk.

EY is deploying data analyzers to analyze the business operating cycles of the companies that we audit, supported by analytics-based audit programs to aid the application of these data analyzers.

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

EY Atlas is a global technology platform that enables EY auditors to access the latest accounting and auditing content, including external standards, EY interpretations and thought leadership.

### Formation of audit engagement teams

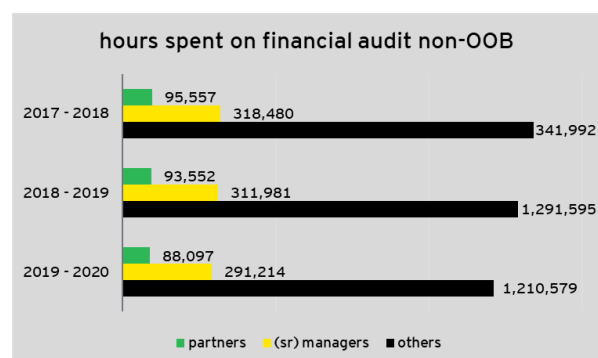
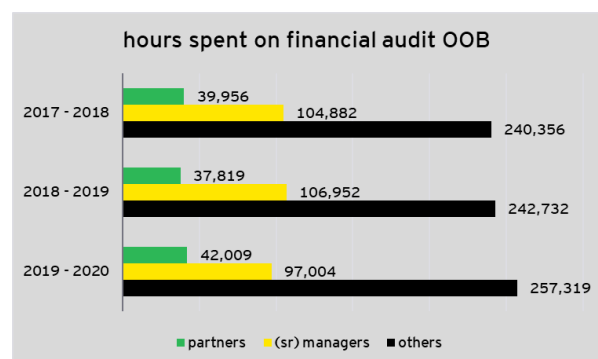
Our firm’s policies require an annual review of partner assignments by our Assurance leadership and our PPD. This is carried out, among other things, to make sure that the professionals leading audits of listed entities and other public-interest entities possess the

appropriate competencies (e.g., the knowledge, skills and abilities) to fulfill their engagement responsibilities and are in compliance with applicable auditor rotation regulations.

The assignment of professionals to an audit engagement is also made under the direction of our Assurance leadership. Factors considered when assigning people to audit teams include engagement size and complexity; specialized industry knowledge and experience; timing of work; continuity; and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional expertise is needed to supplement or enhance the audit engagement team.

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

The number of hours spent on audits by each rank of staff in the audit team can be visualized as a pyramid, as for the average audit, the number of hours spent by lower-ranking staff is higher than the number of hours spent by higher-ranking staff. We monitor the development of these ‘team pyramids’ and assess them for appropriateness, both the number of hours planned and the number of hours actually spent. The number of hours spent on audits by each rank of staff during the fiscal years 2019/2020, 2018/2019 and 2017/2018 were as follows:



For more information on this subject, we refer to KPI 4 and KPI 9 in Appendix 4 of this Transparency Report.

## Fraud

Part of the EY commitment to quality is a policy of continuous improvement, which has resulted in innovations to risk and audit procedures regarding fraud. These innovations include:

- ▶ Leveraging the power of advanced technology through:
  - ▶ Mandating the use of data analytics for fraud testing
  - ▶ Enhancing risk assessments and audit scoping by using more external data and information, such as social media
  - ▶ Using electronic confirmations for audit evidence wherever possible, moving in time to matching the audited company's records of banking transactions with those provided by the bank
- ▶ Mandating annual forensics training for all audit professionals

## Review and consultation

### Reviews of audit work

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

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

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

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

## Consultation requirements

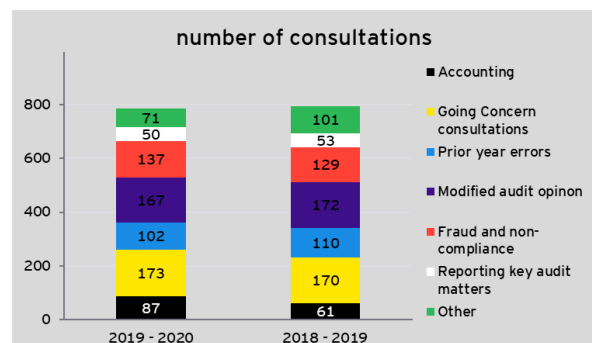
EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. As the environment in which EY member firms work has become more complex and globally connected, the EY culture of consultation has become even more important to help EY member firms reach the appropriate conclusions for entities that they audit on a timely basis. Consultation requirements and related policies are designed to involve the right resources so that audit teams reach appropriate conclusions.

The EY culture of consultation enables engagement teams to deliver seamless, consistent and high-quality services that meet the needs of audited entities, their governance bodies and all stakeholders

For complex and sensitive matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional skepticism, EY policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the client to which the consultation relates. In this circumstance, other appropriately qualified individuals would be assigned.

EY policies also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution.

During the fiscal year 2019/2020, the number of consultations with our PPG amounted to 787 and almost equaled the 796 in the fiscal year 2018/2019. There were only limited shifts between the categories.





## Engagement quality reviews

The Engagement Quality Review (EQR, *opdrachtgerichte kwaliteitsbeoordeling, OKB*) is an important part of our quality control system. At our firm, EQRs are performed by audit professionals in compliance with professional standards for audits of all Dutch *Organisaties van Openbaar Belang* (OOBs, Public Interest Entities, PIEs) and, in addition, for those audits considered higher risk ("close monitoring").

We made a change in policy last year and each of our external auditors is subject to at least one EQR annually for the engagements they sign. In addition, if the external auditor does not have two EQRs based on other criteria, one pre-issue review is added.

In the year before each of our external auditors was subject to two EQRs annually. This reduces the number of EQRs and increases the number of pre-issue reviews.

Engagement quality reviewers are experienced professionals with significant subject matter knowledge. They are independent of the engagement team and provide an objective evaluation of the significant judgments the engagement team made, and the conclusions reached in formulating the auditor's report. The performance of an engagement quality review, however, does not reduce the responsibilities of the partner in charge of the engagement for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature; timing and extent of the procedures to be performed; and the required documentation evidencing their completion. In all circumstances, the engagement quality review is completed before the date of the auditor's report. Our PPD approves all engagement quality review assignments.

Auditors of engagements subject to an EQR are not allowed to issue their 'auditor's opinion' until the Engagement Quality Reviewer has informed the EQR Coordinator that - after assessing whether the audit was executed in accordance with current rules and regulations - the Engagement Quality Reviewer concurs that the engagement auditor's could reasonably come to the formulated conclusion(s).

### Organisaties van Openbaar Belang

In the Netherlands, EQRs are mandatory for OOBs. EY's global definition of a public interest entity (PIE) is similar to, but not exactly the same as the Dutch definition of an OOB. Of the EQRs performed during the fiscal year 2019/2020, 49% concerned OOBs or PIEs according to EY's global definition (2018/2019:

39%). 51% of the EQRs were held at specific groups of non-OOB clients, including high-risk clients, large public housing entities, large pension funds and various state-owned entities.

During the fiscal year 2019/2020, we performed 314 EQRs. Due to the policy change, this number decreased compared to 2018 - 2019 when we performed 423 EQR's. One client may have more than one EQR reference, for example due to the review of interim financial statements and/or prudential returns.

For additional quantitative information for the fiscal year 2019/2020 on (the time spent on) our EQRs, on the number of annual report reviews (Accounting Reviews, AR) performed and on other quality reviews, we refer to KPIs 15, 16, 17, 18 and 26 in Appendix 4 of Part Two of this Transparency Report. In accordance with the importance we attach to EQRs, we also monitor qualitative aspects, e.g. whether remarks by the EQR reviewer were followed up appropriately by the audit team. This helps us to further improve our EQR processes.

### Pre-issuance reviews

In addition to our EQRs, we also performed other pre-issuance reviews. During the 2019/2020 fiscal year, we conducted a pre-issue review of 134 audits of the 2019 financial statements. This is an increase as a result of the change in policy compared to 2018 when we performed 92 pre-issue reviews.

In addition, we coached all EQR partners in the implementation and documentation of the EQR.

### Our Coaching and Review Pool

During the fiscal year 2019/2020, a significant number of EQRs and other quality reviews were performed by members of a dedicated 'coaching and review pool'. This pool forms part of Assurance Support. During the fiscal year 2019/2020, 56% of the EQRs and 94% of the other reviews were covered by the coaching and review pool members or global audit quality reviewers. We are convinced that the quality of our EQRs and other reviews will benefit from the concentration of expertise and experience among the members of this pool. In addition, with a pool of reviewers, we facilitate the process of collective learning from our reviews. This collective learning is further enhanced by the fact that for the other pre-issuance reviews, in addition to reviewing the audit and its documentation, the reviewers also support and coach the teams in performing the audit by helping these teams to understand complex audit matters and avoid pitfalls.

### Audit engagement team resolution process for differences of professional opinion

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they

are uncomfortable about a matter relating to a client engagement. Policies and procedures are designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters.

These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person's responsibility and authority to make their own views heard and seek out the views of others.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, they refer it to the next level of authority until an agreement is reached or a final decision is made.

Furthermore, if the engagement quality reviewer makes recommendations that the engagement partner does not accept or the matter is not resolved to the reviewer's satisfaction, the auditor's report is not issued until the matter is resolved. Differences of professional opinion that are resolved through consultation with Professional Practice are appropriately documented.

## Rotation and long association

EY supports mandatory audit partner rotation to help reinforce auditor independence. Our firm complies with the audit partner rotation requirements of the IESBA Code, "Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 (EU 537/2014)", the Dutch Wet Toezicht Accountantsorganisaties, the Dutch Besluit Toezicht Accountantsorganisaties, the Dutch Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO), as well as the U.S. Securities and Exchange Commission (SEC), where required. Our firm supports audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and are important safeguards of audit quality.

For PIEs, the EY Global Independence Policy requires the lead engagement partner, the engagement quality reviewer and other audit partners who make key decisions or judgments on matters significant to the audit (together, the "key audit partners") to be rotated after seven years. For a new PIE (including a newly listed company), key audit partners may remain in place for an additional two years before rotating off the team if they have served the company for six or more years prior to the listing.

Upon completing the maximum service period for rotation, a key audit partner may not lead or coordinate professional services to the PIE audit client until after completing a cooling-off period. This period is five years for a lead audit engagement partner, three years for an engagement quality reviewer and two years for other partners subject to rotation.

Where the required cooling-off period for the lead audit engagement partner established by the local legislative body or regulator is less than five years, the higher of that cooling-off period or three years may be substituted for the otherwise required five-year cooling off period. This jurisdictional exception for the lead audit engagement partner may only be applied for audit periods beginning prior to 15 December 2023.

In addition to the audit partner rotation requirements applicable to PIE audit clients, EY has established a long association safeguards framework that, consistent with the requirements of the IESBA Code and Article 17 of 537/2014, includes consideration of the threats to independence created by the involvement of professionals over a long period of time on an audit and a safeguards framework to address such threats.

We employ tools to effectively monitor compliance with internal rotation and requirements for audit partners and other professionals who have had a long association with the audit client. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our Professional Practice and Independence professionals.

### External rotation

For public interest entities we comply with the external rotation requirements of Art. 17 (1) of the EU Audit Regulation.

## Audit quality reviews

The EY Global AQR program is the cornerstone of the EY process to monitor audit quality. Our firm executes the Global AQR program, reports results and develops responsive action plans. The primary goal of the program is to determine whether systems of quality controls we use are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures; professional standards; and regulatory requirements. The Global AQR program complies with requirements and guidelines in the International Standard on Quality Control (ISQC) 1, as amended, and is supplemented where necessary to comply with Dutch professional standards and regulatory requirements. It also aids our continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

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

The engagements reviewed each year are selected on a risk-based approach, emphasizing audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The Global AQR program includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements, and public interest entities and non-public interest entities, to measure compliance with internal policies and procedures; EY GAM requirements; and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures that should be applied in executing non-audit services. In addition, practice-level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set out in ISQC 1.

The Global AQR program complements external practice monitoring and inspection activities, such as inspection programs executed by audit regulators and external peer reviews. It also informs us of our compliance with regulatory requirements, professional standards, and policies and procedures.

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

The review team in the Netherlands is headed by an international team leader assisted by a Dutch deputy team leader; the team executing the AQRs includes a number of international reviewers, ensuring that the AQR is performed in accordance with our international quality standards and allowing for a comparison of results over time and between countries.

In the last three AQR cycles, we took various measures to further improve the process. One of our main objectives was to raise the bar of our AQRs. For the 2019/2020 AQR cycle, we repeated these measures:

- ▶ For all engagements subject to an AQR and exceeding 1,000 hours of audit work, we performed a 'focused review': a deep-dive review. The scope was further narrowed in 2020 by concentrating on two selected significant or fraud risks.

- ▶ Based on findings of previous internal and external inspections, additional guidance was provided to the reviewers executing AQR reviews in the Netherlands.
- ▶ We engaged a higher percentage of local reviewers and local Deputy Team Leaders, as they are more familiar with our internal Dutch requirements as well as with the standards set by our regulator the AFM.
- ▶ Local 'buddy reviewers' were added to the review team. This buddy reviewer helped non-local reviewers with translations, the specific Dutch circumstances and requirements, and extended the amount of review time by assisting the reviewers with the deep-dive on the focus risk areas.
- ▶ We involved the Quality Enablement Group (QEG) and our Professional Practice Group (PPG) during the review to monitor and support the reviewers and engagement teams and to follow up on findings.

Due to Covid-19 measures, the AQR was executed fully remotely for the 2019/2020 cycle. All interactions took place virtually by video conferencing. A higher number of Dutch reviewers was used compared to previous years.

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

### **AQR results and other post-issuance reviews**

Each audit partner is subject to a regular AQR at least once every three years. New in the 2019/2020 AQR cycle was the unpredictability selection, resulting in an additional random sample of partners (four) being reviewed. These partners were informed about this selection shortly before the AQR inspection.

In addition to the audits inspected in the regular AQR cycle, partners are also selected for an AQR inspection based on risk analyses. These risk analyses take into account any signals that might indicate potential quality issues.

In the past, the primary focus of the AQR was retrospective on the ratings of files and the number of (significant) findings noted. As part of SC2Q, the Board of Directors of EYA decided to change this focus to a forward-looking view to support the Dutch learning organization and to enable the audit practice to learn

more effectively from mistakes and focus on those areas where we still need to improve.

The primary goal of an AQR is to assess the quality of past cycle audits and to thus drive continuous learning and improvement. AQR findings are analyzed for root causes and lessons learned are embedded in internal training and guidance. In the following year, improvement is measured in these areas, also as a means to assess effectiveness of improvement efforts.

The secondary goal is to assess the quality performance of our external auditors and their teams. Besides general improvement as mentioned above, professionals leverage this feedback to drive their personal development. It also gives leadership insight into whether professionals are able to keep up with the increasingly stringent requirements, which sometimes results in professionals moving to other service lines or even exiting the firm.

AQR ratings for a reviewed engagement are:

▶ Rating 1	No or minor findings
▶ Rating 2 (without sign no)	Findings more than minor but less than material, without a significant finding (no)
▶ Rating 2 (with sign no)	Findings more than minor but less than material, with a significant finding (significant no)
▶ Rating 3	Significant findings

Our Quality Assessment (QA) team, part of Quality Enablement, determines the remedial action that is needed for engagements where significant findings were identified (a 3 rating or 2 rating with significant no). As part of the remediation the audit team obtains additional audit evidence or improves existing audit evidence in order to ensure a sufficient appropriate basis exists for the report and the appropriate reports are issued. Therefore a 'significant no' does not directly imply that the financial statements are materially misstated or an inappropriate report has been issued. Also, for the 2 rated and 3 rated files the objective is to learn from detected shortcomings to prevent quality issues going forward. The audit partners with an engagement in which one or more significant findings were recorded are required to prepare a Remedial Action Plan (RAP) in which they have to include relevant actions aimed at improving the audit file. Each RAP is submitted to our Professional Practice Director for approval. The 2019/2020 AQR cycle resulted in two engagements subject to a RAP (2018/2019: three). The 2018/2019 RAP's were successfully executed, the RAP's 2019/2020 are well in progress.

Furthermore, these files are also subject to a Root Cause Analysis (RCA) to foster collective learning from findings, aligned to the primary goal of AQR.

A 3 rating is taken into account when determining a partner's quality rating. The root cause of the significant finding driving the 3 rating and quality behavior are also important when determining a partner's quality rating. A negative quality rating will result in a negative overall performance rating. Depending on the nature and root cause of the significant finding, a 2 rating may have the same result as a 3 rating, since the goal and expectation for any engagement reviewed is a 1 rating.

Soft inputs such as the learning mindset of the partner are also taken into account when determining the quality rating.

The results of the Global AQR program as well as external practice monitoring and inspection activities are evaluated and communicated throughout our firm to learn from findings and to further improve quality. The outcomes of the AQR reviews are discussed on a continuous basis within our PPG and our QEG. The outcomes of post-issuance reviews also result in a Quality Improvement Plan (QUIP). The required actions and measures are included in this plan as a response to the key AQR findings. This includes sharing the outcomes with the audit teams so they can learn from the findings and take action on their own engagements if necessary.

### 2019/2020 AQR results

In the fiscal year 2018/2019, we performed 39 AQRs (see also KPI 26 in Appendix 4 of this Transparency Report for the number of all non-EQR reviews, including our AQR reviews, in the fiscal year 2019/2020). In summary, the 2019/2020 results were as follows:

	2019 - 2020		2018 - 2019		2017 - 2018	
Rating 1	28	72%	32	76%	27	68%
Rating 2, of which:	9	23%	7	17%	9	23%
- Rating 2 without sign no	9	23%	7	17%	5	13%
- Rating 2 with sign no	0	0%	0	0%	4	10%
Rating 3	2	5%	3	7%	4	10%
Total	39	100%	42	100%	40	100%

### Non-audit engagements quality reviews

In addition to the quality reviews of audit files, other assurance engagements (non-audit) are also subject to review in the AQR process. In 2019/2020 nil non-audit engagements were assessed as part of the Global AQR program in order to reduce the number of remotely performed AQRs due to the Covid-19 measures. The quality review of non-audit engagements is scheduled for autumn 2020.

### ACR quality reviews

In addition to the Audit Quality Reviews for audit engagements, we executed quality reviews on Accounting Compliance Reporting (ACR) engagements. In 2019/2020, 24 engagements of seven (associate) partners and executive directors were reviewed. Of these 24 files (2018/2019: 22), 20 files were rated 1 (2018/2019: 21), three files were rated 2 without significant no (2018/2019: 2) and one file was rated 2 with significant no. Remediation

procedures, including root cause analyses, for findings in ACR reviews are consistent with those for Audit Quality Reviews.

### Other quality reviews

As part of our effort to further improve the quality of our audits and in response to suggestions made by our supervisor the AFM, we performed focus reviews ("*thematic quality reviews*") of seven audit files for two key topics: (1) fraud and corruption and (2) compliance with the Dutch Anti Money Laundering law for financial service organizations. A deep-dive review has been performed on the seven selected engagements focusing on the interpretation and application of a specific Dutch Auditing Standard. The key purpose of these reviews is collective learning by the entire audit organization. None of the reviews (2018/2019: four) resulted in remedial action plans. In view of the positive learning effect, we will continue these reviews on a yearly basis. Every year, we will select topics based on findings from internal or external reviews or based on other relevant events. The selected theme for 2020 relates to the follow up of Anti Money Laundering risks, as identified in an Extended Client Due Diligence assessment, in the financial statement audit.

In addition to the Global AQR, we also performed quality reviews for two candidates for promotion to (associate) partner, in which no significant findings were identified.

In the Netherlands, non-audit engagements are also subject to a local AQR process, as required by the Nadere Voorschriften Kwaliteits Systemen ('NVKS'). In 2019/2020, a sample of 14 (2018/2019: 3) non-audit engagements were reviewed. This resulted in 11 (2018/2019: 1) engagements being rated 1, two engagements being rated 2 without significant no (2018/2019: 2 with significant no) and 1 engagement being rated 3 (2018/2019: nil). Follow up on these reviews is consistent with the global AQR process. The sample of non-audit engagements to be reviewed in September 2020 will be larger, as no non-audit engagements were reviewed as part of the Global AQR process this year.

### Signals and incidents

If and when considered necessary, we also review individual audit files of completed engagements following so-called 'signals' or 'incidents' such as adverse media attention regarding financial statements audited by us. In these cases, we perform a 'quick scan' or file review to assess the quality of the audit and audit file regarding the topic that the signal or incident relates to. The outcome of these assessments can serve as input for a root cause analysis and/or result in a remedial action plan thus driving our continuous learning and improvement. During the fiscal year 2019/2020, we performed six assessments in this regard.

## External quality assurance review

Our audit practice and registered external auditors are subject to various inspections, including those by the AFM (Dutch Authority for the Financial Markets, the national supervisor of the Dutch audit sector), the PCAOB (the US Public Company Accounting Oversight Board) and our Dutch professional association NBA (Nederlandse Beroepsorganisatie van Accountants). In addition to the information provided in this section, we also refer to KPIs 27,28, 29 and 32 in Appendix 4 of this Transparency Report for information on (the consequences of) our relations with our external oversight institutions.

### AFM

As part of its inspections, the AFM evaluates the progress of improvements in the quality control systems of audit firms and inspection of the quality of statutory audits on focus areas of their choice.

The AFM also performs thematic inspections and case-specific inquiries following events.

### Inspections by the AFM

The AFM conducted an assessment on the Big 4's between June 2019 and February 2020. This assessment focuses on the key preconditions for good quality of statutory audits. The AFM has assessed the results of the quality improvement at Deloitte, EY, KPMG and PwC and has looked at how the boards are working on creating a quality-oriented culture, managing quality and applying instruments to permanently safeguard quality. The quality of the statutory audits was not inspected. This assessment is thus an intermediate step.

The AFM concludes:

- ▶ The Big 4 are focusing on quality improvement and a quality-oriented culture
- ▶ Quality safeguards need to be strengthened

The final report on this assessment was received in July 2020. The AFM assessed the application of the quality safeguards on Consultations, Engagement Quality Reviews, Pre-Issuance Reviews and Root Cause Analyses. All reviewed areas were rated light green (moderately positive).

As mentioned, we also review individual audit files of completed engagements following signals or incidents. Based on our reports, AFM may decide to also perform their own review that can be case specific or broader regarding a certain theme. At year-end, two case specific inspections and one theme-related inspection were ongoing. The outcomes of these reviews are leveraged to drive our continuous learning and improvement.

Information on the AFM can be found on their website [www.afm.nl](http://www.afm.nl).

## **PCAOB**

Public companies, whether located in the US or elsewhere, access US capital markets by complying with certain US legal requirements, including the requirement to periodically file audited financial statements with the US Securities and Exchange Commission (SEC). Under the Sarbanes-Oxley Act, the auditor of these financial statements - whether a US or a non-US auditor - must be registered with the PCAOB, and the PCAOB must regularly inspect the firm to assess its compliance with US laws and professional standards in connection with those audits. Our firm is registered with the PCAOB.

### **Inspections by the PCAOB**

We were subject to a PCAOB inspection in November 2019 where they reviewed our firm's quality control system and three engagements. The PCAOB's Report is not issued yet, but we do not anticipate any findings.

Information on the PCAOB can be found on the website [www.pcaobus.org](http://www.pcaobus.org) and [www.afm.nl](http://www.afm.nl).

### **SISA and WNT inspections and quality reviews by the Dutch National Government Audit Service (Auditdienst Rijk, ADR)**

Dutch municipalities and provinces are subject to SISA (Single Information, Single Audit) reporting requirements to the Dutch Ministry of the Interior and Kingdom Relations regarding specific contributions that they receive from the central government.

SISA includes the attachment of a detailed annex to municipalities' financial statements. This annex is subject to external audit. The ADR performed one SISA inspection in 2019/2020 (2018/2019: nil) with positive outcome.

The ADR also performs inspections of audits regarding their compliance with the relevant articles of the Dutch Executives Pay (Standards) Act (Wet Normering Topinkomens, WNT). The ADR performed three WNT inspections in 2019/2020 (2018/2019: nil) with positive outcome.

The ADR performed five (2018/2019: five) file reviews of audits of public institutions to assess whether the audit had been designed and executed in line with Dutch auditing standards and applicable protocols. For all five file reviews, the conclusion 'sufficient' was communicated to us by the ADR. We routinely incorporate the lessons we can learn from any findings in our future audits.

### **Quality reviews by the Dutch Educational Inspectorate (Onderwijsinspectie)**

The financial information of Dutch publicly-funded educational institutions - both financial and funding information - is subject to audits. The audit work required is described in detail in the "Education Audit Protocol". The Dutch Educational Inspectorate performs annual reviews of some of our audit files in

order to determine whether we performed our audits adequately and in compliance with the Education Audit Protocol. In 2019/2020, the Educational Inspectorate performed five (2018/2019: eight) reviews of audits by our firm on the year 2018 of educational institutions. It qualified two (2018/2019: nil) as insufficient, for which one retrospective remediation was required. We took good note of all the findings, we shared them within our Education Sector team and we will incorporate the lessons learned in future audits.

In September 2020 the Dutch Education Inspectorate assessed 3 files and communicated verbally that all three are sufficiently qualified with no findings. We were informed it was clearly visible that we made improvements to the findings that emerged in previous reviews. These 3 assessments and results have not been included in the data reported in this Transparency Report and will be included in the Transparency Report 2020 - 2021.

### **Quality reviews by the Dutch Healthcare Authority (Nederlandse Zorgautoriteit, NZa)**

The NZa performs yearly reviews of the implementation of the Healthcare Insurance Act (*Zorgverzekeringswet, ZVW*) and the Long-Term Care Act (*Wet Langdurige Zorg*). In the past two years, the NZa did not review any of our firm's audit files of health insurance companies or a Health Office (*Zorgkantoor*).

### **Quality reviews by the Dutch Media Authority (Commissariaat voor de Media, CvdM)**

The CvdM supervises compliance with the Media Act 2008 (*Mediawet 2008*). The Dutch Media Authority did not perform any quality reviews in the past two years.

### **Quality reviews by The Royal Netherlands Institute of Chartered Accountants (Nederlandse Beroepsorganisatie van Accountants, NBA)**

In November 2018, the NBA executed a quality review to assess the design and operating effectiveness of the Audit Quality Framework at our firm. The NBA assessed 25 audit and assurance engagements in this inspection. For all 25 file reviews, the conclusion 'sufficient' was communicated to us by the NBA. No reviews were executed during the fiscal year 2019/2020.

## **Compliance with legal requirements**

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

## Anti-bribery

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

## Anti-Money Laundering

In accordance with the Dutch 'Money Laundering and Terrorist Financing (Prevention) Act' (Wet ter voorkoming van witwassen en financieren van terrorisme, Wwft), specific institutions have a legal duty to report unusual transactions to the Dutch Financial Intelligence Unit (FIU - the Netherlands). The objective of the Act is to maintain the integrity of the financial system by preventing unacceptable financial practices such as money laundering and financing of terrorism. During the fiscal year 2019/2020, EYA made 72 subjective reports of unusual transactions to the FIU (compared with 80 in the fiscal year 2018/2019). During the same period, we also made 100 reports of unusual transactions based on the objective reporting indicator.

number of reported unusual transactions	2019 - 2020	2018 - 2019
subjective	72	80
objective	100	105

In accordance with the Wwft, EY is obliged to execute a client due diligence and report unusual transactions of the client. These requirements have been implemented in our Anti-Money Laundering and Countering Terrorist Financing (AML/CTF) policy. In 2018, EY NL established a centralized Wwft compliance function (the AML office) in order to advise and support the EY engagement teams in connection with the Wwft and AML/CTF policy compliance.

In an ongoing matter related to a former audit client, the Dutch public prosecutor is still prosecuting us for allegedly not complying with our reporting obligations pursuant to the Wwft. We continue to contest these charges.

## Insider trading

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

## Trade sanctions

It is important that we are aware of the ever-changing situation with respect to international trade sanctions. EY monitors sanctions issued in multiple geographies

and provides guidance to EY people on impacted activities.

## Data privacy

The EY Global Personal Data Privacy Policy, revised and reissued in 2018, sets out the principles to be applied to the collection, use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers and business associates. This policy is consistent with the strict requirements of the European Union's GDPR, and other applicable laws and regulations concerning data protection and privacy. EY also has Binding Corporate Rules approved by EU regulators in place to facilitate the movement of personal data within the EY network. Furthermore, we have a policy to address our specific Dutch data privacy requirements and business needs, as well as extensive information on ey.com/nl on the various aspects of EY's personal data processing.

## Data breach notification

Under the General Data Protection Regulation ("GDPR"), we have the obligation to notify the Dutch Data Protection Authority as soon as we experience a data breach, unless the data breach is unlikely to result in a risk to the rights and freedoms of individuals.

We keep a register of all security breaches to assess whether a breach must be reported to the Dutch Data Protection Authority as a data breach. This register includes incidents like lost or stolen laptops, smart devices, secure ID cards, hard copy files, emails sent to the wrong person etc. No data breaches were reported to the Dutch Data Protection Authority bij EYA in the fiscal year 2019/2020. (2018/2019: one).

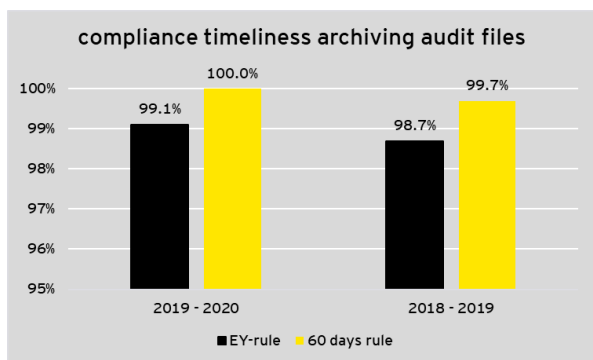
## Incidents

Under Dutch law, we are obliged to inform the Dutch Authority for the Financial Markets (AFM) immediately of any incident that might have serious consequences for the integrity of our operations. No incidents were reported to the AFM during the fiscal year 2019/2020, compared to four incidents in the fiscal year 2018/2019 (see KPI 35 in Appendix 4 of this Transparency Report. For information on the number of annual report adjustments made during the fiscal year 2019/2020, we refer to KPI 31 in the same Appendix).

## Archiving

As part of our quality effort, we monitor the timeliness of the archiving of the audit file after sign-off. 'Archiving' means that an electronic copy of the audit file is stored in our archive system, after which it is no longer editable. For Public Interest Entities (PIEs or OOBs) and other statutory audits (WeCos), external regulations set the maximum period for archiving audit files after signing the auditor's opinion at 60 days and 45 days for PCAOB files. For quality and efficiency reasons, we have set an internal filing deadline. As of the fiscal year 2019/2020 the EY-rule is 20 calendar

days, before that the deadline was 10 working days. When justified and subject to approval by the PPG, a longer period (up to 60 days) may apply.



During the fiscal year 2019/2020 we met the external rule of 60 days for 100.0% of all archived files (2018/2019: 99.7%). We met the internal 20 calendar days archiving rule for 99.1% of the archived files. In 2018/2019 we met the internal 10 working days archiving rule for 98.7%.

## Document retention

EY Record Retention global and related local policies apply to all engagements and personnel. These policies address document preservation whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceeding involving us or one of our clients that may relate to our work. It also addresses Dutch legal requirements applicable to the creation and maintenance of working papers relevant to the work performed.

## Litigation

### Transparency in the Public Interest

In our society litigation is sometimes a path chosen for. In such cases, there will always be tension between the duty (and indeed the desire) to be transparent, in the public interest, about lessons learned, on the one hand, and the need to be prudent from a legal point of view and not to undermine our position in existing litigation or induce new litigation, on the other. Indeed, in many of these cases there will be legal and contractual restrictions to our transparency as our external communications may be limited by our duty to respect the privacy of individual persons involved. We acknowledge this dilemma and we aim to focus on the essential question: how can we align our transparency with the public interest?

We believe that from the perspective of the public interest, it is more important for us to be transparent about the lessons learned from recent or current inspections and controversies rather than to provide information regarding, for example, the amount for which we have settled a civil case related to an audit performed many years ago.

## Disciplinary proceedings

On 1 July 2019, five disciplinary proceedings were pending. Two cases ended during the fiscal year 2019/2020. In one case, the Trade and Industry Appeals Tribunal (College van Beroep voor het bedrijfsleven) handed down a final decision during the fiscal year 2019/2020. In a related case, the disciplinary complaints were withdrawn in the fiscal year 2019/2020.

Three of the proceedings pending on 1 July 2019 were still pending on 30 June 2020. One new disciplinary complaint was filed in the fiscal year 2019/2020, which was withdrawn in the same fiscal year. Therefore, as of 30 June 2020, a total of three disciplinary proceedings were pending.

Two of the cases mentioned above are related. The first involves two shareholders of a bankrupt public limited company who filed a complaint against the auditor of that company in May 2016. They claim that the 2012 and 2013 audits were not performed properly. The Transparency Report for the fiscal year 2018/2019 discusses the content of the decision of the Trade and Industry Appeals Tribunal of 17 September 2019. With that decision, these disciplinary proceedings ended. With respect to the same audit, the trustees in the bankruptcy filed a disciplinary complaint against the auditor during the fiscal year 2018/2019. After the Trade and Industry Appeals Tribunal handed down a final decision on 17 September 2019, the trustees withdrew their complaint.

In another set of cases, a complainant filed a first complaint against one of the board members of EYA in 2018. The complainant claims that an advisory engagement - not performed by auditors of our firm - was not carried out in line with the professional rules and regulations and that our firm's quality system does not function properly. The board member had no involvement in this specific engagement. The 6 September 2019 decision of the Disciplinary Council has been discussed in the Transparency Report for the fiscal year 2018/2019. The matter was appealed and is still pending in appeal. During the fiscal year 2018/2019, the same complainant filed a second complaint against the board member of EYA. The complaints are similar to the ones filed earlier but relate to different advisory reports. This matter has been postponed until a final decision in the previous matter has been handed down. During the fiscal year 2019/2020, the same complainant filed a third complaint against the board member. Complainant withdrew its complaint in the same fiscal year.

In the fiscal year 2018/2019, a complaint was filed against a registered accountant in his role as engagement quality reviewer of an audit performed by another audit firm. At the time, the registered accountant worked for that firm. This matter is still pending.



## **Claims under civil law relating to professional conduct**

### **Demand letters**

A demand letter is a letter including a notice of liability (aansprakelijkstelling). Demand letters may lead to an acknowledgement or a refutation of liability. We received three demand letters in the fiscal year 2019/2020.

### **Civil law proceedings**

Four civil law proceedings were pending on 1 July 2019. All four were still pending on 30 June 2020. During the fiscal year 2019/2020, three new civil law proceedings were initiated against EYA. Therefore, on 30 June 2020, seven civil law proceedings were pending against EYA.

The first of these seven cases, although formally still pending, is inactive.

In the second case, the District court handed down a final decision in the fiscal year 2018/2019 and rejected the claims against EYA. An appeal was filed in the fiscal year 2018/2019. The matter is still pending before the Court of Appeal in the fiscal year 2019/2020.

In the third case, in the fiscal year 2018/2019, the District Court rejected the claims against a former partner of EYA. An appeal was filed in that fiscal year

and is still pending before the Court of Appeal in the fiscal year 2019/2020.

The fourth matter was initiated during the fiscal year 2018/2019. In this matter, the shareholders of a bankrupt public limited company initiated civil law proceedings against EYA. These are the same shareholders who initiated disciplinary proceedings against the auditor of that company in 2016. The shareholders hold EYA liable for their investment in the company in the months before the bankruptcy. In the fiscal year 2019/2020, EYA was allowed to initiate indemnification proceedings against the members of the board of directors and the supervisory board. These matters will be joined and it is expected that a court hearing will be scheduled in the fiscal year 2020/2021.

In the fiscal year 2019/2020, two civil law proceedings were initiated against EYA by former audit clients. The claim relates to the alleged incorrect application of tax facilities. As a result, claimants claim that the annual accounts are incorrect. EYA is being held liable for not having observed this during the audit.

In the fiscal year 2019/2020, the purchaser of shares in a former audit client initiated civil court proceedings against EYA. The claimant initiated this claim in connection with irregularities in the activities of the former audit client and holds EYA liable for damages suffered in this respect.



## Independence practices

The EY Global Independence Policy requires EYA and our people to comply with the independence standards applicable to specific engagements, e.g., the IESBA Code of Ethics and Dutch rules on auditors' independence.

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

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

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

### EY Global Independence Policy

The EY Global Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code and supplemented by more stringent requirements in jurisdictions where prescribed by the local legislative body, regulator or standard-setting body. The policy also contains guidance designed to facilitate an understanding and the application of the independence rules. The EY Global Independence Policy is readily accessible and easily searchable on the EY intranet.

### Global Independence System (GIS)

The GIS is an intranet-based tool that helps EY professionals identify the entities from which independence is required and the independence restrictions that apply. This concerns listed audit clients and their affiliates, but also non listed audit and other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of the

assurance clients and is updated by client-serving engagement teams. The entity data includes notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.

### Global Monitoring System (GMS)

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

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

### Independence compliance

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

#### Independence confirmations

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

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

### **Independence compliance reviews**

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

### **Personal independence compliance testing**

Each year, the EY Global Independence team establishes a program for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. For the 2020 testing cycle, EY Netherlands tested 181 partners and other personnel

### **Non-audit services**

We monitor compliance with professional standards, laws and regulations governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as PACE and Service Offering Reference Tool (SORT) (see below), and training and required procedures completed during the performance of audits and internal inspection processes. We also have a process in place for the review and approval of certain non-audit services in advance of accepting the engagement.

### **Global independence learning**

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

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

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

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

### **Service Offering Reference Tool (SORT)**

We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to

make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks. SORT provides EY people with information about EY service offerings. It includes guidance on which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues and considerations.

### **Business Relationship Evaluation Tool (BRET)**

EY people are required to use BRET in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with an audit client, thereby supporting our compliance with independence requirements.

### **Audit committees and oversight of independence**

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

### **Safeguarding Independence in the Netherlands**

We further intensified our efforts to ensure compliance within our firm with all applicable independence rules. EY's Dutch Independence Desk, whose area of responsibility covers all EY professionals and service lines in the Netherlands, has been strengthened over recent years and now consists of 13 FTEs (See KPI 13 in Appendix 4 of this Transparency Report for detailed figures per rank). This size allows the Independence Desk to plan and operate pro-actively in all relevant independence-related areas. It is able to look more deeply into more situations in areas where independence rules may be at risk of being breached. If and when breaches of independence rules are discovered, we evaluate the circumstances and assess whether further process improvements are necessary.

Worldwide, EY is further improving and interconnecting systems such as PACE, GIS and SORT to ensure compliance with independence rules and reduce the risk of human error. We benefit from these improvements. In parallel, at the level of both EMEIA and the Netherlands, we continued our campaign to stress to all our professionals the importance of full compliance with all applicable independence rules. This campaign is reinforced by a partner sanction framework as well as an executive sanction framework from the level of manager and up. We are starting to

see the results of these efforts in the form of increased awareness among our professionals of the importance of discipline and strict compliance. For the total number of internally reported or identified independence violations at EY in the Netherlands during the fiscal year 2019/2020, see KPI 24 in Appendix 4 of this Transparency Report.

### **Non-Assurance Services**

Both 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) prohibit auditors of an OOB/PIE client to provide non-audit services to this client, with very few exceptions. No cases of non-compliance were identified during the fiscal year 2019/2020.

### **Personal independence**

Our professionals have to comply with internal and external rules on personal independence. We monitor, for example, the compliance of our professionals with rules regarding directorships they are not allowed to accept. From the level of 'manager' upwards, professionals have to record their personal financial interests in EY's Global Monitoring System (GMS). Compliance with the GMS requirements is monitored

through our Personal Independence Compliance Testing (PICT) program, covering partners, directors and (senior) managers. Our sample sizes vary from year to year; we aim to ensure that all partners are tested at least once every five years, with certain partners in managerial roles being selected more frequently. 48 partners were tested in the period covered (1 April 2019 to 31 March 2020). These tests did not identify any independence breaches<sup>1</sup>. Five administrative violations are recorded, for two partners this resulted in a financial penalty (1 April 2018 to 31 March 2019: 57 tests, 0 breaches, 3 administrative violations, for which one received a penalty). Furthermore, 133 executives are tested in the period resulting in zero breaches and 22% administrative violations..

### **Audit partner rotation**

EU and Dutch regulations limit the number of years partners and other senior team members are allowed to be involved in an audit and/or assurance engagement at the same client. We employ tools that track involvement of our professionals, thereby enabling effective monitoring of compliance with these regulations.

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<sup>1</sup> A breach is an instance of non-compliance with the independence requirements of the applicable professional standards or regulations.



## Continuing education of audit professionals

### Professional development

The continuous development of our people's skills and knowledge is critical to achieving our purpose of enhancing confidence in the capital markets. Providing opportunities for the right experiences, learning and coaching helps them grow and achieve their potential at a variable pace of progression that suits them. The day-to-day experiences gained are assigned locally in a systematic way, while the EY audit learning core curriculum is globally consistent. This is supported throughout by on-the-job coaching from more experienced professionals that helps to transform knowledge and experience into practice.

Learning is delivered through the award-winning Audit Academy, which combines "on-demand" e-learning modules with interactive physical and virtual classroom-based simulations and case studies, plus relevant reinforcement and application support. This is supplemented by learning programs that are developed in response to changes in accounting and reporting standards; independence and professional standards; new technology; and emerging practice issues.

Where an EYG member firm audits and reviews International Financial Reporting Standards (IFRS) financial statements, relevant team members undertake learning to become IFRS-accredited. We require our audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

### Knowledge and internal communications

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

- ▶ EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications such as International GAAP, IFRS developments and illustrative financial statements
- ▶ *Global Accounting and Auditing News* – weekly update covering assurance and independence policies, developments from standard setters and regulators, as well as internal commentary thereon
- ▶ Practice alerts and webcasts covering a range of global and country-specific matters designed for continuous improvement in member firms' Assurance practices

### Performance management

LEAD is EY's framework that connects people's career, development and performance. LEAD is a key driver in creating a step-change in the experience of EY people. Through ongoing feedback, development, counselor excellence and career conversations, LEAD aligns individuals with the NextWave strategy and enables people to focus on the future.

It is designed to support the growth and development of EY people at all stages of their career at EY. An individual's personal dashboard provides an easy to interpret snapshot of their performance against the Leadership at EY dimensions, including quality, risk management and technical excellence, and assess performance against peers. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programs.

Regular connect with a counselor on topics such as diverse career journeys, applying emerging technology, experiencing new teams and learning helps identify opportunities for further development and to build future-focused skills.

### Changes in the audit profession

The world around us is undergoing major changes. These changes are also impacting the audit profession. The role of the accountant is changing which leads to a different set of requirements for the content of training programs. Auditors will also have to be trained more in areas such as cyber security, IT, data privacy and integrated reporting. In addition, auditors must increasingly have the skills to understand and discuss issues such as behavior and culture in organizations.

By including these elements explicitly in our audit training programs, we ensure that auditors are prepared for their changing role in society in the future.

### **Culture, behavior and attitude**

In our learning and training programs, we focus on three subjects: knowledge, skills and behavior. As part of our SC2Q goal to further improve our culture and the behavior of our professionals, 'attitude' is receiving much more attention now than it did a few years ago.

We focus on teamwork and a constructive culture through specific training programs familiarizing our professionals with our 'Highest Performing Teams' (HPT) vision. During the fiscal year 2018/2019, we further intensified the roll out of HPT training sessions focusing on forming a shared vision and building trust. Trust is the basis of high team performance and a healthy continuous learning culture. In addition, across the four service lines, all partners of EY in the Netherlands received a Leadership training, teaching them how they should act in order to foster the right culture and behavior in their teams

This program, managed by an external specialized firm, kicked off in the fourth quarter of 2018. Around 450 partners, associate partners and directors have now participated. The starting point is that our leaders are transparent, open to criticism and can create a culture and atmosphere within their team in which everyone can give each other feedback and can learn from each other. Managers have also collected input on how we can make our purpose and values more manifest and realize the ambitions set out in Vision 2020+ in the Netherlands. We will continue with this program for current and future leaders within our company.

Another example of our increased emphasis on the right culture are our 'Executive Learning Events', during which we not only focus on technical knowledge but also on how to assess the team culture of an audit team and how, as team leaders, they can improve this culture and put our HPT vision into practice through building trust and defining a shared vision. Improvement of project management within our firm is fostered not only through the use of formal tools - e.g. EY's Milestones tool - but also through a focus on the right behavior with a stress on discipline, constructive cooperation and accountability. Additionally project management is integrated in most of our Audit Academy curriculum starting with our youngest professionals.

### **Coaching**

We offer our employees many opportunities for their personal and professional development. Once recruited, all our new colleagues at staff level in the service line Assurance are immediately assigned to a Development & Learning Team (DLT). In these small teams - four to six people - they are coached by a

trained senior staff member. The teams meet at least four times a year, in addition to one-on-one contact when needed. Members are stimulated to self-reflect, ask questions, express their ideas, to share experiences and to learn from each other. The coaches receive a special training program to prepare them for the job. By coaching a DLT, the coaches acquire valuable skills that will help them to lead members of an audit team later on in their career. A DLT stays together for approximately 30 months.

Through the DLT, our new colleagues become familiar with EY's coaching culture. We are convinced that fostering personal relationships in which more experienced team members pass on their knowledge and skills, on the job, to younger colleagues is helping us to improve the quality of our audits and to increase the job satisfaction of all involved. Additionally, EY provides individual coaching support when needed by internally or externally accredited coaches and has an elaborate Highest Performing Teams program through which team coaching is available.

### **Serving the public interest**

The main goal of training in the area of 'knowledge and skills' is to enable our professionals to serve the public interest and deliver high-quality work by complying fully with accounting and reporting standards, by displaying the right professional skepticism, by following all relevant independence standards and - last but not least - by keeping their professional knowledge up to date and embracing innovation in the profession. We are increasingly transforming data analytics from an 'add-on' to existing programs into a fully-integrated core part of our learning modules. We also facilitate the acquisition of the necessary data skills through learning modules based on practical challenges in the use of data analytics ('learning by doing'). In addition, we foster coaching of audit teams by IT-savvy colleagues if and when these teams harbor doubts or questions in the area of data analytics.

We train all our personnel to have adequate and sufficient knowledge of our GAM audit methodology and update each partner on all relevant changes in GAM.

### **Learning compliance**

During the calendar year 2019, all our professionals subject to the obligations regarding Continuing Education (*permanente educatie, PE*) set by our professional association NBA, complied with these obligations. We monitor partners' compliance with their mandatory training requirements at least once a year. If a partner exceeds his or her PE requirement, this is taken into account as positive when their quality ratings are established. We now also test whether partners have really acquired the knowledge offered after attending our executive learning programs. This helps us to gauge the effectiveness of these learning programs and to challenge colleagues who have not acquired the knowledge offered.



## Revenue and remuneration

### Financial information

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

The revenue of Ernst & Young Nederland LLP is specified in the table below:

Ernst & Young Netherlands LLP (€000,000)	2019/2020		2018/2019	
	€	%	€	%
Statutory audit services	231	61%	225	45%
Other assurance services	101	27%	98	20%
Assurance services	332	88%	323	65%
Assurance-related services (including compilation)	27	10%	24	6%
Other services	7	2%	5	1%
Other service lines	5	1%	142	28%
Rendering services Ernst & Young Accountants LLP	370	99%	495	99%
Other income Ernst & Young Accountants LLP	5	1%	4	1%
<b>Ernst &amp; Young Accountants LLP</b>	<b>375</b>	<b>100%</b>	<b>499</b>	<b>100%</b>
Ernst & Young Belastingadviseurs LLP	263		250	
EY Advisory Netherlands LLP	209		51	
Ernst & Young Netherlands LLP and subsidiaries	69		74	
Intercompany eliminations	-56		-42	
<b>Ernst &amp; Young Netherlands LLP</b>	<b>860</b>		<b>832</b>	

This breakdown can also be stated in accordance with Article 13 (2) (k) of the EU Regulation 537/2014:

Ernst & Young Accountants LLP 2019/2020 (€000,000)		PIE clients		Other clients	Total
		Netherlands	Other Countries		
ad i	Revenues from the statutory audit of (a) annual and consolidated financial statements of public-interest entities and (b) entities belonging to a group of undertakings whose parent undertaking is a public-interest entity.	73	16		89
ad ii	Revenues from the statutory audit of annual and consolidated financial statements of other entities.			142	142
ad iii	Revenues from permitted non-audit services to entities that are audited by the statutory auditor or the audit firm.	8	2	16	26
ad iv	Revenues from non-audit services to other entities.			113	113
	<b>Total revenue for rendering services Ernst &amp; Young Accountants LLP</b>	<b>81</b>	<b>18</b>	<b>271</b>	<b>370</b>

In the tables above, revenues from statutory audit services are presented in line with the definition of a statutory audit in Article 1 (1) (p) of the Dutch 'Audit Firms Supervision Act' (Wet Toezicht Accountantsorganisaties), including attachments. This

definition differs from the definition of a statutory audit in Article 13 (2) (k) of the EU Regulation 537/2014.

In the tables above, revenues from statutory audits at entities belonging to a group of undertakings of which the parent is a public interest entity (the subsidiaries of a PIE), are limited to those entities of which the parent company (the PIE) is audited by EYA or by a member firm of the international EY network.

### Partner remuneration

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

LEAD for partners, principals, associate partners and directors (PPEDDS) applies to all partners in EYG member firms around the world. LEAD for PPEDDS reinforces the global business agenda by continuing to link performance to wider goals and values. The process includes goal setting, ongoing feedback, personal development planning and performance review, and is tied to partners' recognition and reward. Documenting partners' goals and performance is the cornerstone of the evaluation process. A partner's goals are required to reflect various global priorities, one of which is quality.

In line with Directive EU/EEA of the European Parliament and of the Council of 16 April 2014, EY policies prohibit evaluating and compensating lead audit engagement partners and other professionals on an engagement based on the sale of non-Assurance services to companies they audit. This reinforces our partners' to maintain their and our independence and objectivity

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

- ▶ Providing technical excellence
- ▶ Living the EY values as demonstrated by behaviors and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Complying with policies and procedures

- ▶ Complying with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the EY brand

The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured within the context of LEAD. Partners are assessed by their firms annually on their performance in delivering quality, exceptional client service and people engagement alongside financial and market metrics.

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

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

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential

Instances of non-compliance with quality standards result in remedial actions, which may include performance evaluation, compensation adjustment, additional training, additional supervision or reassignment. A pattern of non-compliance or particularly serious non-compliance may result in actions that include separation from our firm. Within the LEAD framework, each partner is assigned to one of four categories:

- ▶ Need to progress
- ▶ Progressing
- ▶ Differentiating
- ▶ Strategic Impact

This assignment is based on a partner's responsibilities and past performance. If and when partners consistently outperform or underperform with respect to their category for a longer period, or if they take on new responsibilities, they can change categories. The category to which a partner is assigned is an important factor in determining the partner's remuneration and its annual growth, but leaves wide margins for individual upward or downward yearly adjustments, according to the performance of the partner during the year in question.

To fine-tune decisions on partner remuneration, EYA introduced a performance indicator with a 3-point scale for partners:

- ▶ Did not meet expectations
- ▶ Met expectations
- ▶ Exceeded expectations

Quality has a decisive influence on the score of a partner on this 3-point scale. Quality itself, in turn, is measured using an indicator with a numerical 5-point scale, where 1 is the lowest score and 5 the highest. To stress the importance of quality in the assessment of the performance of our partners, for our Assurance professionals, a quality rating lower than 3 in general means that the overall rating of the partner will be "Did not meet expectations".

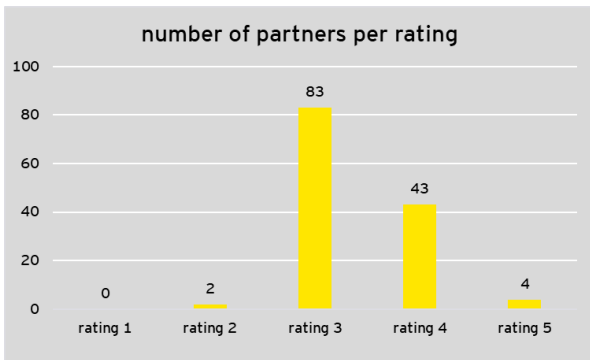
The criteria and factors used to determine the quality rating are the following:

- ▶ Audit performance
  - ▶ Consultation and Risk Management (including Independence) feedback
  - ▶ Interaction with Assurance and Quality domain leadership
  - ▶ Results from pre-issuance reviews
  - ▶ Inspection results: AQRs, external regulatory and peer review inspections
  - ▶ Adverse quality occurrences claims and disputes
  - ▶ Non-compliance with Assurance and Risk Management (including Independence) policies
  - ▶ First time right scores assurance procedures (including CEAC/AML)
- ▶ Complexity of the audit portfolio
- ▶ Other (behavioral) factors
  - ▶ Brand and reputation risk
  - ▶ The "Tone from the Top" (behavior and follow up monthly Qpi dashboard)
  - ▶ Support for and contribution to quality (both local and central)
  - ▶ Behavior during the AQR process
  - ▶ Acting in a Quality Reviewer Role, including Engagement Quality Partner.
  - ▶ Compliance and timely independence confirmations
  - ▶ Attendance at mandatory training events
  - ▶ Leading quality and professional standards training
  - ▶ Meeting CPE requirements
  - ▶ Membership of internal and external committees and lecturing
  - ▶ Feedback from third parties
  - ▶ External lectures and participation in scientific commissions
  - ▶ Root cause analysis
  - ▶ Performing in a (regional) quality role

For the fiscal year 2019/2020, the rating of our external auditors (a group that includes most, but not all of our partners and executive directors) on the 5-



point quality scale (5 is the highest score) was as follows:



The partner's category and overall rating on the 3-point scale determine his/her remuneration. This remuneration includes a basic remuneration and may include a performance award. The total basic remuneration paid to partners by our firm comprises at least 98% of the total distributable income, leaving 2% or less for the performance award pool. The

number of partners receiving a performance award can never exceed 10% of the total partner population; each individual performance award itself may never exceed 20% of the total remuneration received by the partner concerned. To qualify for a performance award, the partner's quality rating on the 5-point scale should be at least 3.

During the fiscal year 2019/2020, 4 partners were granted a performance award for their exceptional work.

We take action when the quality of an auditor's work is not up to standard. The following measures can be deployed in the event of sub-standard work: a disciplinary discussion (*normoverdragend gesprek*); setting up a remedial action plan to prevent sub-standard work in the future; the request to present the quality shortcomings and the "lessons learned" during learning meetings; a financial penalty; deregistration with our external supervisor the AFM, which implies that the partner can no longer sign audit opinions; and in very serious cases, separation from the firm.



## Statement of the Board of Directors

The policymakers confirm their responsibility for designing and maintaining the internal quality control system. This system, as described in this Transparency Report, aims to provide reasonable assurance that statutory audits are performed in accordance with applicable laws and regulations. As set out in this report, EY has evaluated and further improved the internal quality control system over the last year.

We are improving the quality of our services by implementing our multi-year change program SC2Q. This is a comprehensive program to realize our quality ambitions. Since April 2017, we have taken several actions including further steps in our process of culture change, additional and more thorough pre-issuance reviews, rationalization of our client portfolio, and improvements to quality monitoring and reporting. We have thus built a solid foundation for further development and quality improvement in the audit process.

At the end of the reporting year 2019/2020, we came near to the end of a period of a bit more than three years in which we worked on these changes in a project-based manner. 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. We can conclude that we have realized many changes and that many of the goals that we have set have been achieved. We will continue to strive for improvement within the existing organization.

The Transparency Report was discussed and adopted in the meeting of the Board of Directors on 21 October 2020. We discussed and evaluated our quality control system in our meeting on 14 October 2020.

Taking into account the actions mentioned above for further quality improvement, the policymakers confirm the following:

- ▶ The internal quality control system is operating effectively;
- ▶ An internal review of compliance with independence regulations has been conducted;
- ▶ An effective policy concerning the continuing education of our statutory auditors and other professional staff is in place.

Rotterdam, 21 October 2020

Rob Lelieveld (Chair)  
Auke de Bos  
Patrick Gabriëls  
Tom de Kuijper  
Nico Pul  
Mirjam Sijmons  
André Wijnsma



## Appendix 1: List of PIE audit clients

Statutory audits of public interest entities under Dutch law (OOBs) In the fiscal year that ended on 30 June 2020, Ernst & Young Accountants LLP performed statutory audits of the following PIEs:

AB FUND N.V.	BNP Paribas OBAM N.V.
ABN AMRO BANK N.V.	Citycon Treasury B.V.
ABN AMRO Captive N.V.	CNH Industrial N.V.
ABN AMRO Clearing Bank N.V.	Cnova N.V.
ABN AMRO Groenbank B.V.	Credit Europe Bank N.V.
ABN AMRO Hypotheken Groep B.V.	CRH Funding B.V.
ACTIAM Beleggingsfondsen N.V.	De Volksbank N.V.
Actua Schadeverzekering N.V.	Digi Communications N.V.
ad pepper media International N.V.	Dolphin Master Issuer B.V.
Add Value Fund N.V.	ENEL Finance International N.V.
Adriana Infrastructure CLO 2008-I B.V.	Enel Insurance N.V.
Airbus Finance B.V.	EURONEXT N.V.
Airbus SE	EXOR N.V.
Argentum Netherlands B.V.	Ferrari N.V.
ASN Beleggingsfondsen N.V.	Fiat Chrysler Automobiles N.V.
ASR Aanvullende Ziektekostenverzekeringen N.V.	Flow Traders N.V.
ASR Bank N.V.	Fugro N.V.
ASR Basis Ziektekostenverzekeringen N.V.	Heijmans N.V.
ASR Levensverzekering N.V.	InsingerGilissen Bankiers N.V.
ASR Nederland N.V.	Interbank N.V.
ASR Schadeverzekering N.V.	International Card Services B.V.
Asset Repackaging Trust Five B.V.	International Endesa B.V.
Asset Repackaging Trust SIX B.V.	Klaverblad Levensverzekering N.V.
Aurorus 2017 B.V.	Klaverblad Schadeverzekeringsmaatschappij N.V.
Basic-Fit N.V.	Koninklijke BAM Groep N.V.
BE Semiconductor Industries N.V.	Koninklijke Boskalis Westminster N.V.
BNP Paribas Fund III N.V.	Koninklijke KPN N.V.

Koninklijke Philips N.V.  
Lemonade Insurance N.V.  
Lowland Mortgage Backed Securities 4 B.V.  
Lowland Mortgage Backed Securities 5 B.V.  
Lowland Mortgage Backed Securities 6 B.V.  
Lucas Bols N.V.  
Matsuba 2016 B.V.  
MPC Container Ships Invest B.V.  
N.V. Schadeverzekering Metaal en Technische  
Bedrijfstukken  
N.V. Schadeverzekering-Maatschappij Bovemij  
Naturgy Finance B.V.  
NatWest Markets N.V.  
Nederlandse Financierings-Maatschappij voor  
Ontwikkelingslanden N.V.  
Nederlandse Waterschapsbank N.V.  
NIBC Bank N.V.  
NIBC Holding N.V.  
NS Insurance N.V.  
Onderlinge Waarborgmaatschappij Centramed B.A.  
ONVZ Aanvullende Verzekering N.V.  
ONVZ Ziektekostenverzekeraar N.V.  
Optimix Investment Funds N.V.  
Ordina N.V.  
OZLME B.V.  
PEARL Mortgage Backed Securities 1 B.V.  
PostNL N.V.  
Proteq Levensverzekeringen N.V.  
REA Finance B.V.  
Reis- en Rechtshulp N.V.  
RELX Finance B.V.  
REN Finance B.V.  
SABIC Capital II B.V.  
Shell International Finance B.V.  
Sif Holding N.V.  
Signify N.V.  
SRLEV N.V.  
Stern Groep N.V.  
STMicroelectronics N.V.  
Südzucker International Finance B.V.  
TenneT Holding B.V.  
TKH GROUP N.V.  
TomTom N.V.  
Toyota Motor Finance (Netherlands) B.V.  
Unibail-Rodamco-Westfield N.V.  
UVM Verzekeringsmaatschappij N.V.  
Vastned Retail N.V.  
Vivat N.V.  
VIVAT Schadeverzekeringen N.V.  
Wurth Finance International B.V.  
X5 Retail Group N.V.



## Appendix 2:

### List of approved EYG member firms in an EU or EEA member state

As of 30 June 2020, the following EYG member firms are approved to carry out statutory audits in an EU or EEA member State:

Member State	Statutory auditor or audit firm
Austria	Ernst & Young Wirtschaftspruefungsgesellschaft mbH
Belgium	EY Assurance Services
	EY Bedrijfsrevisoren
	EY Europe SCRL
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young d.o.o.
	Ernst & Young Croatia d.o.o.
Cyprus	Ernst & Young Cyprus Limited
	Ernst & Young
	Ernst & Young CEA (South) Services Ltd
	Ernst & Young CEA (South) Holdings Plc
Czech Republic	Ernst & Young Audit, s.r.o.
Denmark	EY Godkendt Revisionspartnerselskab
	EY Grønland Statsautoriseret Revisionspartnerselskab
	EY Net Source A/S
Estonia	Ernst & Young Baltic AS
	Baltic Network OU
Finland	Ernst & Young Oy
	Julkispalvelut EY Oy
France	Artois
	Auditex
	Ernst & Young Atlantique
	Ernst & Young Audit
	Ernst & Young et Autres
	EY & Associés
Picarle et Associates	
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young Heilbronner Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	EY Revision und Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Schitag Schwäbische Treuhand GmbH Wirtschaftsprüfungsgesellschaft

Member State	Statutory auditor or audit firm
Gibraltar	EY Limited
Greece	Ernst & Young (Hellas) Certified Auditors Accountants SA
Hungary	Ernst & Young Könyvvizsgáló Korlátolt Felelősségű Társaság
Iceland	Ernst & Young ehf
Ireland	Ernst & Young Chartered Accountants
Italy	EY S.p.A.
Latvia	SIA Ernst & Young Baltic SIA
Liechtenstein	Ernst & Young AG, Basel
	Ernst & Young AG, Vaduz
Lithuania	Ernst & Young Baltic UAB
Luxembourg	Compagnie de Revision S.A.
	Ernst & Young Luxembourg S.A.
	Ernst & Young S.A.
Malta	Ernst & Young Malta Limited
Netherlands	Ernst & Young Accountants LLP
Norway	Ernst & Young AS
Poland	Ernst & Young Audyt Polska sp. z o.o.
	Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Finance spółka komandytowa
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Doradztwo Podatkowe spółka komandytowa
	Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.
	Ernst & Young Usługi Finansowe Audyt sp. z o.o.
Portugal	Ernst & Young Audit & Associados - SROC, S.A.
Romania	Ernst & Young Assurance Services S.r.l.
	Ernst & Young Support Services SRL
Slovakia	Ernst & Young Slovakia, spol. s r.o.
Slovenia	Ernst & Young d.o.o.
Spain	ATD Auditores Sector Público, S.L.U
	Ernst & Young, S.L.
Sweden	Ernst & Young AB
United Kingdom	Ernst & Young LLP
	Ernst & Young Europe LLP

Total turnover for the year ended on 30 June 2020 for these EYG member firms resulting from statutory audits of annual and consolidated financial statements was approximately € 2.8 billion.



## Appendix 3: Biographies

### Members of the Board of Directors as at 31 October 2020



**Rob (R.J.W.) Lelieveld (1962, Dutch)**

Policymaker of EYA since 2 May 2017.

Rob joined EY in 1980 and was appointed partner in 1996. He has 40 years of experience as an auditor with clients in various sectors including many international organizations. During his career, he has gained extensive management experience. Rob is a chartered accountant and he followed executive programs at the Kellogg School of Management and at Harvard University. He also completed the INSEAD International Director Program in Fontainebleau.

Rob is chair of the board of EYA. In addition, he is a member of the board of Ernst & Young Nederland LLP since 2 May 2017. Rob is also a member of the NBA (Royal Netherlands Institute of Chartered Accountants) 'Steering Group Public Interest' (*Stuurgroep Publiek Belang*), Chair of OPAK (PIE audit firms platform) and a member of the supervisory board of the Mauritshuis in The Hague, the Netherlands.

Former positions and activities:

- ▶ Managing Partner of EY's Financial Services practice in the Netherlands
- ▶ Member of EY's EMEIA Financial Services Leadership team
- ▶ Chair of EY's EMEIA Financial Services assurance partner promotion committee
- ▶ Member of EY's EMEIA Financial Services partner forum
- ▶ Responsible for HR within EY's regional board Holland-Midden in the Netherlands



**Auke (A.) de Bos (1965, Dutch)**

Policymaker of EYA since 1 February 2018.

Auke joined EY in 1996 and became partner in 2005. Since 2005, he has worked within the Professional Practice Group of our firm, for the most part as Professional Practice Director for the Netherlands. As such, Auke is responsible for the consistent delivery of external and internal auditing and accounting standards to our professionals, including policies, procedures and methodologies. Within the Board of Directors of EYA, Auke is responsible for subjects related to his role as Professional Practice Director.

Auke is editor-in-chief of various in-house EY publications. In addition, he is a part-time professor of Business Economics at Erasmus University (Rotterdam). He focuses his research and teaching on auditing and corporate governance, subjects on which he has published dozens of articles.

Former positions and activities:

- ▶ Member of the Ernst & Young International Financial Reporting Standards Knowledge Centre in London, 2000-2001.
- ▶ Member of various industry committees in the Dutch auditing sector on behalf of EY.



**Patrick (P.J.A.) Gabriëls (1972, Dutch)**

Policymaker of EYA since 1 September 2017.

Patrick joined EY in 2002 and became partner in 2006. He served many large multinational enterprises and other listed companies as auditor or advisor. At EY, he has co-founded several initiatives to drive innovation, including EYnovation, HighTechXL and Innovate EY. As a member of the Board of Directors of EYA, Patrick is responsible for Innovation.

Former positions and activities:

- ▶ Sector leader of EY's industry group Technology Media and Telecom in the Netherlands



**Tom (T.) de Kuijper (1978, Dutch)**

Policymaker of EYA since 1 June 2018.

Tom joined EY in 2001 and became partner in 2013. During his career at EY, Tom worked with both domestic and international clients. In recent years, he focused on large financial institutions, either as auditor or as advisor. Tom spent two years in Sydney, working at EY's Australian practice. Within the Board of Directors of EYA, Tom is responsible for Operations.

Former positions and activities:

- ▶ Talent leader EY FSO the Netherlands



**Nico (N.M.) Pul (1964, Dutch)**

Policymaker of EYA since 11 May 2017.

Nico joined EY in 1988 and became partner in 2001. Over the last three decades, he specialized in the financial sector and has been the external auditor of a number of banks, pension funds and insurance companies. Nico has overall responsibility for the design of Step Change to Quality, EY's cross-service line quality improvement program in the Netherlands. In order to execute this role effectively, Nico has taken on several managerial positions. He is also a member of the Board of Ernst & Young Nederland LLP since 1 February 2018. In addition to being a member of the Board of Directors of EYA, Nico is also Quality Enablement Leader (QEL) of our service line Assurance.

Nico is currently also a member of the board of the Foundation for Auditing Research in Breukelen and a member of the Board of Trustees of the auditing education program (Curatorium Accountantsopleiding) of VU University Amsterdam.

Former positions and activities:

- ▶ EY's Compliance Officer in the Netherlands.
- ▶ Professional Practice Director (PPD) of EY's EMEIA FSO Assurance region.
- ▶ Vice-chairman of the NBA's industry committee on Insurers and Pension Funds.
- ▶ Chair of the Foundation Pension Fund Ernst & Young



**Mirjam (M.) Sijmons (1960, Dutch)**

Policymaker of EYA since 1 February 2018.

Mirjam joined EY at the start of 2018. Within the Board of Directors of EYA, she is responsible for human resources and for cultural change within our firm. Mirjam joined EY with a wealth of experience in both managerial and supervisory roles. Since 1 February 2018, she is a member of the board of Ernst & Young Nederland LLP, with responsibilities similar to the ones she holds at our firm. Mirjam is a member of the supervisory board of 'Kampert en Helm' and chair of the supervisory board of Dierenbescherming.

Former positions and activities:

- ▶ CEO Arboned
- ▶ Member of the board of the ANWB
- ▶ CEO Content
- ▶ Member of the supervisory board of Eneco Groep
- ▶ Member of the supervisory board of Leiden University
- ▶ Member of the supervisory board of Marente



**André (A.) Wijnsma (1972, Dutch)**

Policymaker of EYA since 1 February 2020.

André joined EY in 1996 and became partner in 2008.

André has extensive experience as external auditor of multinational companies and OOB's. He was Markets leader EY Netherlands from 2017, responsible for strategy, balanced client portfolio, management of the Business development department. Within the Board of Directors of EYA, André is responsible for markets, client acceptance and continuance and the stakeholder dialogue.

Former positions and activities:

- ▶ from 1 July 2012 to 31 December 2016 member of the Partner Admission Committee



## Members of the Supervisory Board as at 31 October 2020



### **Pauline (P.F.M.) van der Meer Mohr LL.M. (1960, Dutch)**

Chair since 1 July 2015.

Pauline is Deputy Chairman of the Supervisory Board of DSM and an independent non-executive Director at HSBC Holdings and Mylan. She is also chair of the Dutch Monitoring Committee Corporate Governance, serves on the Capital Markets Committee of the AFM and is senior External Adviser to the Dutch Central Bank. In addition, she is chair of the Supervisory Board of the Nederlands Dans Theater. Pauline holds a master's degree in Law from Erasmus University Rotterdam as well as a master's degree in Dispute Resolution from the University of Amsterdam.

Former positions and activities

- ▶ Member of the Supervisory Board of ASML
- ▶ Member of the Dutch Banking Code Monitoring Commission
- ▶ President of the Executive Board of Erasmus University Rotterdam
- ▶ Senior Executive Vice President and Head of Group Human Resources at ABN AMRO
- ▶ Group Human Resources Director at TNT
- ▶ Several executive positions at Shell



### **Steven (S.R.A.) van Eijck PhD (1959, Dutch)**

Vice-Chair since 1 July 2015.

Steven has extensive experience in academic life, politics, business and philanthropy. Among other posts, he is currently vice-chair of the Maatschappelijke Alliantie (Major Alliance) and president of the RAI Association representing the interests of the Dutch mobility sector. He is also a Crown-appointed member of the Social and Economic Council of the Netherlands (SER), member of the board of VNO-NCW and member of several non-commercial foundations. He holds a master's degree in Fiscal Economics and a PhD from Erasmus University Rotterdam.

Former positions and activities

- ▶ Chair of EY's Public Interest Committee
- ▶ Junior minister ('staatssecretaris') at the Ministry of Finance
- ▶ Government Commissioner on policies regarding adolescents
- ▶ Senior associate professor in finance and fiscal policy at Erasmus University Rotterdam
- ▶ In addition, and over the years, he has founded various companies



### **Monique (M.B.E.) Maarsen MBA (1968, Dutch)**

Member since 1 July 2015.

Monique is Managing Director and owner of Maarsen Groep with overall responsibility for the group's operational and investment activities. She is specialized in real estate development. She is a member of the Supervisory Board of Schiphol Area Development Company, chair of the Supervisory Board of Stichting KiKa and performs various advisory functions. Monique holds a master's degree in Business Administration and Management from Groningen University.

Former positions and activities

- ▶ Member of the Supervisory Board of A.T. Osborne
- ▶ Member of the Supervisory Board, Ronald McDonald
- ▶ Member of the Supervisory Board, Tom Voute Fonds
- ▶ Commercial Director at Maarsen Groep
- ▶ Investment Broker at DTZ Zadelhoff in London
- ▶ International Consultant at Nestlé in Switzerland



### **Tanja (T.L.) Nagel (1960, Dutch)**

Member since 1 September 2017.

Tanja has an extensive background in the financial services industry and was CEO and Chair of the Board of Directors of Theodoor Gilissen until 1 July 2017. She is Chair of the Board of Stichting DSI (Dutch Securities Institute) and a member of the supervisory boards of PNO Group Holding, the Stichting Oncode and the Veerstichting. She is also a member of the Advisory Board of the Frans Hals Museum/De Hallen Haarlem as well as board member of the Universiteitsfonds Utrecht. Tanja holds a master's degree in Law from Utrecht University.

Former positions and activities

- ▶ Member of the Supervisory Board of KAS BANK
- ▶ Member of the Supervisory Board of the Stichting Nederlands Scheepvaartmuseum
- ▶ Several senior management positions including Director Private Banking Nederland at Van Lanschot Bankiers
- ▶ Started her career at AMRO Bank



### **Patrick (P.F.L.) Rottiers (1965, Belgian)**

Member since 12 November 2018.

Patrick started his career at EY in 1988 as auditor and was appointed an audit partner in 2000. Patrick holds a master's degree in Economics from Brussels University. During his career he fulfilled several roles including that of Assurance Leader as well as Risk Management Leader EY Belgium before his appointment to his current role as Country Managing Partner EY Belgium. He is a member of the Advisory Council of the Belgium Olympic and Intrafederal Committee (BOIC) as well as the Advisory Council of the Impulscentrum Groeimanagement voor Middelgrote Ondernemingen ('iGMO') - Vlerick Business School. Patrick is an alumnus of the Vlaamse Economische Hogeschool Brussel and also holds a master's degree in Far Eastern Business from the Economische Hogeschool Sint-Aloysius.



## Appendix 4: Key Performance Indicators

On 25 September 2014, the working group “Toekomst accountantsberoep” of our professional association NBA published the report “In het publiek belang” (“In the public interest”). Among other important proposals to increase the quality of services provided by Dutch audit firms, this report contained a set of key performance indicators (KPIs) which Dutch Audit firms with an OOB (PIE) license should report on regularly. This proposal by the working group was endorsed by the NBA. On 4 March 2016, the NBA published a guidance document on a standard set of KPIs to be published in the Transparency Report of OOB audit firms. In this Appendix 4, we provide the information regarding these KPIs for our firm. Where a KPI coincides with an internal EY KPI included in this Transparency Report, we provide a reference. If we cannot give a score for a KPI, we indicate why.

### NBA KPIs

#### Teaming general

1. Number of partners, (senior) managers and other team members (based on FTE). Total numbers per group and numbers as a percentage of total headcount. These figures include FTEs at supporting services within our service line Assurance.

	FY 2019-2020		2018 - 2019	
	FTE	%	FTE	%
Partners	159	8.1	162	8.2
(Sr.) Manager	440	22.3	441	22.2
Other	1,371	69.6	1,381	69.6
<b>Total</b>	<b>1,970</b>	<b>100.0</b>	<b>1,985</b>	<b>100.0</b>

2. Average number of years of experience, split between partners, (senior) managers and other team members. Only the years of employment/partnership at EY are registered and included for the score of this KPI.

	2019 - 2020	2018 - 2019
Partner	20.1	20.1
Manager	10.8	10.4
Other	4.1	4.0
<b>Total</b>	<b>6.9</b>	<b>6.7</b>

3. Employee turnover of partners, (senior) managers and other team members, split between key talents / high potentials and others. Total numbers per group and numbers as a percentage of headcount per group.

	2019 - 2020				2018 - 2019			
	# High potentials / key talent	% Headcount of this group	# Non High potentials / key talent	% Headcount of this group	# High potentials / key talent	% Headcount of this group	# Non High potentials / key talent	% Headcount of this group
Partner	-	-	13	8.9	-	-	10	6.8
Manager	20	13.3	67	22.5	24	14.9	59	21.8
Other	9	3.7	232	19.7	15	7.2	232	19.5
<b>Total</b>	<b>29</b>	<b>7.1</b>	<b>312</b>	<b>19.3</b>	<b>39</b>	<b>10.3</b>	<b>301</b>	<b>18.8</b>

4. Hours spent on audit engagements (split between OOBs and non-OOBs), other engagements and internal projects by partners, (senior) managers and other team members (excluding specialist hours). Total number of hours and number of hours as a percentage of all hours spent by each group.

	2019 - 2020				2018 - 2019			
	Partner	Manager	Other	Total	Partner	Manager	Other	Total
Financial audit (OOB)	42,009	97,004	257,319	396,332	37,819	106,952	242,732	387,503
Percentage of total	11.1	10.1	7.7	8.5	10.4	11.2	7.3	8.3
Financial audit (Non-OOB)	88,097	291,214	1,210,579	1,589,890	93,552	311,981	1,291,595	1,697,128
Percentage of total	23.3	30.4	36.2	34.0	25.7	32.6	38.9	36.6
Other engagements	35,297	133,308	537,219	705,824	31,114	119,554	472,452	623,120
Percentage of total	9.3	13.9	16.1	15.1	8.5	12.5	14.2	13.4
Indirect hours	212,630	437,582	1,336,722	1,986,934	201,751	417,549	1,314,722	1,934,022
Percentage of total	56.3	45.6	40.0	42.4	55.4	43.7	39.6	41.7
<b>Total</b>	<b>378,032</b>	<b>959,108</b>	<b>3,341,840</b>	<b>4,678,980</b>	<b>364,236</b>	<b>956,036</b>	<b>3,321,501</b>	<b>4,641,773</b>

5. Overtime hours as a percentage of total available contract hours.

% of total available contract hours	2019 - 2020	2018 - 2019
Percentage of overtime	7.3	7.7

#### Training and coaching

6. Training hours of partners / employees per group (internal and external training). Total hours spent by each group and average per FTE.

	Total hours		Hours per group member	
	2019 - 2020	2018 - 2019	2019 - 2020	2018 - 2019
Partners	11,758	11,535	74	71
(Sr.) Managers	46,215	45,742	105	104
Other	281,286	271,794	205	197
<b>Total</b>	<b>339,259</b>	<b>329,071</b>	<b>172</b>	<b>166</b>

7. Average investment (cash out in euros) in training and education per employee.  
In the absence of an unambiguous definition of this KPI, we cannot provide a score.

8. Number of internal hours spent on preparation and provision of training/teaching courses.

	2019 - 2020	2018 - 2019
Preparation time	13,120	14,323
Delivery time	21,765	23,225
<b>Total</b>	<b>34,867</b>	<b>37,548</b>

9. Average number of hours spent on an audit by partners, (senior) managers and other team members, split between OOB and non-OOB audit engagements. Hours per group as a percentage of the total number of hours spent by all groups together ('leverage').

	2019 - 2020		2018 - 2019	
	Financial audit OOB	Financial audit non-OOB	Financial audit OOB	Financial audit non-OOB
Partners	10.6%	5.5%	9.8%	5.5%
(Sr.) Manager	24.5%	18.3%	27.7%	18.4%
Other	64.9%	76.2%	62.6%	76.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

10. Number and ratio of engagements for which the benchmark for KPI 9 is not met.  
The benchmark has not yet been defined.

11. People survey results relating to coaching and audit quality topics.

% employees that agree	2018 - 2019
EY's purpose of building a better working world is motivating to me.	48%
The partners/leaders I work with have communicated a vision of the future that motivates me.	60%
I have a good understanding of how my job contributes to EY executing its strategy for Vision 2020.	42%
At EY there is open, honest two-way communication.	65%
I have meaningful conversations with my counselor regarding my career development.	75%
My manager(s) provides me with timely feedback.	62%
At EY, I feel my contributions are recognized and appreciated.	71%
EY provides a work environment where I feel free to be myself.	85%
I am able to manage my work responsibilities in a way that allows me to maintain a balance between work and home.	55%
The partners/leaders I work with are committed to providing high quality services to our clients.	91%

No people survey was conducted in 2019 - 2020. The latest results are from 2018 - 2019. During the year we execute our excellence ladder survey.

**Quality measures**

12. Audit hours spent per stage of the audit before and after financial year-end.

We cannot provide a score for this KPI, as our current systems do not include the required information with this level of detail.

13. Number of FTEs working for PPG (*Vaktechniek*), other quality-related support functions and the Independence Desk, split between partners, (senior) managers and other team members.

FTE	2019 - 2020				2018 - 2019			
	Partner	(Sr.) Manager	Other	Total	Partner	(Sr.) Manager	Other	Total
Assurance support	7.2	15.8	2.0	25.1	7.1	18.0	5.2	30.3
Accounting support	7.9	14.6	0.2	22.7	9.4	13.5	1.4	24.3
Quality Monitoring & Development	5.4	19.5	12.6	37.5	4.6	21.2	13.5	39.3
Internal Audit	2.9	3.3	1.0	7.2	2.9	1.8	-	4.7
Independence	2.0	5.3	6.0	13.3	1.3	5.9	5.8	13.0
<b>Total</b>	<b>25.5</b>	<b>58.5</b>	<b>21.8</b>	<b>105.8</b>	<b>25.5</b>	<b>60.4</b>	<b>25.9</b>	<b>111.6</b>

14. Number of consultations relating to audit and accounting topics.

	2019 - 2020	2018 - 2019
Accounting	87	61
Auditing	700	735
<b>Total</b>	<b>787</b>	<b>796</b>

15. Number of annual report reviews (*Accounting Review*, ARs) conducted by experts outside the audit team before issuance of the audit opinion (including annual report reviews as part of the OKB process. OKB is the term used within EY in the Netherlands for EQRs i.e. Engagement Quality Reviews).

	2019 - 2020	2018 - 2019
Number of annual report reviews (ARs) conducted by experts outside the audit team before issuance of the audit opinion	140	142

16. Number of EQRs (OKBs) performed - total number and number as a percentage of the number of statutory audits (*wettelijke controleopdrachten*, WeCos) performed.

	2019 - 2020		2018 - 2019	
	Weco	non-Weco	Weco	non-Weco
Number of OKBs performed	295	52	354	63
Percentage of auditson which an OKB was performed	15.8%	6.7%	16.3%	5.5%

17. Number of hours spent on OKBs (total and average per OKB performed) split between partners, (senior) managers and others.

FTE	2019 - 2020			2018 - 2019		
	Partner	(Sr.) Manager	Total	Partner	(Sr.) Manager	Total
Number of hours spent on OKBs	7,735	7,185	14,920	7,471	7,418	14,889
Average hours per OKB performed	22.3	20.7	43.0	17.9	17.8	35.7

18. Hours spent on OKBs: total number of hours spent on audit engagements on which an OKB is performed (1), total number of hours spent on OKBs (2), and (2) as a percentage of (1).

	2019 - 2020	2018 - 2019
Number of hours on audit engagements on which an OKB is performed	807,342	880,140
Number of hours performed on OKBs	14,920	14,889
Average hours performed on OKB as a percentage of the hours performed on the audit engagement	1.8%	1.7%

19. Hours spent by IT specialists as part of audit engagements (split between OOBs and non-OOBs): total number of hours and number of hours spent by IT specialists on audits as a percentage of the total number of hours spent on audits.

	2019 - 2020			2018 - 2019		
	OOB	non-OOB	Total	OOB	non-OOB	Total
Hours IT specialists	53,614	101,699	155,313	51,858	117,397	169,255
Hours IT specialists as a percentage of total hours	10.6%	5.5%	6.6%	10.7%	6.0%	6.9%

20. Number and ratio of engagements for which the defined benchmark for KPI 19 is not met.  
The benchmark has not yet been defined.

21. Hours spent by other specialists as part of audit engagements (OOBs and non-OOBs): total number of hours and number of hours as a percentage of all hours spent on all audits.

	2019 - 2020			2018 - 2019		
	OOB	non-OOB	Total	OOB	non-OOB	Total
Hours Actuary	14,493	6,652	21,145	14,420	6,939	21,359
Hours Actuary as a percentage of total hours	2.9%	0.4%	0.9%	3.0%	0.4%	0.9%
Hours Tax	10,668	25,553	36,221	9,575	25,028	34,603
Hours Tax as a percentage of total hours	2.1%	1.4%	1.5%	2.0%	1.3%	1.4%
Hours Valuation	5,070	17,193	22,263	5,224	13,981	19,205
Hours Valuation as a percentage of total hours	1.0%	0.9%	0.9%	1.1%	0.7%	0.8%
Hours Fraud	3,693	3,962	7,655	-	-	-
Hours Fraud as a percentage of total hours	0.7%	0.2%	0.3%	1.1%	0.7%	0.8%
Total hours financial audit	505,405	1,840,325	2,345,730	485,589	1,952,342	2,437,931

22. Number of hours spent on activities to improve the accounting profession (NBA, university, publishing etc.).

	2019 - 2020	2018 - 2019
Teaching at university	6,111	6,031

No data is available regarding the number of hours spent on NBA and publishing.

23. Number of issued audit opinions as part of statutory audits (WeCos, split between OOBs and Other).

	2019 - 2020	2018 - 2019
Statutory audits - PIE	138	147
Statutory audits - non-PIE	1,725	2,061
<b>Total Statutory audits</b>	<b>1,863</b>	<b>2,208</b>

24. Number of internally reported or identified independence violations - total and as a percentage of total headcount of EY NL (not only Assurance).

	2019 - 2020			2018 - 2019		
	Independence	Administrative requirements	Total	Independence	Administrative requirements	Total
Total breaches / violations	51	130	181	19	181	200
% of total number of employees	1.1%	2.7%	3.8%	0.4%	4.0%	4.4%

1 event in 2019 - 2020 resulted in 39 violations.

25. Number of internal warnings for independence violations - total and as a percentage of total headcount. We refer to KPI 24. EY does not differentiate between violations resulting or not resulting in warnings; all violations are followed up.

26. Number of audit files that have been subject to a quality review (other than OKB). We refer to the section on AQRs and their results in this Transparency Report.

	2019 - 2020	2018 - 2019
Number of audit files that have been subject to a quality review (other than OKB)	39	42

27. Number of audit files that have been subject to a quality review performed by an external oversight institution. We refer to the section on External Quality Assurance Review in this Transparency Report.

	2019 - 2020	2018 - 2019
Number of audit files that have been subject to a quality review performed by an external oversight institution	17	38

28. Conclusions of the accounting firm based on additional review and/or remediation procedures performed as a result of the findings reported by external regulators.

We refer to the section on External Quality Assurance Review in this Transparency Report.

29. Number of fines (including amounts) imposed on the firm by external regulators.

	2019 - 2020	2018 - 2019
Number of penalties received from external oversight institutions	0	1

30. Number of partners that have been eliminated from the auditor register - total and as a percentage of the total number of partners.

	2019 - 2020	2018 - 2019
Number of partners that have been eliminated from AFM Auditors register	13	13
<b>As a percentage of the total number of partners</b>	<b>8%</b>	<b>8%</b>

These eliminations are the result of leaving EY, another role at EY, or retirement.

31. Number of annual report adjustments made relating to fundamental and / or material errors (both Dutch GAAP and IFRS) relating to companies for which EY was also the auditor in the prior financial year - total and as a percentage compared to the total number of audit opinions issued.

	2019 - 2020	2018 - 2019
Annual report adjustments	62	66
<b>As a percentage of the total number of audit opinions</b>	<b>2.3%</b>	<b>2.0%</b>

The number of fundamental errors in 2019 - 2020 is 2 (2018 - 2019: 1).

32. Number of adjustments made relating to material errors at audit clients based on the outcome of reviews performed by external regulators - total and as a percentage of total issued audit opinions.

	2019 - 2020	2018 - 2019
Number of adjustments made relating to material errors at audit clients based on the outcome of reviews performed by external regulators	0	0
<b>As a percentage of the total number of audit opinions</b>	<b>0%</b>	<b>0%</b>

33. Number of audit engagements terminated early  
We don't provide a score for this KPI.

34. Number of claims received including status and expected outcome assessment.  
We refer to the paragraphs on Litigation in the section 'Compliance with legal requirements' of this Transparency Report.

35. Number of incidents reported to external oversight institutions.

	2019 - 2020	2018 - 2019
Number of incidents reported to external oversight institutions	0	4

36. Number of proceedings with the Disciplinary Council (*Accountantskamer*) including outcome.  
We refer to the paragraphs on Litigation in the section on 'Compliance with legal requirements' of this Transparency Report.

37. Number of EY/Ethics Hotline complaints including outcome of complaint resolution process.

	2019 - 2020	2018 - 2019
Number of internal reports	0	0
Number of external reports	0	2



## Appendix 5: Glossary

AFM	Autoriteit Financiële Markten	Dutch public regulator of the audit profession and various financial industries
AQR	Audit Quality Review	Annual internal review of a number of completed audit files in accordance with EY's globally defined rules and procedures for AQRs
EMEIA	Europe, Middle-East, India and Africa	One out of four areas of EY globally. WEM (Western Europe & Maghreb) is a region within EMEIA, the Netherlands is part of WEM
EYG	Ernst & Young Global Limited	EY's central entity
EY GAM	EY Global Audit Methodology	A generic set of rules that describe the way EY performs audits globally. Of course, during each audit other applicable regulations (if any) are taken into account as well
EQR (Dutch: OKB)	Engagement Quality Review / Opdrachtgerichte Kwaliteitsbeoordeling	Internal review of key audit areas and issues by another professional, independent from the audit team, before the audit is completed
FSO	Financial Services Organization	The only non-geographical Region within EY's EMEIA area
GIS	Global Independence System	Global tool to allow professionals to verify independence requirements for listed entities
GMS	Global Monitoring System	Global tool to register all listed securities held by every professional ranked manager to partner and to assess whether specific securities are allowed to be held or not.
GPPM	Global Partner Performance Management	Performance measurement tool for partners
IA	Internal Audit	EY's third line is formed by an independent Internal Audit department (IA). Within IA the designated Internal Audit Wta Officer independently monitors compliance with specific Wta / Bta and EU rules ('Wta supervision'). The IA Wta Officer was in the past also referred to as Compliance Officer and her IA Wta team as Compliance Office.
IFAC	International Federation of Accountants	Global organization for the accountancy profession
IFRS	International Financial Reporting Standards	International set of accounting principles
NBA	Nederlandse Beroepsorganisatie van Accountants	Dutch professional association of accountants, the professional body for Dutch auditors
NV/COS	Nadere Voorschriften Controle- en Overige Standaarden	Dutch set of auditing standards, with ISA as a basis and Dutch add-ons
OKB	Opdrachtgerichte Kwaliteitsbeoordeling	Dutch language equivalent of our Engagement Quality Review (EQR)
OOB	Organisatie van Openbaar Belang	Public interest entity according to Dutch law; non-OOB is an entity that does not qualify as public interest entity according to Dutch law
PACE	Process for Acceptance of Clients and Engagements	EY's global tool for structuring the client acceptance and continuance process, resulting in a risk rating score



PCAOB	Public Company Accounting Oversight Board	US public regulator of the audit profession
PIE	Public Interest Entity	Public interest entity according to international regulations
PPD	Professional Practice Director	The partner responsible for the Professional Practice Group
PPG	Professional Practice Group	The department in our firm that provides technical support to our audit and other assurance professionals both upfront as well as during the audit cycle
QEG	Quality Enablement Group	The department in our firm that implements quality initiatives and actions and supports audit quality
QEL	Quality Enablement Leader	A partner with specific responsibility for implementing the quality initiatives and actions and for supporting audit quality
QUIP	Quality Improvement Plan	Action plan describing steps and plans to improve quality
RM	Risk Management	Department at the regional level performing risk management
SAQ	Sustainable Audit Quality	EY's globally consistent approach to implementing the highest level of audit quality across the organization
SEC	Securities and Exchange Commission	Agency of the United States federal government
US-GAAP	Generally Accepted Accounting Principles in the USA	USA set of accounting principles
US-GAAS	Generally Accepted Auditing Standards in the USA	USA set of auditing standards
ViO	Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten	Dutch independence rules issued by NBA, our professional body, regarding independence of auditors at both public interest entities and other entities
WeCo	Wettelijke controle	Statutory audit required by Dutch law; a non-WeCo is a financial statement audit not required by Dutch law
WEM	Western Europe & Maghreb	One of the regions in EY's EMEIA area, the Netherlands belongs to WEM
Wta / Bta	Wet toezicht accountantsorganisaties / Besluit toezicht accountantsorganisaties	Dutch law and additional rules applicable to audit firms.

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