



Transparency Report 2021

Part 1

Ernst & Young Accountants LLP



Building a better
working world



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Foreword



Patrick Gabriëls
EY Netherlands
Chair of the Board of
Directors Ernst & Young
Accountants LLP



Quality and our people

The health and well-being of our people is our top priority, and we asked all EYA employees to work from home as much as possible from the start of the COVID-19 pandemic in March 2020. This situation has remained virtually unchanged until September 2021, though we offered people the flexibility of working from the office in the spring and summer of 2021, taking into account the safety measures communicated by the government. Our people have remained our primary concern this year. They need to deliver the quality that society, our clients and our organization expect from us. That is why, at EY, we believe it is important to always be fully aware of our people's well-being.

We realized this situation was making great demands on our people's flexibility and adaptability, and putting additional pressure on their work-life balance. Therefore, at the start of the fiscal year 2020/2021 (1 July 2020 to 30 June 2021) we also realized that the quality of our work was an important point of attention. This led us to invest more intensively in coaching, teaming and client relations, as well as providing the necessary technological support to enable our people to deliver the expected high level of quality and simultaneously ensure their well-being.

We are proud that our employees have demonstrated a sustained commitment to delivering high-quality audits. As noted further on in this report, the results of internal and external reviews show that this sustained commitment generated positive outcomes. We are also pleased to note that the average overtime per employee has decreased since last year, although COVID-19 has undeniably impacted work-life balance.



Quality now and in the future

The past year was not only about maintaining quality, but also about continuing to improve the audit quality. After completing the multi-year 'Step Change to Quality' program, which focused on strengthening our current structure and infrastructure, we are witnessing further progress in our continuous push to improve quality - now and in the future. We have to continue investing to enable quality to keep growing in the future. In other words, this is not a one-off project but an ongoing process within our organization. By maintaining a dialogue with our various stakeholders, we can continue to improve not only the quality required by legislation and regulations, but also the quality demanded by our stakeholders. We simply cannot, and will not, sit still on this.

EY's purpose: *Building a better working world*

EY is committed to doing its part in building a better working world.

The audits delivered by EY people help build trust and confidence in business and the capital markets. EY auditors serve the public interest by delivering high-quality, analytics-driven audits with independence, integrity, objectivity and professional skepticism. In doing so, the EY organization helps protect and promote sustainable and long-term value for stakeholders.

This quality development also includes audits and reviews of non-financial reporting so we can continue to provide our high level of quality when the new EU Corporate Sustainability Reporting Directive comes into force. We have already started investing in people and systems for the assurance services associated with this EU Directive.

Our profession is changing faster than ever and we are actively engaging in social discussions. An example of this is the creation of the new audit quality indicators (AQIs). New, unambiguously defined AQIs will lead to greater transparency and comparability between audit firms. The changes in the profession correspond to our purpose, ambition and values. We want to develop further, not only because it is asked of us, but also because we want to. *Building a better working world* is our purpose, and our ambition is to be the most trusted financial services provider. At the basis of this are our values: inclusiveness, integrity, respect, teaming, energy, enthusiasm and relationship-building. Indeed, we want to be – and remain – meaningful to society.



Changes in the Board of Directors



On 1 July 2021, Rob Lelieveld handed over his duties as Chair of the Board of Directors of Ernst & Young Accountants LLP (EYA) to myself. We are very grateful for the way in which Rob has fulfilled his role as Chair over the past four years. This year, Hanneke Overbeek-Goeseije took over the role of Talent Leader in the Board of Directors from Mirjam Sijmons, who fulfilled this role with enthusiasm and a great deal of commitment during her time on the Board for which we want to thank her. Finally, we would like to thank Nico Pul for his important role in the 'Step Change to Quality' program. He stepped down as a board member once the program was completed. As of 1 June 2021, the board of directors of EYA consists of Hanneke Overbeek-Goeseije, Auke de Bos, Tom de Kuijper, André Wijnsma and myself.

Rotterdam, 25 October 2021

Board of Directors Ernst & Young Accountants LLP

Patrick Gabriëls (Chair)

Report of the policymakers

Our strategy: *NextWave*

Building a better working world

At EYA, we are firmly committed to Building a better working world. Our high-quality services help build trust in global capital markets and economies. In doing so, we play a critical role in building a better working world for our people, our clients and the community.

We believe that a better working world is based on sustainable and inclusive economic growth. We are constantly looking for opportunities to improve our services, and to that end we invest in our people and in innovation. And we proudly work with others - from our clients to stakeholders in general - to use our knowledge, skills and experience to achieve our goals and drive positive change.

NextWave reaffirms our purpose of Building a better working world, in which we place more emphasis on long-term value.

Our ambition

This past fiscal year, we further developed NextWave for the EYA assurance practice, whereby our ambition and values are the same, but the strategic pillars concentrate more on the EYA assurance practice, which is evolving rapidly. Our ambition is to create long-term value for our people, clients and society at large.

Strategic pillars

The new strategy consists of four strategic pillars: 'Drive quality in everything we do', 'Drive client value', 'Drive people engagement', and 'Drive Assurance transformation'. These four pillars will be woven through all our activities in the coming years. This means that we want to continue taking steps to further improve our quality, and work on the



relationship with our stakeholders. The success of our organization is determined by our people, which is why people engagement will always be a priority. Finally, we want to make great strides in the area of digital audit, which is why our transformation has an important place as the fourth pillar of our strategy.

Our values

The EY values define who we are. People who demonstrate integrity, respect, team spirit and inclusiveness. People with energy, enthusiasm and a willingness to take the lead. People who build relationships based on the right choices.

With these values as our foundation, we work toward EY's purpose of Building a better working world through the four strategic themes.

Quality targets

At EYA, we value our external stakeholders highly, including regulatory bodies and clients, as well as potential investors and providers of capital to our clients, politicians, NGOs, the world of science, the media and potential new employees. All external stakeholders play a significant role in defining what 'high quality' means in our work. As such, we are constantly in dialogue with them about their expectations and what we can and cannot accomplish, or what we should do or not do. We want to reduce the performance gap and the expectation gap by continuously being in dialogue with our stakeholders.

We have translated this into the following quality targets for fiscal year 2020/2021:

- ▶ All engagements must comply with relevant laws and regulations.
- ▶ At least 85% of engagements are assessed by our internal quality evaluation (audit quality reviews: AQRs) with a '1' (no issues or only minor findings), no more than 15% with a '2' (findings are more than minor, but less than material) and no engagements with a '3' (material findings).
- ▶ Our most important external stakeholders have a positive opinion of our services. They see us as an organization that stands for quality, delivers added value and is socially relevant.
- ▶ External inspections (such as AFM, PCAOB, NBA and NOREA) confirm that we sufficiently meet requirements.

If we do not meet one or more of the above targets, we investigate the reasons why and address them. This is because we are continuously learning and improving as professionals and as an organization.

Quality performance

This chapter links last year's results to the objectives mentioned above.

The first strategic theme of NextWave is 'Quality in everything we do'. This not only entails measuring the extent to which we have achieved our objectives but, more importantly, a desire to continuously improve and increase quality in our organization.

The results of the AQRs and the external reviews reveal that the quality of our audits is sufficient and that structural improvements have been implemented. This does not mean we are satisfied. We want to continue to develop and grow, because in a rapidly changing environment, standing still essentially means going backward. However, we are proud that our organization and our people have been able to uphold the improvement in quality after the completion of the 'Step Change to Quality' program.

Our relationship with the Dutch Authority for the Financial Markets (AFM) – which, being a supervision oversight body, is one of our most important stakeholders – is very constructive and is supported by healthy dialogue. We have a transparent relationship, aimed at increasing quality and remaining a learning and quality-driven organization that continuously seeks to improve.

All engagements must comply with relevant laws and regulations

After the end of fiscal year 2020/2021 we evaluated the overall system of quality management. We conclude that our system is operating effectively and that we comply with the Act on the Supervision of Audit Firms (Dutch: Wta).

We have met our goals regarding the internal quality evaluation (AQRs) for statutory audit engagements. Regarding the AQRs on other assurance and non assurance engagements (NVKS engagements) the preliminary findings show that 87% of the audit files examined scored a quality evaluation of '1'. The remaining files contain material findings. We have evaluated these findings and conclude that these do not impact our overall evaluation of the system of quality management. A further root cause analysis of these findings will be performed and results will be communicated to our people.

Outcome of internal quality evaluation: AQR results

Ninety-three percent of the audit files examined during the EY Global AQR process achieved a rating of 1 (previous year 72%), and there are, as yet, no engagements rated 3 (previous year 5%). The number of engagements rated 2 remains below the target of 15%. The results show that we are achieving our set target.

Our long-term objective is for at least 90% of our engagements to receive a rating of 1 by 2024 – in fact, we have already taken an important step in this direction. These results reflect our commitment to improving quality and show that the 'Step Change to Quality' program has laid an important foundation for this quality improvement.

While we are proud of achieving our goal with these outcomes, there are also engagements with more than minor findings. These engagements merit remedial action. We believe it is important to further improve our quality and therefore also to pay sufficient attention to these findings. The results of the AQR process will be further evaluated and communicated to our employees.

In addition, it is important that we continue to feel and maintain a sense of urgency in our organization, so that we continue to learn and improve. Quality is

not a given, but a process through which we have to keep improving and challenging ourselves. This not only reflects what our stakeholders expect of us, but also what we want to achieve.

Opinion of our stakeholders

We are continuously reinforcing our relationship with internal and external stakeholders. We are committed to a transparent dialogue with all stakeholders, aimed at increasing our added value, so we can create long-term value for our employees, clients and society. What is more, engaging openly in dialogue with our stakeholders enables us to improve our quality.

The program 'busy season talks' on the Clubhouse platform is an example of a new type of stakeholder dialogue. In 2021, two young auditors of PwC and KPMG launched an initiative to make the dialogue and debate in our sector more accessible to a wider audience. On the Clubhouse platform weekly sessions are hosted where the hosts and two regular participants welcome interesting guests, such as directors of accountancy organizations, AFM and the quartermasters (Dutch: *kwartiermakers toekomst accountancysector*). We encourage and contribute to this initiative, which gives everyone an opportunity to be part of the debate in the accountancy profession. Our Young Professionals Board also participates in discussions with various stakeholders. As was the case last year, we will continue to support our young auditors' involvement in this debate in the years to come.

Examples of important steps taken in 2020/2021 regarding our stakeholder dialogues include:

- ▶ In 2020/2021, we established the 'Regulatory office' to give our dialogue with stakeholders a more prominent and central place in our organization.
- ▶ We support and assist the quartermasters appointed by the Minister of Finance. On the one hand, this takes place by providing input in response to questions from the quartermasters (both from consultation documents and in dialogue with the quartermasters), and on the other, by participating in working groups set up by the quartermasters.
- ▶ We participate in activities of the Netherlands Institute of Chartered Accountants (NBA). Examples of this include employees who are members of sector committees within the NBA, participate in the ESG Assurance working group and are members of the NOW Accountancy Department and the NOW Professional Technical Panel. These committees and working groups discuss current developments in reporting, the renewal and further development of auditing standards, and the reinforcement of the quality of audits.
- ▶ Last but not least, as our supervision oversight body, the AFM is an important stakeholder with

whom we have regular discussions about our quality culture, quality controls and the quality of our audits. These discussions also cover developments taking place in our profession, quality initiatives, AFM's expectations, and the results of internal and external inspections.

We also use client feedback to continuously improve our quality. We measure our clients' expectations and satisfaction in our 'Client Experience' (CX) program, which consists of the following components:

- ▶ Expectation of Service Quality (ESQ) interviews, which are pre-engagement interviews held with our clients to identify their expectations and KPIs regarding the quality of our services.
- ▶ Assessment of Service Quality (ASQ) interviews and surveys, which are held at different stages during engagements and following the completion of each engagement.

The ASQ interviews are conducted by independent EY colleagues. The ratings given by our clients during ASQ interviews demonstrate that overall the quality of our services has significantly improved compared to last year:

- ▶ 67% of respondents stated that their relationship with EY has improved in the last 12 months;
- ▶ And the remaining 33% of respondents stated that their relationship remained the same;

This is the second consecutive year that we are able to demonstrate that our clients' experiences working with EY has again shown a significant positive trend; and given that the majority of our teams had to work virtually with our clients due to the COVID-19 pandemic, we are extremely proud of our clients' appreciation of our services and service delivery.

The Dutch Assurance Leadership's commitment to the CX program played a crucial role in increasing the number of CX activities conducted and documented over the past year. EY Leadership supports the importance of the program and encourages partners to increase their personal contact with clients and share their feedback with the team so we can learn from this and continuously improve our clients' experience of working with EYA.

Outcome of external inspections

In 2020/2021, the AFM carried out an inspection consisting of three parts:

- ▶ Internal oversight in audit firms
- ▶ Quality of three statutory audit engagements
- ▶ Internal quality inspection (AQRs)

We have already received preliminary findings on the quality of three statutory audit engagements. The AFM reported no findings on two of the audit engagements and reported findings on one of the audit engagements, to which we have responded in writing. The AFM published their report on internal oversight and shared their first observations of the inspection into internal quality inspections.

Regarding controlled and sound business operations (Section 21 of the Act on the Supervision of Audit Firms: Wta), and more specifically signals and incidents (Section 32 of the Decree on the Supervision of Audit firms: Bta), the AFM completed two investigations in 2020/2021 and shared the results with us. No findings were reported with respect to Section 21 of the Wta. With respect to Section 32 Bta, the AFM reported preliminary findings to us to which we responded in writing. We have already drawn up a plan covering a number of points in the observations of the AFM regarding the investigations that we believe can be improved.

At the level of specific engagements, the AFM completed two incident investigations in 2020/2021 and reported the preliminary findings to us. We responded to both reports in writing. In 2020/2021, the AFM announced one incident investigation and started an investigation; as yet, no preliminary outcomes are known.

In January 2021, we received a final report from the Public Company Accounting Oversight Board (PCAOB) following the inspection in November 2019 regarding the quality of several audit engagements and our quality control system. We are proud that the report does not contain any findings regarding the quality of the audits and our quality control system. This shows that we are on the right track regarding quality improvement.

In addition to inspections by the AFM and the PCAOB, the Dutch National Government Audit Service (Dutch: Auditdienst Rijk) and the Inspectorate of Education also conducted inspections. The six engagement reviews by the Dutch National Government Audit Service regarding the audit of public institutions, as well as the three engagement reviews by the Inspectorate of Education regarding the audits of educational institutions, were assessed as satisfactory.

Public interest

Responding to a changing environment

Our profession is evolving rapidly in a changing environment. We are keen to contribute to the future of the profession and the future of reporting in both a national and international context. Nationally, the quartermasters play an important role in developing the audit profession and strengthening the quality of auditing. We are fully cooperating in that respect and are at the center of discussions about the future of the profession and our role in society. The NBA and standard setters such as the Dutch Accounting Standards Board (Dutch: *Raad voor de Jaarverslaggeving*) and the International Accounting Standards Board are also important parties when it comes to responding to the changing environment

and further strengthening the quality of reporting and auditing. We actively participate with these parties in further developing our profession.

In their second report, the quartermasters note that good initiatives have been launched and progress is being made in that respect, but also that introducing cultural change is problematic and has faced several obstacles. We therefore see it as our duty not to stand still in our development and to continue to create a sense of urgency among our people to further improve and do 'the right thing'.

NextWave: four programs that contribute to our quality and ambitions

Based on the four strategic themes ('Drive quality in everything we do,' 'Drive client value,' 'Drive people engagement' and 'Drive Assurance transformation'), we rolled out four programs during fiscal year 2021/2022 that help achieve the ambitions outlined in NextWave: Work-life balance, Assurance transformation, Trust re-invented, and Transformative leadership.

We must continue to focus on work-life balance, a subject that also surfaces in the quartermasters' reports. Fortunately, we will experience more flexibility and opportunity going forward. One of the main lessons of COVID-19 has been that we are more flexible than we thought, but also that we have to embed this flexibility in time (when do we do our work) and space (where do we do our work) in our policy in a sustainable way. This means that we have to work together to consciously find a new balance between working from the office, at the client's premises and from home. The FitForFuture@Work working group is developing this new way of working (together). Let us hope that the measures can be scaled down permanently so that we can adopt this new way of working, but we need to remain vigilant. Vitality and autonomy are paramount. Vitality because it makes us feel healthy; autonomy because it enables people to organize, for the most part, their own time. Finally, we will also continue to focus on the number of hours available in relation to the work. Having enough time to do your work well is crucial for quality and well-being.

Assurance transformation is the key to achieving this aim. The idea is to work smarter and make our work more enjoyable. This includes a new balance between onshore, offshore and near-shore activities, the use of tooling and further digitalization of our work, the establishment of new support for administrative activities within audit engagements and SCRUM training to help us work smarter.

Not only is the way we work changing, but society's expectations are also changing. We must continuously work to keep the trust that society has placed in us, which is an important foundation for our

role as auditor. The demands of our stakeholders are changing and not everything fits under the heading of 'financial statements audit' anymore. We will use our 'Trust re-invented program' to respond to change in areas such as cyber, fraud and non-compliance, continuous assurance and sustainability (ESG Assurance).

Because of these changes, we must continue to develop ourselves. We are committed to an open, constructive and inclusive culture, a growth mindset and a learning organization. The vision of our 'Transformative leadership' program will help us in this endeavor. This new form of leadership is about increasing the focus on individuals and their qualities and ambitions.

In short, innovating our work, our services and our end product is a must if we want to create long-term value for our people, clients and society at large.



Driven by quality

An important development is making the quality of audit firms more transparent and comparable. Four working groups appointed by the quartermasters have devised new AQIs that have been included in their consultation document. These AQIs touch on four themes. We endorse the importance of communicating transparently on audit quality using unambiguous and unequivocal AQIs, and we are happy to contribute by responding to this consultation.

EYA also wants to redesign the management of reporting of quality. We have reassessed our own quality targets simultaneously with the AQIs. These KPIs are linked to our ambition, which consists of three dimensions:

- ▶ People (people value): We encourage our people to do the right thing. This means investing in our employees and providing them with an acceptable workload;
- ▶ Clients (client value): We want to continue doing the right thing for our clients as well, with an increasing focus on themes such as fraud and continuity. We want to remain in dialogue with our clients on the basis of a chain approach and joint responsibility;
- ▶ Society at large (social value): In addition to our people and clients, there are several other important stakeholders: society as a whole and our regulator. We have a responsibility toward them as well and must maintain an open and transparent dialogue with this group.

Next year, we will implement these three dimensions with KPIs in our Plan-Do-Check-Act cycle in the area of quality. These three dimensions are in line with our ambition in NextWave: to create long-term value for our people, clients and society at large.

Fraud and continuity are given a prominent place in the client dimension, partly to give substance to our changing role as auditor and the social debate on this topic. The quartermasters have also identified fraud and (dis)continuity as an important topic, and in March 2021 they set up an expert group to encourage research into these topics and related initiatives. We are happy to contribute to this.

As a basis for continued quality assurance and to strengthen the effectiveness of our internal control framework, we are currently working hard to implement the amended ISQM 1 so that it will be fully embedded in our organization by the 15 December 2022 deadline.



Report of the supervisory board

Introduction

For the second year in a row, our Supervisory Board (SB) Report starts by commenting on the impact of COVID-19 on the business operations of both EY and its clients. This single issue dominated the agenda in this exceptional year. A year in which we supervised the general state of affairs and quality of audit services of EY in the Netherlands (Ernst & Young Nederland LLP, hereafter: EYNL or EY Netherlands) and monitored the policy of the Board of Directors (BoD) and the Board of Ernst & Young Accountants LLP (EYA Board). A recurring agenda item in each of the regular meetings we held, besides several ad hoc meetings to review strategic and regulatory topics, was an assessment of the status of the organization. And, in particular, how the BoD's prudent policy influenced and impacted service delivery, especially audit activities, carried out by EYA.

Ongoing impact of COVID-19

As the coronavirus pandemic peaked for the second and third time and threatened to do so again, we specifically monitored the consequences of COVID-19 and its impact on the well-being of the employees and partners of EY in the Netherlands. We oversaw the efforts of the BoD and the EYA Board to implement precautionary measures to keep EY's people safe while ensuring business continuity. At a time when EY's offices were basically empty and business travel was more or less at a standstill, the trend of working and serving clients from home continued unabated. We endorsed the appeal by the BoD and the EYA Board to employees and partners to enhance their physical vitality and mental resilience. We monitored the way in which the BoD and the EYA Board were obliged to function as a team of short-term issue managers, helping clients and staff through the crisis while never losing sight of the longer-term strategy. In doing so, we regularly addressed the issue of ever-increasing stakeholder expectations and impact on the services that EY provides, both assurance and non-assurance.

Executive transitions

One of the key responsibilities of the SB is appointing members of the BoD and the EYA Board. On the BoD, Country Managing Partner Coen Boogaart reached retirement age on 30 June 2021. Jeroen Davidson was appointed as his successor as Country Managing Partner and Chair of the Board of EY Netherlands. Davidson was Vice-chair of the BoD and also Managing Partner Tax & Law Netherlands and Tax Leader for the Western Europe & Maghreb (WEM) region. In his place, Danny Oosterhoff was appointed to the BoD as Chairman of Ernst & Young Belastingadviseurs LLP. Rob Lelieveld, Managing Partner Assurance and Chairman of Ernst & Young Accountants LLP, retired from EY on 30 June 2021 as well. Patrick Gabriëls was appointed as his successor and member of the BoD effective 1 July 2021. Mirjam Sijmons, Talent Leader & CBS Board member, also left EY. Saskia van der Zande was appointed as her successor on the BoD effective 1 April 2021. Hanneke Overbeek was appointed as successor of Mirjam on the EYA Board. And finally, BoD and EYA Board member Nico Pul stepped down at the end of his three-year period, following completion of the Step Change to Quality initiative.

Step Change to Quality

In the course of the year under review, the 'Step Change to Quality (SC2Q) project was rounded off. SC2Q was EY's transition program aimed at raising quality to a consistently higher level. We monitored the completion of this initiative as well as the results of an evaluation undertaken by Internal Audit. This evaluation mapped the achievement of the projected objectives and the anchoring of the ongoing activities in day-to-day business operations. We saw to it that the twin outstanding themes of cultural sensitivity and behavioral drivers were embedded in the daily activities of EYA's organization. We closely monitored the execution of this perhaps never-ending process. A process that would remain in constant flux as new people with fresh ideas and other core competences joined and grew EYA's organization. We supervised the efforts of the BoD and the EYA Board to focus

fully on continuous learning and quality improvement, from the perspective of both public interest and professional standards.

SB and EYA

The SB held four regular meetings with the full EYA Board throughout the year under review, discussing the future of the sector and innovative developments on that front, as well as the quality imperative. Enhancing the appeal of EYA's profession was the key challenge, and we monitored the way in which the EYA Board implemented structural measures to stimulate and safeguard the recruitment and retention of EYA's knowledgeable professionals. We oversaw the efforts undertaken by the EYA Board to further improve the quality of audit services, the cornerstone for strengthening stakeholder confidence in EYA's performance. And we closely followed the responsibility borne by the accountancy sector to issue audit certificates for the recognition of advance payments.

SB and EYNL

During the year, the SB met with the full BoD on four occasions as well, reflecting on an array of EYNL issues. We held in-depth discussions regarding succession planning in this year of transition in which three new members stepped up to the BoD. A standard item during these meetings was the efforts of the BoD to ensure that *NextWave* - EY Global's strategy refresh introduced in 2019 - continued to be implemented locally throughout EYNL. Evolutionary developments like the future of the audit, digital transformation and cyber security were part of the agenda. But the main thrust of each of these meetings was our monitoring of the BoD's aspiration to deliver exceptional client service, despite the various precautionary measures taken to mitigate the impact of COVID-19 on the performance of EY clients and of EY's own internal organization.

Stakeholder Dialogue

COVID-19 was the recurring theme in EY's ongoing dialogue with stakeholders. As the SB, we talked regularly to stakeholders in the sector as well as to other third parties, concerned as we were about the impact of the corona restrictions together with the intense pressure of work on many of EY's clients. We monitored how EY continued to help clients by advising on and supporting their businesses and in the auditing of their financial statements. Equally important was EY's drive to maintain contact and where necessary reconnect with key stakeholders in EY's community. Engaging the public in stakeholder dialogue and identifying, acknowledging and managing potential reputational risk and public

interest-related risk was an intrinsic part of our role as SB members.

Building a better working world

We also felt a responsibility to oversee how the BoD and the EYA Board fulfilled their purpose of building a better working world by creating long-term value and protecting as well as preserving our planet. In this respect, we welcomed the EY Global ambition to be carbon negative in 2021 and reach net zero in 2025 across all of their footprints by offsetting or removing more carbon from the atmosphere than EY emits.

Other initiatives

We were highly involved with and invested considerable time and energy in monitoring the progress of various inquiries and AFM investigations. We paid particular attention to the signals and incidents process and cases. We closely followed developments on governmental subsidies to hard-hit multinationals and small & medium-sized enterprises. We monitored the progress and coherence of the specific measures proposed by delegated quartermasters who were appointed by the Ministry of Finance following publication of the CTA report. We regularly discussed process and purpose with the BoD and the EYA Board, anticipating new guidelines and regulations where possible and monitored the implementation where practicable.

Meetings and assessments

The SB EYNL and the SB EYA held a series of joint formal meetings in the year under review, all online, and met regularly with both the BoD (four times) and EYA Board (four times as well) on a wide range of topics. All members of the SB EYNL and the SB EYA attended these digital meetings, with no member being frequently absent. In our discussions with the external auditor, we focused on both the audit approach and resulting Board report. As we do every year, we met with the Works Council. SB members logged into a variety of EY-related virtual events. We reviewed our own performance as a Board and as individual members with the help of an external self-evaluation tool that benchmarks the performance of peers across the supervisory board spectrum. Recurring annual topics for review were the profile and composition of the SB EYNL and the SB EYA. Individual performance evaluation interviews were held with the BoD and EYA Board based on criteria amongst which quality is the leading criterion.

Duties and powers

The duties and powers of the SB are set forth in the Charter of the Supervisory Board of Ernst & Young Nederland LLP (SB EYNL) and the Charter of the

Supervisory Board of Ernst & Young Accountants LLP (SB EYA), as adopted on 18 December 2019 and 12 February 2020 respectively. The personal union formed by the SB EYNL and SB EYA means that the members of both corporate bodies mirror one another. In compliance with some elements of the Dutch Corporate Governance Code, the composition, procedures and mandate of the SB are taken into consideration. The findings of the review of the previous charter have been incorporated and include the desired regulatory and legal changes.

Composition Supervisory Board and Committees

SB Profile

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

Vice-chair Steven van Eijck reached the end of his second term on 1 February 2021. He was not eligible for reappointment and was succeeded on the same date as SB member and vice-chair by Richard van Zwol. Tanja Nagel was reappointed for a second and final term as of 31 August 2021. As per 30 September 2021, the SB consists of four independent members and one non-independent member and is fully in line with the SB profile.

Committees

Audit & Risk Committee

The Audit & Risk Committee (ARC) assists the SB in fulfilling its supervisory activities for internal and external reporting, significant capital investment, tax, budget preparation, the external audit function, and the design and operation of the internal risk management controls. Additional tasks include the supervision of compliance with relevant rules and

regulations governing the provision of EYNL information, both financial and non-financial. Five online meetings were held in the year under review as well as one additional meeting with the full SB to discuss the process to select an external accountant. The ARC devoted particular attention to policy, budget, risks and measures as well as results development and the impact of the pandemic on the organization. The ARC also focused on In Control and the arrival of ISQM1. Another area of attention was ongoing monitoring of the investigations at Internal Audit and Risk Management as well as execution of the follow-up. The committee also met with the external auditor to discuss the auditors' reports.

Talent & Remuneration Committee

The Talent & Remuneration Committee (TRC) is the only SB committee in which all Supervisory Board members are represented, and gathered online four times during the year under review. Succession planning with regard to various short-term leadership positions and the supervision of longer term management development was a key agenda item, particularly with regard to ensuring diversity in the candidate pipeline. There was plenty of attention from the BoD and EYA Board for the well-being of employees throughout the organization in this exceptional year, particularly the outcome of the employee satisfaction survey. Another focus area for the TRC was assessment of the time spent by policymakers on additional functions and monitoring the follow-up to the leadership program initiated in the previous fiscal year.

	Date of initial appointment	Term	End of current term	Eligible for reappointment	Public Interest Committee	Quality & Governance Committee	Audit & Risk Committee	Talent & Remuneration Committee
Pauline van der Meer Mohr, Chair	1-7-2015	2	30-6-2023	No	Member	Chair	-	Member
Richard van Zwol, Vice-Chair	1-2-2021	1	31-1-2025	Yes	Chair	-	Member	Member
Monique Maarsen	1-7-2015	2	30-6-2023	No	Member	-	Chair	Member
Tanja Nagel	1-9-2017	2	31-8-2025	No	-	Member	Member	Chair
Patrick Rottiers*	12-11-2018 ¹	1	11-11-2022	Yes	-	Member	-	Member

¹ Patrick Rottiers is the non-independent member

Assurance Quality Committee

The Assurance Quality Committee (AQC) is responsible for advising on and monitoring audit quality. This committee held four online meetings in the year under review, considering amongst others the annual plan, reports and follow-up by the Wta Compliance Officer. The AQC also followed the process and progress of the delegated Kwartiermakers and kept a close watch on the impact of COVID-19 during the execution of audit duties.

Public Interest Committee

The Public Interest Committee (PIC) supports the SB in monitoring compliance with the public interest while focusing on the intensification and ongoing implementation of the stakeholder dialogue. This committee held four digital meetings in the year under review, and the FY21 stakeholder dialogue plan was on the agenda of each of them. Committee members reviewed and endorsed the results of the materiality analysis as well as the translation of the *NextWave* global strategy to focal areas such as dialogue and communication. The PIC also devoted time to external developments, particularly in the media, and their impact on EY.

Independence and training

Independence

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

Training

SB members participated in online internal and external training sessions, many of which focused on the ongoing priority of the quality of audit services in general.

Annual reports

Financial Statements

The BoD prepared the 2020/2021 Integrated Report and Financial Statements of EYNL, and the EYA Board prepared their Financial Statements. The Financial Statements were audited by BDO LLP, the

external auditors. The SB discussed the findings with the external auditor of EYNL and EYA in the presence of the BoD, including its EYA representatives. The SB approved the Financial Statements of EYNL on 27 September 2021 and of EYA on 29 September 2021.

Transparency Report

Together with EYA policymakers, we reviewed the content of the 2020/2021 Transparency Report, to be published in October 2021. In our view, the developing text and tone of the report is in line with our observations during the past year and representative of the way the EYA Board has embedded *Step Change to Quality* within the organization as well as a broad range of socially relevant topics related to quality.

Outlook

The year under review was a period of significant turbulence and we are gratified by the encouraging results in line with expectations that the BoD and the EYA Board reported at the end of the financial year. However, we anticipate that the year ahead will be just as uncertain with respect to the development of both the COVID-19 pandemic and the economy at large. As the support and assistance initiatives implemented by the government during this crisis are gradually withdrawn, we are confident that the BoD and the EYA Board will continue to pursue a prudent policy. We believe that the public debate with regard to the future of the accountancy sector will continue unabated and we will follow these discussions closely, remaining responsive to the signals issued by the relevant regulatory bodies. In our supervisory role, we will continue to monitor the commitment of the BoD and the EYA Board to nurturing and fostering cultural change as well as overseeing the execution of audit quality improvements that reflect the role of the organization in serving the public interest.

We would like to express our sincere appreciation to Coen Boogaart and Rob Lelieveld for their decisive leadership in recent years in their roles as Country Managing Partner and Chair of the EYA Board. Their contribution and commitment to EY's organization have been immense and we wish them well in retirement. We would also like to express our gratitude to Nico Pul for leading the SC2Q initiative and to Mirjam Sijmons for leading the transformation process over the last three years.

We were deeply involved in the appointment of their seasoned successors - Jeroen Davidson (with EY since 1990), Danny Oosterhoff (with EY since 1996), Patrick Gabriels (with EY since 2002) and Saskia van der Zande (with EY since 1994). Together with Stephan Lauers, appointed to the BoD last year and with EY since 1987, we have every confidence in the

experience and company know-how of the new Board members and wish them well in their new executive positions. And we warmly welcome Hanneke Overbeek as a member of the EYA Board.

We would also like to welcome our new colleague on the SB, Richard van Zwol. Richard joined the SB as Vice-chair on 1 February 2021, succeeding Steven van Eijck, who reached the end of his second term and was ineligible for reappointment. We would like to thank Steven for his tireless efforts on behalf of our Board and in particular his considerable contribution to the stakeholder dialogue.

We continue to see tangible evidence that EYNL and EYA are well positioned to address the challenges ahead as the economy in key markets sets out on the road to recovery and the pandemic gradually subsides. The culture of EY is one of connecting and being connected, and we see this reflected in the ongoing flexibility and sensitivity of EY's organization, underpinned by the will to adapt to the new normal. The partners and employees of EY's organization in the Netherlands, working together in dedicated, multidisciplinary teams, are proud of their work because it has been performed effectively and in accordance with EY's standards. We would like to express our sincere appreciation and gratitude to the BoD, the EYA Board as well as all partners and employees for their commitment to EY stakeholders.

Pauline van der Meer Mohr
Richard van Zwol
Monique Maarsen
Tanja Nagel,
Patrick Rottiers

