



Transparency Report 2021

Part 2

Ernst & Young Accountants LLP



Building a better
working world

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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 96 countries in Europe, the Middle East, India and Africa. Within the EMEIA Area, there were previously 10 Regions and, from 1 July 2021, the number has reduced to 8. Following that change, EY member firms in the Netherlands are part of the Europe West Region, having been part of the WEM Region. The Europe West Region does not include the financial services activities in Europe West, though, as these services are part of the EMEIA FSO Region. 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 6).

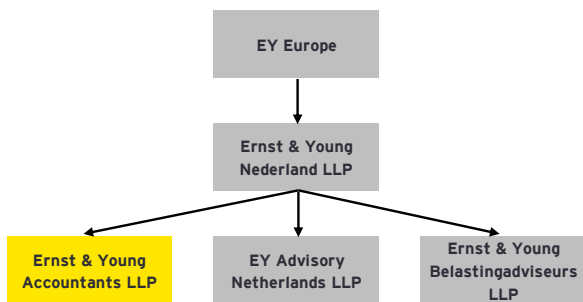
In Europe, there is a holding entity, EY Europe SCRL (EY Europe). EY Europe is a Limited Liability Cooperative Company (SCRL or CVBA) incorporated in Belgium. It is an audit firm registered with the Institut des Reviseurs d'Entreprises (IRE-IBR) in Belgium, but it does not carry out audits or provide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

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 (EYNL), together with the members of Ernst & Young Belastingadviseurs LLP and the members of EY Advisory Netherlands LLP.



Organization

The network of EYA operates per 1 July 2021 from 15 offices in the Netherlands and comprises:

- ▶ Ernst & Young Nederland LLP
- ▶ Ernst & Young Belastingadviseurs LLP - tax services
- ▶ EY Advisory Netherlands LLP - Consulting, Strategy and Transactions
- ▶ 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
- ▶ 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 17
- ▶ EY Montesquieu Finance B.V. - advice regarding finance
- ▶ EY Montesquieu Institutional Risk Management B.V. - advice regarding risk management
- ▶ EY-Parthenon B.V. - strategy consulting
- ▶ EY VODW B.V. - strategic marketing, client-focused innovation and digital transformation

Stichting Ernst & Young Foundation - support for initiatives by not-for-profit organizations regarding sustainability and environmental issues is liquidated in March 2021.

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 appointed by EY Europe following a binding nomination of the Supervisory Board. During

the fiscal year 2020/2021, Coen Boogaart (Chair, Country Managing Partner in the Netherlands), Rob Lelieveld (Chair of EYA), Jeroen Davidson (Chair of Ernst & Young Belastingadviseurs LLP) and Stephan Lauers (Chair of EY Advisory Netherlands LLP) were Board members for the full fiscal year. Mirjam Sijmons (Talent Leader & CBS Board Member) resigned as Board member as per 8 January 2021. Saskia van der Zande succeeded her as per 1 April 2021. Nico Pul stepped down per 1 February 2021 at the end of his three year period, following completion of the Step Change to Quality initiative. On 30 June 2021, Coen Boogaart retired. Jeroen Davidson was appointed as his successor as Country Managing Partner and Chair of the Board of Ernst & Young Nederland LLP. In Jeroen Davidson's place, Danny Oosterhoff was appointed to the Board of Directors and as Chair of Ernst & Young Belastingadviseurs LLP. As per the same date, Rob Lelieveld, Chair of EYA, retired as well and Patrick Gabriëls was appointed as his successor. As per 1 July 2021, Patrick Gabriëls is Chair of EYA and as such member of the Board of Directors and has been appointed as vice-chair of this Board.

The Board of EY NL 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 following a binding nomination of the Supervisory Board (EYA). At the beginning of the fiscal year 2020/2021 there were 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). As per 1 December 2020, Hanneke Overbeek-Goeseije

succeeded Mirjam Sijmons. As per 1 February 2021, Nico Pul stepped down. On 30 June 2021, Rob Lelieveld retired from EYA. As per 1 July 2021, Patrick Gabriëls is Chair of EYA.

Policymakers and Co-Policymakers

On 31 October 2021, the following persons are the policymakers and co-policymakers (*beleidsbepalers* and *medebeleidsbepalers*) at EYA.

Policymakers:

- ▶ The current five members of the Board of EYA mentioned above
- ▶ Jeroen Davidson, Chair of the Board of Directors of Ernst & Young Nederland LLP
- ▶ Danny Oosterhoff, member of the Board of Directors of Ernst & Young Nederland LLP
- ▶ Stephan Lauers, member of the Board of Directors of Ernst & Young Nederland LLP
- ▶ Saskia van der Zande, member of the Board of Directors of Ernst & Young Nederland LLP

Co-policymakers:

- ▶ Julie Teigland, EY's Managing Partner Europe
- ▶ Marcel van Loo, Regional Managing Partner Europe West
- ▶ Peter Wollmert, Assurance Leader Europe
- ▶ Bernard Heller, Professional Practice Director Europe
- ▶ Jean Roch Varon, Assurance Leader Europe West
- ▶ 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 focuses 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. During the fiscal year 2020/2021, vice-chair Steven van Eijck reached the end of his term on 1 February 2021. He was succeeded on the same date as SB EYA member and vice-chair by Richard van Zwol. The other three independent members are Pauline van der Meer Mohr (Chair), 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 2020/2021 in the Annual Report 2020/2021 of EYNL and in Part 1 of the Transparency Report 2020/2021 of EYA.

Network arrangements

EY is a global leader in assurance, tax, strategy, transaction and consulting services. Worldwide, over 312,000 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 separate legal entity. Each member firm's obligations and responsibilities as a member 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.

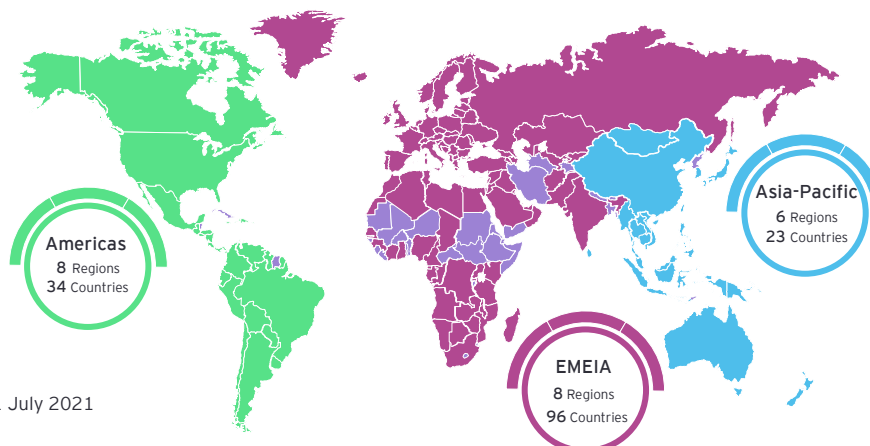
Global Governance Council

The Global Governance Council (GGC) is a key governance body of EYG. It comprises one or more representatives from each Region, other member firm partners as at-large representatives and 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 Global Executive (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 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 and stakeholder dialogue, issues raised under whistleblowing policies and procedures, and engagement in quality and risk management discussions. The INEs are nominated by a dedicated committee, approved by the GE and ratified by the GGC.

EY Areas, Regions and Countries*



*Figures are as of 1 July 2021

Global Executive

The GE brings together EY's leadership functions, services and geographies. As of 1 July 2021, 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, Strategy and Transactions 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, and 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, and markets and branding
- ▶ EY's development funds and investment priorities
- ▶ EYG's annual financial reports and budgets
- ▶ GGC recommendations on certain matters

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

The Global Practice Group brings together the members of the GE, GE committees, Regional leaders and sector leaders. It 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, talent 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 14).

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.

Creating long-term value for society

While capitalism has created enormous global prosperity, it has also left too many people behind. Extreme poverty is already on the rise as a result of the COVID-19 pandemic, and climate change is threatening to deepen inequality still further as vulnerable communities are hit first and worst by its effects. EY believes an economic system that is fairer, more trustworthy and capable of addressing humanity's most profound challenges is urgently needed.

From advising governments on how to build more sustainable and inclusive economies, to encouraging businesses to focus and report on their creation of

long-term value for all stakeholders, EY services already play a vital role in this. However, more can and must be done.

As a proud participant in the United Nations Global Compact (UNGC) since 2009, EY is committed to integrating the UNGC Ten Principles and the UN Sustainable Development Goals (SDGs) into EY strategy, culture and operations.

Among other things, this commitment is reflected in:



Corporate responsibility governance structures

Corporate responsibility across EY is coordinated by the EY Corporate Responsibility Governance Council (CRGC). This body includes members of the EY Global Executive and provides senior leadership representation from across EY services lines, functions and geographic areas.



The EY social impact ambition

The global corporate responsibility program, EY Ripples, brings together the global EY network with a goal of positively impacting one billion lives by 2030. To date, EY Ripples initiatives have cumulatively benefited more than 45 million people, aided by:

- ▶ A rigorous focus on three areas (supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability) where the distinctive skills, knowledge and experience of EY people can make the biggest difference.
- ▶ A collaboration with other like-minded organizations to build ecosystems capable of creating change at scale. For example, the TRANSFORM initiative with Unilever and the UK Foreign, Commonwealth and Development Office, which aims to change the lives of 150 million people across sub-Saharan Africa and South Asia by 2030, by tackling inequality.



The EY carbon ambition

EY aims to become carbon negative in 2021 and net zero in 2025. EY endeavors to achieve this by significantly reducing absolute carbon emissions, and then removing or offsetting more than the remaining amount every year. To reach net zero by FY25, EY member firms plan to reduce absolute emissions by 40% across Scopes 1, 2 and 3 (versus an FY19 baseline), consistent with a 1.5°C science-based target approved by the Science Based Targets initiative (SBTi). Specific actions include:

- ▶ Reducing business travel emissions, with a target to achieve a 35% reduction by FY25 against the FY19 baseline
- ▶ Reducing overall office electricity usage, and procuring 100% renewable energy for remaining needs, earning RE100 membership by FY25
- ▶ Structuring electricity Power Purchase Agreements (PPAs) to introduce more renewable electricity than EY consumes into national grids
- ▶ Using nature-based solutions and carbon-reduction technologies to remove from the atmosphere or offset more carbon than emitted, every year
- ▶ Providing EY teams with tools to calculate, then work to reduce, the amount of carbon emitted in carrying out client work
- ▶ Requiring 75% of EY suppliers, by spend, to set science-based targets by no later than FY25
- ▶ Investing in EY services and solutions that help clients create value from decarbonizing their businesses and provide solutions to other sustainability challenges and opportunities



Commitment to Sustainable Audit Quality

Infrastructure supporting quality

› Quality in the EY service lines

NextWave is the EY global strategy and ambition to deliver long-term value to clients, people and society. It has put EY in a strong position to adapt and innovate, while the EY purpose of *Building a better working world* continues to inspire EY people not only to serve clients, but also to use EY 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.

In response to disruptions in the environment, EY member firms adapted to maintain the delivery of high-quality audits. EY provided its audit professionals with additional training and enablement to help detect fraud. In addition, through a data-first approach enabled by analytics digital tools, teams were able to deliver high-quality audits with independence, integrity, objectivity and professional skepticism.

EY member firms continue to develop the audit of the future, including ever more sophisticated data analytics, efficiently delivering greater insight and assurance in support of the high-quality audits that are valued by the companies that EY audits and the capital markets.

Our people are our greatest asset in delivering quality and value and building trust. We are elevating their experiences, using data and technology, so they can spend more time addressing risks and exercising professional judgment. By applying cutting-edge technologies and sophisticated data analytics, all while serving the public interest, our people are able to connect and contribute to the overall EY purpose of *Building a better working world*.

EYG member firms and their service lines are accountable for delivering high-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.

› Global Audit Quality Committee

The EY Global Audit Quality Committee (GAQC) is an important element of the culture of continuous improvement. It comprises senior leaders from across the EY organization with extensive, diverse and highly relevant experience. The GAQC advises EY Assurance leadership on the many aspects of the organization's business, operations, culture, talent strategy, governance and risk management that affect audit quality.

The committee develops innovative ideas and approaches to delivering high-quality audits and is a forum for sharing best practices of EY member firms. The committee also helps develop audit quality indicators (AQIs) and other forms of quality monitoring that feed into the continuous improvement cycle.

› Quality Enablement Leaders

The EY Quality Enablement Leaders (QEL) network is a group of senior Assurance leaders around the world who drive improvements in audit quality by providing support to engagement teams.

Their responsibilities include: coaching teams; supporting internal and external inspections; advising teams on remediating the root causes of significant audit deficiencies; driving practice and project management; supporting portfolio risk analyses; and implementing processes related to the EY system of quality management, including global AQIs.

Using EY Canvas and Milestones (see page 13), as well as ever more sophisticated artificial intelligence (AI) tools, the QELs are able to build a picture of audit quality performance in real time. This, in turn, gives

greater clarity over where resources should be deployed to support audit teams and the companies they audit.

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 as well as the Global Delivery Service center PPD 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.

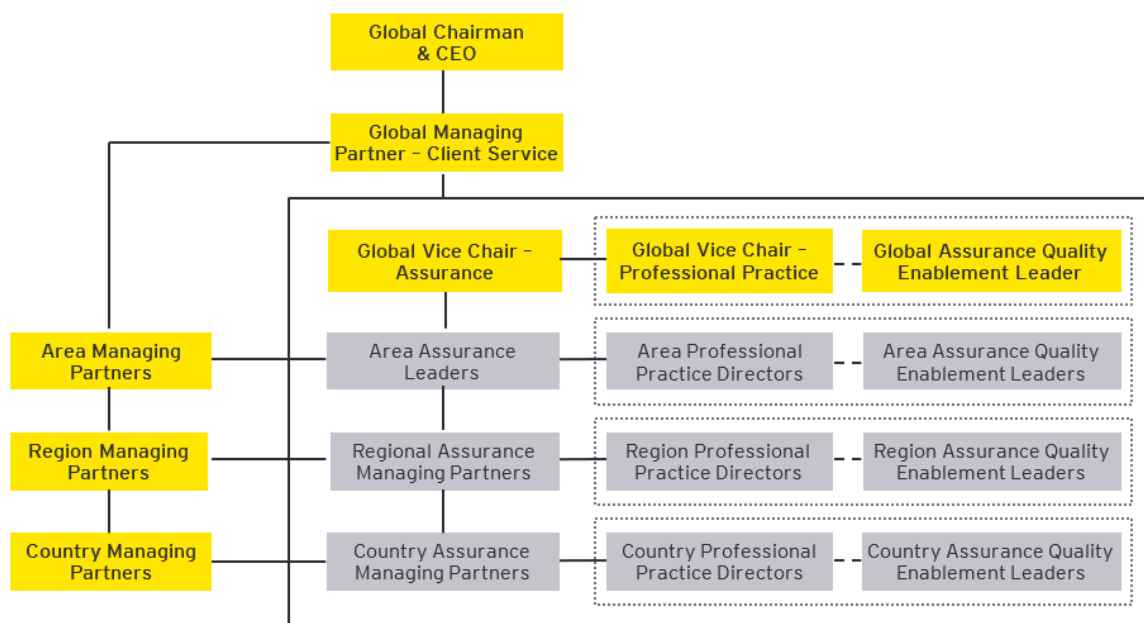
The Global PPD also leads and oversees the Global Professional Practice group. This is a global network of technical subject-matter specialists in accounting and auditing standards who consult on accounting, auditing and financial reporting matters; and perform various practice monitoring and risk management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

used by member firm professionals to execute audits consistently and effectively. The Global, Area, Regional and Country 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 topics, industries and sectors
- ▶ Event-specific issues involving areas of civil and political unrest; pandemics; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement matters and how to work effectively with audit committees

Assurance Governance*



* Illustrative to show global alignment; actual reporting lines vary based on legal, regulatory and structural considerations

The Global PPD oversees the development of the EY Global Audit Methodology (EY GAM) and related audit policies and 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

Risk Management

Risk Management (RM) coordinates 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 monitor the identification and mitigation of these risks, as well as other risks across the organization as part of the broader enterprise risk management (ERM) framework. The ERM priorities are communicated to member firms.

The Global RM Leader is responsible for establishing globally consistent risk management execution priorities and co-ordinating risk management across EY.

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.

There have been additional complexities as the world continued to deal with the COVID-19 pandemic. This has required a coordinated response across EY via activation of the local crisis management plans (CMPs) that reside in nearly all EY member firm offices. CMPs detail specific actions to be taken to both protect the EY workforce and respond in the event of a COVID-19 infection within an EY workspace. However, while individual offices had to deal with issues around contact tracing and safe workspace practices, there was a need to provide a set of uniform guidance across all EY Areas. Even before the World Health Organization (WHO) declared the existence of a pandemic, the EY Global Crisis Management Program (GCMP) was activated. The GCMP allowed for the creation of a Steering Committee led by the Global RM Leader who convened key Global and Area leadership daily for six months (and thereafter regularly but less frequently) to address issues relevant to all geographies and service lines.

The Steering Committee issued regular guidance on EY's COVID-19 response protocols and addressed issues related to travel, meetings and events as well as adoption and promotion of best practices, and relayed specific safe working practices guidance from the WHO. Guidance is still being issued and risk factors are being monitored during the second year of the global pandemic.

In implementing the GCMP, the goal was to keep people safe and informed, manage confirmed cases,

adjust the handling of travel and events, enable a fully remote workforce and plan for recovery.

With a robust GCMP in place, we were able to act quickly to keep EY people safe – the top priority throughout the entire process. Throughout the pandemic, the GCMP team:

- ▶ Created guidance for various stages of the pandemic and developed a resource library on the Global Security SharePoint portal to serve as a centralized repository
- ▶ Maintained a daily list of high-risk locations and provided a consolidated daily report for each Area
- ▶ Produced a daily report for leadership on the Global, Area, Region and local impacts

The GCMP also had a role in managing confirmed cases by:

- ▶ Developing pandemic checklists for local crisis management teams to manage confirmed cases in the workforce
- ▶ Conducting training on how to respond to confirmed cases
- ▶ Assisting Talent with contract tracking for confirmed cases
- ▶ Providing input and advice on travel, meetings and events, resulting in several global directives
- ▶ Identifying international travelers to help them return to their home countries safely

Now that the focus has shifted to a safe return to the office, the GCMP team has developed a recovery plan that includes:

- ▶ Leading the effort to develop return-to-work protocols and track the easing of government restrictions
- ▶ Creating a timeline for reopening offices
- ▶ Determining worksite leader responsibilities and procedures for building management, office setup, workspaces and meetings
- ▶ Establishing personal responsibilities including office entry, workspaces, breaks and meetings
- ▶ Developing a post-vaccine recovery plan

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 ever-changing restrictions on the use of data. This policy provides added clarity for those who work with EY member firms 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 noncompliance with laws and 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, the applicable standard or EY's Global Code of Conduct. This includes the unauthorized or improper disclosure of confidential information.

Global Personal Data Protection Policy

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 applicable law, regulatory frameworks and professional standards. This has been updated to be consistent with the EU General Data Protection Regulation (GDPR) and other local regulations across the globe.

Cybersecurity

Managing the risk of major and complex cyberattacks is a part of conducting business for all organizations. While no systems are immune from the threat of cyberattacks, EY Netherlands 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 annually 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 outlined in 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).

Professional practice

Professional Practice is a cornerstone of EYA'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).

Internal audit

EYA'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 or 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.



Components of our audit quality control program

In the following sections, we describe the principal components of the audit quality control program, which EY Netherlands follows:

- ▶ Instilled professional values
- ▶ Internal quality control system
- ▶ Client acceptance and continuance
- ▶ Performance of audits
- ▶ Review and consultation
- ▶ Rotation and long association
- ▶ Audit quality reviews
- ▶ External quality assurance reviews
- ▶ Root cause analysis
- ▶ Compliance with legal requirements

Instilled professional values



Sustainable Audit Quality

Quality is the foundation of our work and central to EY member firms' 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. These 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. The trend in results also reflects the involvement of the QEL network and a focus on culture and behaviors.

EY has deployed leading technological tools that enhance the quality and value of EY audits, including the EY Canvas online audit platform, EY Helix analytics platform and EY Atlas research platform.

EY Canvas facilitates the use of the "Milestones" project management functionality, which helps audit teams stay on pace with their audit execution and drive executive involvement. The EY Canvas Client Portal, which is a component of EY Canvas, magnifies its importance in having a secure and user-friendly platform in transmitting data between engagement teams and the companies audited while effectively monitoring the pacing of the audit. This suite of tools played a key role in helping EY navigate this past year: having the right technology and tools in place for EY audit teams to work together effectively in a remote environment continues to be a key success factor and differentiator.

Additionally, EY Helix and the entire suite of data analytic tools represent key ways to address the risk of fraud in audit execution. Increasing the required use of these tools provides a more robust response to audit risks associated with companies facing economic challenges, especially in light of the pandemic. Broader adoption of these data analytic tools is occurring this year.

EY Atlas is a cloud-based platform for accessing and searching accounting and auditing content, including external standards, EY interpretations and thought leadership.

Current SAQ initiatives are focused on supporting EY teams in understanding the business of the companies audited. By leveraging data and technology and executing enhanced engagement risk assessment, EY is continuing to drive quality audit execution. Additionally, a network of coaches is actively supporting engagement teams in staying on track with respect to the pace of their audits, driving timely executive involvement and providing positive direction and enablement when necessary.

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 a role in achieving these 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, EY people also understand that quality and professional responsibility start with them and that within their teams and communities, they are leaders too. EY shared values, which inspire EY people and guide them to do the right thing, and the EY 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 leadership regularly reinforce the importance of performing quality work, complying with professional standards, adhering to EY policies and leading by example. In addition, EY member firms assess 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 EY in the Netherlands has been that no client is more important than our professional reputation – the reputation of EY Netherlands and the reputation of each of our professionals.

Global 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.

Whistleblowing and complaints

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 2020/2021, no external reports regarding EYA were filed through the EY/Ethics Hotline (2019/2020: zero; see KPI 37 in Appendix 4 of this Transparency Report). One internal report was filed (2019/2020: zero). The reporter reported in a specific matter receipt of instructions that were noncompliant with internal policies. The report was investigated and the outcome was that the instructions were contrary to EY Policy. This has been addressed.

In addition to the EY Ethics Hotline, our firm has a Whistleblowers' Regulation and a Complaints Regulation in place. Aside from the internal report filed via EY/Ethics Hotline, no whistleblowers' notifications as defined in the Whistleblowers' Regulation (in Dutch: Wet Huis voor klokkenluiders) were filed during this fiscal year (2019/2020: zero). No complaints as defined in the Complaints Regulation have been filed in the fiscal year 2020/2021 (2019/2020: one).

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 2020/2021, we received eight complaints relating to EYA (2019/2020: three). This number does not include demand letters, which are covered in the 'Litigation' paragraph of this Transparency Report.

Diversity and inclusiveness

EY has a long-standing commitment to diversity and inclusiveness (D&I). This commitment to building high-performing, diverse and inclusive teams is especially important in audit, where diverse perspectives drive professional skepticism and critical thinking. Greater diversity and inclusive environments drive better decision-making, stimulate innovation and increase organizational agility.

EY has been on a D&I journey for decades, and while substantial progress has been made, under the global NextWave strategy and ambition EY has committed to increasing D&I progress throughout the organization. The Global Executive has made a visible commitment to EY people and to the market to accelerate D&I at EY through signing the Global Executive Diversity & Inclusion Statement. Not only does this reinforce that D&I is a key business lever, it ensures that EY member firms hold themselves accountable for progress, starting with the tone at the top.

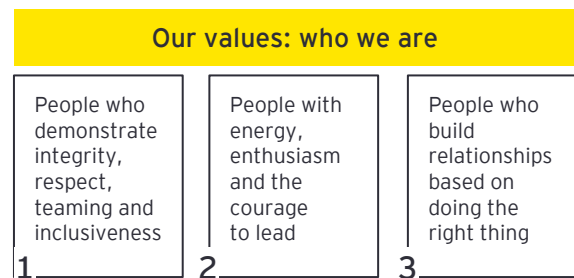
There has been a particular focus on promoting gender diversity over recent years. In 2021, 36.8% of new audit partners, globally, were women. A strong pipeline of female leadership has been built, supported by 52.4% of all audit hires across the globe in 2020 being female.

Inclusive organizations maximize the power of all differences. Employees need to feel they are working for an organization that not only values them as individuals, but also sees differences as strengths and values their contributions. Fostering this sense of

belonging is critical to helping the EY organization attract the most talented individuals, and helping our professionals stay motivated and engaged.

In the November 2020 employee listening survey, 82% of auditors said the EY organization prepares them to work effectively with clients and colleagues from different countries and cultures, and 86% agreed that the people they work with make them feel that they belong to a team.

Leaders across EY make D&I a priority and it is a key metric across all the organization's talent management programs. To enable greater accountability across the EY organization, the Global D&I Tracker helps track progress with consistent diversity and inclusiveness metrics and reporting across the organization globally. EY also created the Global Social Equity Task Force (GSET) to develop cohesive action plans specifically addressing inequity and discrimination, including racism. It includes EY leaders with a wide range of backgrounds and perspectives, spanning geographies, service lines and functions.



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.

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

In today's environment, characterized by continuing globalization, rapid movement of capital and the impact of technological changes, the quality of our audit services has never been more important. As part of NextWave, there is a continued and strong investment in the development and maintenance of

the EY audit methodology, tools and other resources needed to support high-quality audits.

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.

EY works to understand where member firms' audit quality may not be up to their own expectations and those of stakeholders, including independent audit regulators. This includes seeking to learn from external and internal inspection activities and to identify the root causes of adverse quality occurrences to enable a continual improvement of audit quality.



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 coordination of quality improvement implementation. 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 our firm with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.



Audit quality indicators

Audit quality is not defined in professional standards, and stakeholders may have different views on how it

should be measured. While no single reportable metric or set of metrics can be viewed as a sole indicator of audit quality, a set of metrics can be used to give an indication of audit quality.

Assurance leadership monitors the execution of the EY strategy and vision by local geographies through a combination of metrics or audit quality indicators (AQIs). These include: external and internal inspection results; Milestones performance; people surveys; and retention rates.

AQI dashboards help to inform the leadership about whether particular actions are having the intended effect, to provide an early warning where intervention is warranted and to support the effectiveness of the overall EY system of quality management.

In the Netherlands the quartermasters (we refer to the Transparency report part 1) have suggested a set of audit quality indicators that provide insight in audit quality of the firm. Audit firms will be legally obliged to report on the outcome of these audit quality indicators. During the consultation period (ended 19th September 2021) stakeholders are asked if this set contains adequate audit quality indicators and to which extent these should be reported. EY has provided feedback during this consultation period to enhance the the set of audit quality indicators and reporting.



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 requires a more proactive and risk-based approach to managing quality at the firm level.

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

The standard includes more robust requirements for the governance, leadership and culture of professional accountancy firms, and introduces a risk assessment process for firms to assess risks to achieving quality objectives and design responses that address those risks. It also requires more extensive monitoring of the SQM to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the SQM.

The EY approach is to design an SQM that is consistently applied across the entire network of member firms to promote consistent engagement

quality and operating effectiveness. This is especially important in a global economy where many audits are transnational and involve the use of other EY member firms.

The standard requires firms to design and implement a system of quality management by December 2022. Our firm has commenced work to implement the new standard alongside the EY System of Quality Management transformation program. Our initial steps have included:

- ▶ Identifying the functions and service lines that provide support for, or perform engagements within the scope of ISQM 1
- ▶ Establishing a program governance structure to manage design and implementation of a system of quality management that complies with ISQM 1
- ▶ Identifying and assessing quality risks, and documenting responses in accordance with the network-developed approach
- ▶ Identifying and understanding network resources and their implementation or use by the country in its SQM
- ▶ Challenging and identifying enhancements to the existing quality control system to achieve compliance with the new standard

We believe that implementing the requirements within ISQM 1 will be useful to improving quality at the firm and engagement level, because an effective system of quality management is foundational to achieving consistent engagement quality.

Client acceptance and continuance

Global policy on client and engagement acceptance

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 appropriate separations 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 due diligence procedures. Before taking 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 share our commitment to quality and transparency in financial reporting. The lead audit engagement partner 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. As with the

client acceptance process, our Regional or local professional practice group 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 several risk factors across a broad range of categories including management's attitude, internal controls and related parties.

Performance of audits

EY continuously invests in improving audit methodologies and tools, with the goal of performing the highest-quality audits in the profession. This investment reflects the EY commitment to building trust and confidence in the capital markets, and in economies the world over.

Working in a virtual world

There are two types of consideration when delivering a high-quality audit in an increasingly virtual business environment. The first category includes how EY member firms work, how their people can work remotely in an effective way, and how that can impact their own risks. The second category covers how businesses are evolving to work in a virtual world, where transactions are carried out online, across borders, without the need for physical interaction.

Our firm understands the risks that a virtual world can have on the way its people work; this incorporates concerns about mental health and well-being, and the need to establish an appropriate work/life balance for an individual. However, it is also understood that the businesses that our firm works with face similar issues. High turnover of staff can create risks, and evolving business practices can create new risks, which in turn requires an evolution in audit planning and practices.

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 the size. EY GAM also requires compliance with relevant ethical requirements, including independence from the audited entity. 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 is 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 public interest entities and for those considered non-complex entities.

EY GAM has been transformed with a new approach that puts data at the heart of the audit. Known as Digital GAM, this methodology facilitates the analysis of full populations of an organization's data to produce a fuller picture of the business, driving higher quality through a data-first audit approach.

Digital GAM enhances and often replaces the traditional audit testing approach with new, risk-based, technology-enabled techniques that simplify and refine the focus of EY auditors on relevant risks. In turn, EY auditors can analyze whole populations of an organization's data from multiple perspectives, building a body of evidence and producing a deeper view into the operational environment.

Other enhancements have been made to address emerging auditing issues and matters, implementation experiences and external and internal inspection results. Recently, enhancements have been made to EY GAM to emphasize the holistic approach to identifying, assessing and responding to fraud risks. This approach includes applying the fraud triangle as a lens on the information obtained from our risk assessment procedures. This approach also emphasizes evaluating the results of our audit procedures in the context of responding to the risk of material misstatement in the financial statements due to fraud.

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). With respect to the impact that COVID-19 is having on the global economy, we continue to refresh guidance to address the accounting and financial reporting concerns that audited entities are facing,

as well as audit considerations when performing audits in the current environment.

Technology

EY 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 audit plans customized and up-to-date, and provides direct linkage to 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 EY Canvas 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.

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

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.

Data analytics and the EY Digital Audit

At EY, we are making data analysis integral to our audits. EY audit teams use of data and analysis is not about additive procedures or visualizations. It is about taking large populations of company data and applying 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 audit efforts. The use of data analytics also allows EY teams to obtain better perspectives, richer insights, and a deeper understanding of transactions and areas of risk.

EY member firms are deploying data analyzers to analyze the business operating cycles of audited companies, 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.

Formation of audit engagement teams

The assignment of professionals to an audit engagement is 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. We refer to KPI's 19 and 21 in appendix 4 for an overview of hours spent by specialists as part of audit engagements.

When certain conditions exist, our policies require the approval of the assignment of individuals to specific audit roles by our Assurance leadership and country 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.

Fraud

As part of ongoing improvement efforts, there is recognition of the need to evolve how audits are

performed to better address fraud. At a global level, EY is committed to leading the profession more widely to address stakeholder questions about the auditor's role in fraud detection.

Companies have never been as data rich as they are today, providing new opportunities to detect material frauds through data mining, analysis and interpretation. Auditors are ideally placed to carry out this role and are increasingly using data analytics to identify unusual transactions and patterns of transactions that might indicate a material fraud.

Technology is not a panacea, however, and professional judgment also comes into play. There is a responsibility for all involved, including management, boards, auditors and regulators, to focus more on corporate culture and behaviors to support fraud detection. The EY organization is taking additional actions to address this important area of the audit, including:

- ▶ Mandating the use of data analytics for fraud testing in audits for all listed entities globally
- ▶ Using additional internal and external data and information to enable more nimble responses to external risk indicators, such as short selling and whistleblowers
- ▶ Using electronic confirmations for audit evidence wherever possible
- ▶ Developing a proprietary fraud risk assessment framework for use with audit committees and those charged with governance
- ▶ Mandating annual fraud training for all audit professionals that incorporates the experiences of EY forensics professionals
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis

Environmental, social and governance (ESG) reporting

EY member firms provide assurance services on a wide range of ESG-related information. The EY Sustainability Assurance Methodology (EY SAM) is a global framework for the application of a consistent approach to all assurance engagements on ESG and sustainability information. EY SAM provides for the delivery of high-quality assurance services through the consistent application of thought processes, judgments and procedures in all engagements regardless of the level of assurance required. EY SAM is also adaptable to the nature of both the ESG reporting, and the criteria applied by the client in producing that report.

The methodology emphasizes applying appropriate professional skepticism in the execution of procedures inclusive of the changing landscape in ESG reporting and criteria. EY SAM is based on the International Standards on Assurance Engagements

and is supplemented in the Netherlands to comply with local assurance standards and regulatory or statutory requirements.

As part of our obligation for high-quality assurance services related to ESG reporting, EY has developed guidance, training and monitoring programs, and processes used by member firm professionals to execute such services consistently and effectively. Guidance has also been developed for audit engagement teams to assess the impact of climate-risk on financial reporting under International Financial Reporting Standards (IFRS) or other financial reporting frameworks. The Global, Area and Regional PPDs, EY quality functions and IFRS desks, together with other professionals who work with teams in each member firm, are knowledgeable about EY people, clients and processes, and are readily accessible to support ESG assurance engagement teams.

EY provides input to a number of public and private initiatives to improve the quality, comparability and consistency of ESG reporting, including climate-risk. These activities take place at a global, regional and national level. Examples include drafting ESG metrics and ESG reporting proposals for the Embankment Project on Inclusive Capitalism (EPIC) and the World Economic Forum's International Business Council (WEF-IBC). EY also makes resources available to standard-setters in the area of sustainability reporting.

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 all public interest entities 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 audited company and the auditor's report.

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

- Risk, materiality, subjectivity and complexity of the subject matter
- Ability and experience of audit team members preparing the audit documentation
- Level of the reviewer's direct participation in the audit work
- Extent of consultation employed

EY 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 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 these circumstances, 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. We refer to KPI 14 for the number of consultations related to accounting and auditing related topics.

Engagement quality reviews


EY engagement quality review policies address audit and assurance engagements. 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 (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), other listed entities and, in addition, for those audits considered higher risk ("close monitoring"). Also the review of interim financial statements with a wide circulation of these entities are subject to an EQR.

Our policy is that each of our statutory auditors is subject to at least one EQR annually for the engagements they sign. In addition, if the statutory auditor does not have two EQRs based on other criteria, one pre-issuance review is added.

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 or on the date of the auditor's or assurance report. 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 significant judgments within the audit were 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).

For audits, engagement quality reviews are performed by audit partners in compliance with legal requirements. The board of EYA approves all required audit engagement quality review assignments.

 **Organisaties van openbaar belang (Public Interest Entities or PIEs)**

In the Netherlands, EQRs are mandatory for PIEs. EY's global definition of a PIE is similar to, but not exactly the same as the Dutch definition of an OOB (Dutch wording for a PIE). Of the EQRs performed during the fiscal year 2020/2021, 58% concerned OOBs or PIEs according to EY's global definition (2019/2020: 49%). The increase in EQR's on OOBs is due to the Dutch legislation making large pensionfunds and public housing entities OOBs. 42% of the EQRs were held at specific groups of non-OOB clients, including high-risk clients, and various state-owned entities.

During the fiscal year 2020/2021, we performed 307 EQRs (2019/2020: 347 EQRs). One client may have more than one EQR reference, for example due to the review of interim financial statements.

For additional quantitative information for the fiscal year 2020/2021 on (the time spent on) our quality reviews, such as EQRs, we refer to KPIs 15, 16, 17 and 18 in Appendix 4. 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.

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



Pre-issuance reviews

In addition to our EQRs, we also performed other pre-issuance reviews. During the 2020/2021 fiscal year, we conducted a pre-issuance review of 143 audits of the 2020 financial statements. This is comparable with 2019 financial statements when we performed 134 pre-issuance reviews.



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, including consultation with Professional Practice if required.

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, the Dutch Audit Firm Supervision Act, 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 is an important safeguard of audit quality.

The Regulation 537/2014 and the Dutch Audit Firm Supervision Act, requires audit firms to rotate their lead engagement partner (signing auditor) and their engagement quality reviewer after five years. Following rotation, the lead audit engagement partner and engagement quality reviewer may not resume the lead partner or engagement quality reviewer role until at least three years have elapsed.

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

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 key audit partner rotation requirements applicable to PIE audit clients, EY has established a long association safeguards framework. This is consistent with the requirements of the IESBA Code and the Dutch Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO), and includes consideration of the threats to independence created by the involvement of professionals over a long period of time 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 as well as gradual rotation. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by and Independence professionals.



Firm rotation

For public interest entities, we comply with the external audit firm 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 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 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 the 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 assurance 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 assurance 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 COVID-19 pandemic continues to place restrictions on travel and face-to-face interaction. Utilizing EY Canvas and other collaboration tools, and leveraging from the lessons learned in 2020, the AQR program was effectively completed in the Netherlands. The AQR was executed fully remotely for the 2020/2021 cycle. All interactions took place virtually by video conferencing. Compared to previous years a lower number of Dutch reviewers was used.

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 AQR cycles, we took various measures to further improve the process. One of our main objectives was to raise the bar of our AQRs. These measures have been evaluated by PPG and the quality leaders of the Dutch regions. For the 2020/2021 AQR cycle, we repeated the following measures:

- ▶ Based on findings of previous internal and external inspections, focus areas were provided to the reviewers executing AQR reviews in the Netherlands.
- ▶ We engaged experienced local Deputy Team Leaders, as they are more familiar with our internal Dutch requirements as well as with the standards set by our supervision oversight body the AFM.
- ▶ We involved the Quality Enablement Group (QEG) and our Professional Practice Group (PPG) during the review to monitor the process and support the reviewers and engagement teams where required and to follow up on findings.

The results of the AQR process are summarized globally (including for Areas and Regions), along with any key areas where the results indicate that continued improvements are required. Summarized results are shared within the network. 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 and also applied in the 2020/2021 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 line with last year the focus of the AQR is still to have 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, where in the past the primary focus of the AQR was retrospective on the ratings of files and the number of (significant) findings noted.

The primary goal of an AQR is to assess the quality of past cycle audits and to thus drive continuous learning and improvement. Major 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	Material findings

Our Quality Assessment (QA) team, part of Quality management & development, determines, based on the input from the AQR reviewers, the remedial action that is needed for engagements where findings were identified. 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 2020/2021 AQR cycle resulted in two engagements subject to a RAP (2019/2020: two). The 2019/2020 RAP's were successfully executed, the RAP's 2020/2021 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.

The AQR outcome 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 may 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

2020/2021 AQR results

In the fiscal year 2020/2021, we performed 43 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 2020/2021). In summary, the 2020/2021 results were as follows:

	2020-2021		2019-2020	
Rating 1	40	93%	28	72%
Rating 2 without sign. no	1	2%	9	23%
Rating 2 with sign. no	2	5%	0	0%
Rating 3	0	0%	2	5%
Totals	43	100%	39	100%

Other and non-audit engagements quality reviews

In addition to the quality reviews of audit files, other assurance engagements (including 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. The additional quality review of non-audit engagements, as required by the Dutch Nadere voorschriften Kwaliteitssystemen ('NVKS'), was executed in autumn 2020. In summary, the results for the non-audit engagements were as follows:

	2020	2019
Rating 1	11	11
Rating 2 without sign. no	6	5
Rating 2 with sign. no	2	2
Rating 3	2	1
Totals	21	19

Year in this table refers to the year that the review is executed.

As part of the 2020/2021 AQR process five non-audit engagements were assessed (all rating 1). An additional assessment is scheduled for autumn 2021.

As from 2020/2021, remediation procedures for significant no's, including root cause analyses, 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 six audit files as part of the follow up of Anti Money Laundering risks, as identified in an Extended Client Due Diligence assessment, in the financial statement audit. A deep-dive review has been performed on the six 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. In line with last year none of the reviews resulted in remedial action plans. In view of the positive learning effect, we will continue thematic 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. For 2021 we planned and executed thematic reviews on professional skepticism and the Money Laundering and Terrorist Financing (Prevention) Act (Wwft).

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 2020/2021, we performed and completed seven assessments in this regard on the engagement level and two analyses on topic related matters (2019/2020: six assessments).

External quality assurance review

Our audit practice and registered statutory auditors are subject to various inspections, including those by the AFM (Dutch Authority for the Financial Markets, the supervisor of the Dutch audit sector), the PCAOB (the US Public Company Accounting Oversight Board), our Dutch professional association NBA (Nederlandse Beroepsorganisatie van Accountants) and several governmental institutions. We refer to KPIs 27, 28, 29 and 32 in Appendix 4 for information on our relations with our external oversight institutions.

We respect and benefit from the various inspection processes. We thoroughly evaluate the points raised during the inspection in order to identify areas where we can improve audit quality. Engagements with significant findings are subject to root cause analysis. Together with the AQR process, external inspections provide valuable insight into the quality of EY audits. These insights enable us to effectively execute high-quality audits.



The AFM performs inspections on the quality of statutory audits on focus areas of their choice.

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

The AFM has been conducting an inspection on the six 'OOB' licensed audit firms in the Netherlands between October 2020 and August 2021. This inspection consists of three parts:

- ▶ Internal oversight in audit firms
- ▶ Quality of three statutory audit engagements (including the impact of Covid-19)
- ▶ Internal quality inspection ('Audit Quality Reviews')

Regarding internal oversight in audit firms the AFM has published a public report in October 2021 with examples from this exploring assessment.

The first observations on internal quality inspections show that our internal quality inspections ('Audit Quality Review' process) meet our quality goals in terms of assessing individual files and how we continuously learn from internal observations.

All three inspected audit engagements, with a financial year ending 31 December 2019, by AFM were also assessed in the 2020 internal quality quality review (AQR). By reperforming the internal quality review, the AFM aims to assess the quality of the audit engagement as well as the internal review process.

The final and public report on this inspection is still pending and expected in the last months of 2021.

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. AFM is performing three specific file inspections, of which two are near final and one is just started, and did two theme investigations.

Regarding the theme investigations: No findings were reported with respect to Section 21 of the Dutch Audit Firm Supervision Act (controlled and sound business operations). With respect to Section 32 Decree on the Supervision of Audit firms (incidents

and measures), the AFM reported preliminary findings to us to which we responded in writing. Despite the fact that these are preliminary findings, we have already drawn up a plan covering a number of points in the report that we believe can be improved.

The outcomes of all these reviews are leveraged to drive our continuous learning and improvement.

Information on the AFM can be found on their website www.afm.nl.



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.

We were subject to a PCAOB inspection in November 2019 where they reviewed our firm's quality control system and three engagements. We received a final report from the PCAOB in January 2021 without findings on the engagements nor our quality control system.

Information on the PCAOB can be found on the website www.pcaobus.org. Information on the agreement regarding cooperation between PCAOB and the AFM can be found on www.afm.nl.



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 no SISA inspections in 2020/2021 (2019/2020: one).

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 no WNT inspections in 2020/2021 (2019/2020: three with positive outcome).

The ADR performed six (2019/2020: 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 six 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 2020/2021, the Educational Inspectorate performed three (2019/2020: five) reviews of audits by our firm on the year 2019 of educational institutions. For all three file reviews, the conclusion 'sufficient' was communicated to us in which no findings were identified. We were informed it was clearly visible that we made improvements to the findings that emerged in previous reviews.

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

The NZa performs regular reviews of the implementation of the Healthcare Insurance Act (*Zorgverzekeringswet, ZVW*) and the Long-Term Care Act (*Wet Langdurige Zorg*). In the past three 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 three 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 in the last two years.

Root cause analysis

Root cause analysis is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie an audit's favorable or unfavorable inspection outcome. This enables the identification of the key factors that can impact audit quality and the taking of responsive actions..

Our audit practice identifies and evaluates the causal factors when root cause analysis is performed. Analyzing this research enables a better understanding of the drivers behind both positive and negative inspection outcomes. Responsive action plans are developed to address the root causes for significant engagement-related findings. Our audit practice reviews the nature and prevalence of root causes to determine if systemic issues exist and if so, further action plans are developed. EY's Global Remediation Taskforce is responsible for addressing any pervasive root causes across the network and implementing responsive action plans on a larger scale.

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 sustained to continue 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 2020/2021, EYA made 71 reports of unusual

transactions to the FIU (compared with 64¹ in the fiscal year 2019/2020).

In accordance with the Wwft, EYA 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. During the fiscal year 2020/2021 the AML office has been significantly expanded.

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. This fiscal year the Dutch public prosecutor started investigating in an other case, also concerning a former audit client, whether we complied with our reporting obligations pursuant to the Wwft.

Insider trading

Securities trading is governed by many laws and regulations, and EY personnel are obliged to comply with applicable laws and regulations regarding insider trading. This means EY personnel is prohibited from trading in securities, while in possession of material, non-public information.

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.

Economic and trade sanctions

It is important that we are aware of the ever-changing situation with respect to international economic and trade sanctions. EY monitors sanctions issued in multiple geographies and provides guidance to EY people on impacted activities.

Data privacy

The EY global policy on personal data protection, 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 et cetera. One data breach was reported to the Dutch Data Protection Authority by EYA in the fiscal year 2020/2021 (2019/2020: none).

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. Five incidents were reported to the AFM during the fiscal year 2020/2021, compared to zero incidents in the fiscal year 2019/2020 (see KPI 35 in Appendix 4 of this Transparency Report. For information on the number of annual report adjustments made during the fiscal year 2020/2021, we refer to KPI 31 in the same Appendix).

Document retention

EY global and related local policies on records and information retention and disposition 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

¹ Due to a clerical error, the 2019/2020 transparency report included a reference to 72 subjective reports of unusual transactions. The correct number is 64.

or other government proceedings 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 cases where a path of litigation is chosen for, 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 2020, three disciplinary proceedings were pending. These three proceedings were still pending on 30 June 2021. One new disciplinary complaint was filed in the fiscal year 2020/2021. As a result, on 30 June 2021, four disciplinary proceedings were pending.

Two of the cases mentioned above are related. In this matter, a complainant filed a first complaint against the former Chair of the board 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. In the fiscal year 2021/2022, the Trade and Industry Appeals Tribunal quashed the Disciplinary Counsel's decision and revoked the warning ("waarschuwing"). During the fiscal year 2018/2019, the same complainant filed a second complaint against the former Chair of the board 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.

In the fiscal year 2018/2019, a complaint was filed against a statutory auditor in his role as engagement quality reviewer of an audit performed by another audit firm. At the time, the registered statutory auditor worked for that firm. On 15 January 2021, the registered statutory auditor received a reprimand ("berisping"). This matter is currently pending in appeal.

In the fiscal year 2020/2021, a disciplinary complaint was filed against one of our auditors in relation to the valuation of the provision in connection with pension obligations. Complainant opposes to the use of the interest term structure for this purpose and claims that an interest of 3% should be used. On 11 June 2021, the Disciplinary Council rejected the complaint. Complainant appealed the decision after the appeal term lapsed. The Trade and Industry Appeals Tribunal is currently deciding on the admissibility of the appeal.

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 four demand letters in the fiscal year 2020/2021.

Civil law proceedings

Seven civil law proceedings were pending on 1 July 2020. One matter has been settled and the proceedings have been withdrawn. In another matter, the Court of Appeal handed down a final decision rejecting the claims against EYA. This decision has become final. The other five cases were still pending on 30 June 2021. During the fiscal year 2019/2020, EYA initiated proceedings against a third party in connection with proceedings that were already pending. Therefore, on 30 June 2021, six civil law proceedings were pending.

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

In the second 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 2020/2021.

The third 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 have been joined. In the fiscal year 2020/2021, a hearing took place. It is expected that a decision will be handed down in the fiscal year 2021/2022.

The fourth matter was initiated in the fiscal year 2019/2020, by a former audit client. The claim relates to the alleged incorrect application of tax facilities and stretches out towards the audit of the annual accounts of this former client. 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 2021/2022, the District Court handed down an interim judgment, suggesting that parties enter into settlement negotiations.

The fifth and sixth matter are related. 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. In this matter, several indemnification proceedings have been initiated. Also, EYA initiated civil law proceedings against the shareholder of the former audit client. This sixth matter has been joined with the fifth matter.



Independence practices

The EY Global Independence Policy requires us 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. Most often, these are listed audit clients and their affiliates, but they can also be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of listed audit 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 an independence incident reporting system 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 confirmation

Annually, our firm 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. Employees from all levels of manager upwards 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 2021 testing cycle, EY Netherlands tested 232 partners and other personnel.

Non-audit services

EY monitors 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 the Service Offering Reference Tool (SORT) (see below), and training and required procedures completed during the performance of audits and internal inspection processes. There is also 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 EY professionals and certain other personnel are required to participate in annual independence learning to help maintain independence from the companies EY member firms 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 the 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 13.6 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 we continued our campaign in the Netherlands to stress to all our professionals the importance of full compliance with all applicable independence rules. This campaign is reinforced by a personal independence partner sanction framework as well as a personal independence executive sanction framework from the level of manager and up. Overall 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 2020/2021, see KPI 24 in Appendix 4 of this Transparency Report.

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 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 2020/2021.

Personal independence in the Netherlands²

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.

72 partners were tested in the period covered (1 April 2020 to 31 March 2021). These tests did not identify any independence breaches and identified 13% administrative violations, for three partners this resulted in a financial penalty, and for three partners in a non-financial sanction (2019/2020: 48 tests, zero breaches, five administrative violations, for which two received a penalty).

Furthermore, 160 executives were tested in the period which resulted in two breaches and 13% administrative violations, for 20 executives this resulted in non-financial performance consequences (2019/2020: 133 tests, zero breaches, 22% administrative violations, for which 20 executives received a non-financial performance consequence).

The overall non-compliance rate improved from 17% in 2019/2020 to 13% this year.

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. We refer to the paragraph rotation and long association.

² Figures in this paragraph relate to EY Netherlands and not only EY Assurance in the Netherlands as non assurance partners and employees may cause independence violations related to assurance engagements.



Continuing education and investing in exceptional talent

Development of EY people

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 our people grow and achieve their potential at a variable pace of progression. 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 or 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 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 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. There is significant EY investment in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. This has been of increasing importance to address emerging risks arising as a result of the pandemic. 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 a framework that connects EY people's career, development and performance. Through ongoing feedback, development, counselor excellence and career conversations, LEAD aligns individuals with the NextWave strategy and enables a focus on the future.

It supports the growth and development of EY people at all stages of their careers. An individual's dashboard provides a snapshot of performance against the Transformative Leadership dimensions, including quality, risk management and technical excellence, and assesses performance against peers. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programs.

Regular discussions with a counselor, on topics such as diverse career journeys, applying emerging technology, experiencing new teams and learning, help 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 auditor 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 and issues such as fraud and going concern. 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.

Impact of COVID-19

The shift to remote working during the COVID-19 pandemic has provided new challenges for our people. From maintaining vitality to working in a virtual team, adopting an agile mindset that embraces change has been critical. These circumstances have further highlighted the need to maximize the use of available technology.

Additionally, this past year has been extra challenging, given the fact that due to COVID-19 also the learning had to be done in a remote working environment. Thanks to the availability and quick adoption of tools such as Microsoft TEAMS, and the flexibility and perseverance of our Global and local learning teams and facilitators we were able to deliver all necessary learning topics virtually and/or digitally.

We do see that it was more difficult this past year to provide on the job coaching and guidance, especially to our younger staff. We put extra effort in staying connected with them by encouraging teams to introduce daily start-up session, all day virtual team rooms, extra options for them to come into the office when restrictions allowed this and Global attention for virtual and hybrid teaming skills. Additional counselling has also been provided to help EY people stay connected and engaged.

Culture, behavior and attitude

In our learning and training programs, we focus on three subjects: knowledge, skills and behavior. Part of our Step Change to Quality goal was to further improve our culture and the behavior of our professionals 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. HPT sessions were held mostly digital due to COVID-19 and the sessions were focusing on forming a shared vision and building trust. Trust is the basis of high team performance and a healthy continuous learning culture.

Learning compliance

During the calendar year 2020, 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 complies with 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 in several 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 represents combined, not consolidated, revenues (excluding HVG Law), 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)	2020/2021		2019/2020	
	€	%	€	%
Statutory audit services	229	62%	231	62%
Other assurance services	102	28%	101	27%
Assurance services	331	90%	332	89%
Assurance-related services (including compilation)	30	8%	27	7%
Other services	2	1%	11	3%
Rendering services Ernst & Young Accountants LLP	363	99%	370	99%
Other income Ernst & Young Accountants LLP	4	1%	5	1%
Ernst & Young Accountants LLP	367	100%	375	100%
Ernst & Young Belastingadviseurs LLP	263		263	
EY Advisory Netherlands LLP	215		209	
Ernst & Young Netherlands LLP and subsidiaries	75		68	
Intercompany eliminations	-65		-56	
Ernst & Young Netherlands LLP	855		859	

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

Ernst & Young Accountants LLP 2020/2021 (€000,000)	Statutory audit services	Other assurance services	Assurance- related services	Other Services	Total
NL based PIE clients and their subsidiaries	72 31%	11 11%	1 3%	- 0%	84 23%
NL based subsidiaries of EU-PIE's based in other EU countries	16 7%	7 7%	- 0%	- 0%	23 6%
Other (non EU-PIE) statutory audit services clients	141 62%	16 16%	3 10%	- 0%	160 44%
Other assurance services clients		68 66%	2 7%	- 0%	70 19%
Other assurance related services clients			24 80%	- 0%	24 7%
Other services clients				2 100%	2 1%
Total revenue for rendering services Ernst & Young Accountants LLP	229	102	30	2	363

In the tables above, revenues from statutory audit services are presented in line with the definition of a statutory audit in Article 1 of the Dutch Audit Firm Supervision Act, 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 (including associate partners), principals, executive directors 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.

EY policies prohibit evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-Assurance services to companies they audit. This reinforces to EY partners their professional obligation to maintain independence and objectivity. For audits conducted in accordance with the requirements of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014, EY prohibits evaluating and compensating any partner or professional involved in, or able to influence the carrying out of, an engagement based on the sale of non-Assurance services to their audit clients. This reinforces that professionals are obligated to maintain 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
 - Compliance to CEAC procedures including AML

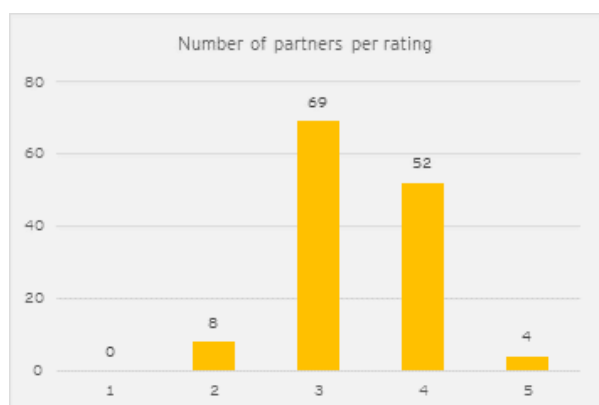
- ▶ Complexity of the audit portfolio
- ▶ Other (behavioral) factors
 - ▶ Brand and reputation risk
 - ▶ The “Tone from the Top” (behavior and follow up monthly Qpi dashboard)
 - ▶ Support for and contribution to quality (both local and central)
 - ▶ Behavior during the AQR process
 - ▶ Acting in a Quality 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
 - ▶ Performing in a (regional) quality role

award, the partner’s quality rating on the 5-point scale should be at least 3.

During the fiscal year 2020/2021, no 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 (*normoverdragen 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 the AFM as our supervision oversight body, which implies that the partner can no longer sign audit opinions; and in very serious cases, separation from the firm.

For the fiscal year 2020/2021, the rating of our external auditors (a group that includes most, but not all of our partners and associate partners) 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 the 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



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.

At the beginning of the reporting year 2020/2021 we have ended our multi-year change program Step Change to Quality (SC2Q) in which we have built a solid foundation for further development and quality improvement. Continuous quality improvement has become part of our strategy Next Wave within the existing organization and we will continue to strive for improvement.

The Transparency Report was discussed and adopted in the meeting of the Board of Directors on 13 October 2021. We discussed and evaluated our quality control system in our meeting on 13 October 2021.

Based on our evaluation, 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, 25 October 2021


Patrick Gabriëls (Chair)

Auke de Bos

Tom de Kuijper

Hanneke Overbeek - Goeseije

André Wijnsma



Appendix 1: list of PIE audit clients

PIE audit clients

Statutory audits of public interest entities under Dutch law (OOBs). In the fiscal year that ended on 30 June 2021, Ernst & Young Accountants LLP performed statutory audits of the following PIEs:

ABN AMRO Bank N.V.	CNH Industrial N.V.
ABN AMRO Captive N.V.	Cnova N.V.
ABN AMRO Clearing Bank N.V.	Credit Europe Bank N.V.
ABN AMRO Groenbank B.V.	DAS Nederlandse Rechtsbijstand Verzekeringmaatschappij N.V.
ABN AMRO Hypotheken Groep B.V.	Davide Campari-Milano N.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.	Euronext N.V.
Airbus Finance B.V.	EXOR N.V.
Airbus SE	Ferrari N.V.
Algarve International B.V.	Ferrovial Netherlands B.V.
Amsterdam Trade Bank N.V.	Flow Traders N.V.
ASN Beleggingsfondsen AIF N.V.	Fugro N.V.
ASN Beleggingsfondsen UCITS N.V.	Heijmans N.V.
Asset Repackaging Trust Five B.V.	Heimstaden Bostad Treasury B.V.
Asset Repackaging Trust Six B.V.	InterBank N.V.
Athora Netherlands N.V.	International Card Services B.V.
Basic-Fit N.V.	Klaverblad Schadeverzekeringsmaatschappij N.V.
BE Semiconductor Industries N.V.	Koninklijke BAM Groep N.V.
BNP Paribas Fund III N.V.	Koninklijke Boskalis Westminster N.V.
Christelijke Woningstichting Patrimonium	Koninklijke KPN N.V.
Citycon Treasury B.V.	

Koninklijke Philips N.V.	Signify N.V.
Lemonade Insurance N.V.	Sika Capital B.V.
Lowland Mortgage Backed Securities 4 B.V.	SRLEV N.V.
Lowland Mortgage Backed Securities 5 B.V.	Stellantis N.V.
Lowland Mortgage Backed Securities 6 B.V.	Stern Groep N.V.
Lucas Bols N.V.	Stichting Antares Woonservice
Magoi B.V.	Stichting Bedrijfstakpensioenfondsen voor de Bouwnijverheid
Matsuba 2016 B.V.	Stichting BO-EX '91
MDGH - GMTN B.V.	Stichting Casade
MPC Container Ships Invest B.V.	Stichting Dunavie
N.V. Schadeverzekering Metaal en Technische bedrijfstakken	Stichting L'Escaut Woonservice
N.V. Schadeverzekering-Maatschappij Bovemij	Stichting Nester
Naturgy Finance B.V.	Stichting Omnia Wonen
NatWest Markets N.V.	Stichting Parteon
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.	Stichting Pensioenfondsen ING
Nederlandse Organisatie voor Wetenschappelijk Onderzoek (NWO)	Stichting Pensioenfondsen Rail & Openbaar Vervoer
Nederlandse Waterschapsbank N.V.	Stichting Pensioenfondsen van de Metalektro (PME)
NIBC Bank N.V.	Stichting Philips Pensioenfondsen
NS Insurance N.V.	Stichting Pré Wonen
OBAM N.V.	Stichting Rabobank Pensioenfondsen
Onderlinge Waarborgmaatschappij Centramed B.A.	Stichting Shell Pensioenfondsen
ONVZ Aanvullende Verzekering N.V.	Stichting SSHN
ONVZ Ziektekostenverzekeraar N.V.	Stichting TBV
Optimix Investment Funds N.V.	Stichting Thuisvester
Ordina N.V.	Stichting Volkshuisvesting Arnhem
PEARL Mortgage Backed Securities 1 B.V.	Stichting WonenBreborg
Pensioenfondsen Metaal en Techniek	Stichting WoonFriesland
PostNL N.V.	Stichting Woonged Middelburg
Proteq Levensverzekeringen N.V.	Stichting Woonpartners
Reis- en Rechtshulp N.V.	Stichting Zeeuwsland
REN Finance B.V.	STMicroelectronics N.V.
SABIC Capital I B.V.	Südzucker International Finance B.V.
SABIC Capital II B.V.	TKH Group N.V.
SIF Holding N.V.	TomTom N.V.
	Toyota Motor Finance (Netherlands) B.V.

Unibail-Rodamco-Westfield N.V.

UVM Verzekeringsmaatschappij N.V.

VanEck Vectors- ETFs N.V.

VastNed Retail N.V.

Volkswagen Financial Services N.V.

Volkswagen International Finance N.V.

Woonpartners Midden-Holland, Stichting voor
Bouwen en Beheren

Wurth Finance International B.V.

Appendix 2: approved EYG member firms

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

As of 30 June 2021, 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 Wirtschaftsprüfungsgesellschaft mbH
Belgium	EY Assurance Services SRL
	EY Bedrijfsrevisoren SRL
	EY Europe SCRL
Bulgaria	Ernst & Young Audit OOD
Croatia	Ernst & Young 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
France	Artois
	Auditex
	Ernst & Young Audit
	Ernst & Young et Autres
	EY & Associés
	Picarle et Associes




Member State	Statutory auditor or audit firm
Germany	Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young Heilbronner Treuhand-GmbH Wirtschaftsprüfungsgesellschaft
	EY Revision und Treuhand GmbH Wirtschaftsprüfungsgesellschaft
	Treuhand-Süd GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft
	Schitag Schwäbische Treuhand GmbH Wirtschaftsprüfungsgesellschaft
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 GmbH Wirtschaftsprüfungsgesellschaft
	Ernst & Young AG, Vaduz
Lithuania	Ernst & Young Baltic UAB
Luxembourg	Compagnie de Révision 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

Total turnover for the year ended on 30 June 2021 for these EYG member firms, (and for the UK & Gibraltar firms up to the end of the Brexit transition period of 31 December 2020), resulting from statutory audits of annual and consolidated financial statements was approximately € 2.6 billion.



Appendix 3: biographies




Members of the board of directors as at 31 October 2021

	<p>Patrick (P.J.A.) Gabriëls (1972, Dutch) Policymaker of EYA since 1 September 2017.</p> <p>Patrick started his career in accountancy in 1996, joined EY in 2002 and became partner in 2006. He served many large (listed) multinational enterprises as auditor or advisor. At EY, he has co-founded several initiatives to drive innovation, including EYnovation, HighTechXL and Innovate EY.</p> <p>Patrick is chair of the board of EYA since 1 July 2021. In addition, he is a member of the board of Ernst & Young Nederland LLP since the same date. In FY21, as a member of the board EYA, he was responsible for Digital and Innovation.</p> <p>Patrick is currently also a member of the Board of Trustees of the auditing education program (Curatorium Accountantsopleiding) of Tilburg University.</p> <p>Former positions and activities:</p> <ul style="list-style-type: none"> ▸ Sector leader of EY's industry group Technology Media and Telecom in the Netherlands ▸ Member of the board EYA, responsible for Innovation
	<p>Auke (A.) de Bos (1965, Dutch) Policymaker of EYA since 1 February 2018.</p> <p>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.</p> <p>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. Auke is currently also a member of the board of the Foundation for Auditing Research in Breukelen. And he is also participating in various industry committees in the Dutch auditing sector on behalf of EY.</p>

	<p>Tom (T.) de Kuijper (1978, Dutch) Policymaker of EYA since 1 June 2018.</p> <p>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.</p> <p>Former positions and activities:</p> <ul style="list-style-type: none"> ▶ Talent leader EY FSO the Netherlands
	<p>Hanneke (S.D.J.) Overbeek - Goeseije (1975, Dutch) Policymaker of EYA since 1 December 2020.</p> <p>Hanneke joined EY in 1997 and became partner in 2009. During her career she served a combination of private and public, domestic and international companies as auditor or advisor. Over the last years she has been the external auditor of several Dutch multinational listed companies. Hanneke has spent several years in the United States of America and Switzerland, working in their Assurance practice. As a member of the Board of Directors of EYA, Hanneke is responsible for Talent.</p> <p>Former positions and activities:</p> <ul style="list-style-type: none"> ▶ Leader of EY's Financial Accounting Advisory Service practice for the period 2012 - 2015 ▶ From 1 July 2011 to 30 June 2019 member of the Partner Admission Committee
	<p>André (A.) Wijnsma (1972, Dutch) Policymaker of EYA since 1 February 2020.</p> <p>André joined EY in 1996 and became partner in 2008.</p> <p>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.</p> <p>Former positions and activities:</p> <ul style="list-style-type: none"> ▶ from 1 July 2012 to 31 December 2016 member of the Partner Admission Committee

Members of the supervisory board as at 31 October 2021

	<p>Pauline (P.F.M.) van der Meer Mohr LL.M. (1960, Dutch) Chair since 1 July 2015.</p> <p>Pauline is an independent non-executive Director at HSBC Holdings and Viatris Inc. She is also chair of the Dutch Monitoring Committee Corporate Governance and serves on the Capital Markets Committee of the AFM. 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.</p> <p><i>Former positions and activities</i></p> <ul style="list-style-type: none"> ▶ Deputy Chairman of the Supervisory Board of DSM ▶ Non-executive Director Mylan ▶ Member of the Supervisory Board of ASML ▶ Member of the Dutch Banking Code Monitoring Commission ▶ Senior External Adviser to the Dutch Central Bank ▶ 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
	<p>Richard (R.) van Zwol (1965, Dutch) Vice-Chair since 1 February 2021.</p> <p>Richard is State Councillor, member of the Advisory Division of the Council of State. He studied Legal Management Science at Tilburg University and attended the Higher Professional Programme in Public Finances.</p> <p>He also serves as chairman of the board of the Stichting Wetenschappelijk Instituut of political party CDA, member of the curatorium of the Stichting Prinsjesfestival and chair of the EU Network of Independent Fiscal Institutions.</p> <p><i>Former positions and activities</i></p> <ul style="list-style-type: none"> ▶ Secretary-General of the Ministry of the Interior and Kingdom Relations ▶ Secretary-General of the Ministry of Finance ▶ Secretary-General of the Ministry of General Affairs ▶ Sherpa of The Netherlands at the G20 2009/2010 ▶ Secretary of cabinet formations in 2003 and 2006/2007 ▶ Adviser to the Prime Minister's Office ▶ Director of Financial and Economic Affairs at the Ministry of the Interior and Kingdom Relations

	<p>Monique (M.B.E.) Maarsen MBA (1968, Dutch) Member since 1 July 2015.</p> <p>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.</p> <p><i>Former positions and activities</i></p> <ul style="list-style-type: none"> ▶ 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
	<p>Tanja (T.L.) Naqel (1960, Dutch) Member since 1 September 2017.</p> <p>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.</p> <p><i>Former positions and activities</i></p> <ul style="list-style-type: none"> ▶ 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
	<p>Patrick (P.F.L.) Rottiers (1965, Belgian) Member since 12 November 2018.</p> <p>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.</p>

Appendix 4: audit quality 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 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 licensed 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 2020-2021		FY 2019-2020	
	FTE	%	FTE	%
Partners	154	8.2	159	8.1
(Sr.) Manager	437	23.3	440	22.3
Other	1,288	68.5	1,371	69.6
Total	1,879	100.0	1,970	100.0

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.

	2020 - 2021	2019 - 2020	2018 - 2019
Partner	20.1	20.1	20.1
Manager	10.9	10.8	10.4
Other	3.7	4.1	4.0
Total	6.7	6.9	6.7

3. Employee turnover (employee's that left EYA during the fiscal year) 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.

	2020 - 2021				2019 - 2020			
	# 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	-	-	12	8.5	-	-	13	8.9
Manager	30	20.1	70	23.3	20	13.3	67	22.5
Other	16	6.9	221	18.9	9	3.7	232	19.7
Total	46	11.5	303	18.8	29	7.1	312	19.3

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.

	2020 - 2021				2019 - 2020			
	Partner	Manager	Other	Total	Partner	Manager	Other	Total
Financial audit (OOB)	39,898	105,146	252,447	397,491	42,009	97,004	257,319	396,332
Percentage of total	11.2	10.8	8.0	8.8	11.1	10.1	7.7	8.5
Financial audit (Non-OOB)	85,666	293,578	1,149,506	1,528,750	88,097	291,214	1,210,579	1,589,890
Percentage of total	24.0	30.0	36.2	33.9	23.3	30.4	36.2	34.0
Other engagements	39,614	150,003	547,069	736,716	35,297	133,308	537,219	705,824
Percentage of total	11.1	15.3	17.2	16.3	9.3	13.9	16.1	15.1
Indirect hours	192,194	428,877	1,223,608	1,844,679	212,630	437,582	1,336,722	1,986,934
Percentage of total	53.8	43.9	38.6	40.9	56.3	45.6	40.0	42.4
Total	357,372	977,534	3,172,630	4,507,536	378,032	959,108	3,341,840	4,678,980

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

% of total available contract hours	2020 - 2021	2019 - 2020
Percentage of overtime	5.9	6.0

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	
	2020 - 2021	2019 - 2020	2020 - 2021	2019 - 2020
Partners	9,237	11,758	60	74
(Sr.) Managers	40,366	46,215	92	105
Other	255,640	281,286	198	205
Total	305,243	339,259	162	172

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.

	2020 - 2021	2019 - 2020
Preparation time	18,480	21,765
Delivery time	10,835	13,102
Total	29,315	34,867

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').

	2020 -2021		2019 - 2020	
	Financial audit OOB	Financial audit non-OOB	Financial audit OOB	Financial audit non-OOB
Partners	10.0%	5.6%	10.6%	5.5%
(Sr.) Manager	26.4%	19.2%	24.5%	18.3%
Other	63.5%	75.2%	64.9%	76.2%
Total	100.0%	100.0%	100.0%	100.0%

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	2020-2021	2018 - 2019
Overall outcome: people who have an exceptional EY experience	75%	N/A
The people I work with make me feel like I belong to a team	88%	N/A
EY provides a work environment where I feel free to be myself	87%-89%	85%
I have the flexibility I need to manage both my work and personal commitments	79%	55%
My manager(s) provides me with timely feedback	60%	62%
EY provides me with learning opportunities that build the skills I need to be successful	89%	N/A
My counselor provides me with clarity and valuable insight about my performance	76%	N/A
At EY, my contributions are recognized and appreciated.	72%	N/A
My team(s) is able to deliver exceptional services to our client at the moment	74%	N/A

No people survey was conducted in 2019 - 2020, we have compared this years outcome to the results from 2018 - 2019. Not all items were part of our people survey in 2018 - 2019.

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	2020 - 2021				2019 - 2020			
	Partner	(Sr.) Manager	Other	Total	Partner	(Sr.) Manager	Other	Total
Assurance support	5.7	12.7	0.6	19.0	7.2	15.8	2.0	25.1
Accounting support	4.2	11.9	1.2	17.3	7.9	14.6	0.2	22.7
Quality Monitoring & Development	4.0	10.7	10.7	25.4	5.4	19.5	12.6	37.5
Internal Audit	2.8	4.7	1.0	8.5	2.9	3.3	1.0	7.2
Independence	2.0	5.3	6.3	13.6	2.0	5.3	6.0	13.3
Total	18.7	45.3	19.8	83.8	25.5	58.5	21.8	105.8

Decrease in FTEs is mainly caused by

- ▶ the restructuring of support functions, in which the department Assurance Quality Operations is relocated from PPG to Operations (minus 12,8 FTE).
- ▶ a change in the way these FTEs are calculated. In 2020/2021 we have adjusted the contract hours for external activities such as teaching at universities. The 2019/2020 FTEs are solely based on the contract hours.

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

	2020 - 2021	2019 - 2020
Accounting	89	87
Auditing	710	700
Total	799	787

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).

	2020 - 2021	2019 - 2020
Number of annual report reviews (ARs) conducted by experts outside the audit team before issuance of the audit opinion	149	140

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

	2020 - 2021		2019 - 2020	
	Weco	non-Weco	Weco	non-Weco
Number of OKBs performed	268	39	295	52
Percentage of auditson which an OKB was performed	15.0%	5.7%	15.8%	6.7%

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

FTE	2020 - 2021			2019 - 2020		
	Partner	(Sr.) Manager	Total	Partner	(Sr.) Manager	Total
Number of hours spent on OKBs	7,556	5,986	13,542	7,735	7,185	14,920
Average hours per OKB performed	24.6	19.5	44.1	22.3	20.7	43.0

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).

	2020 - 2021	2019 - 2020
Number of hours on audit engagements on which an OKB is performed	729,094	807,342
Number of hours performed on OKBs	13,542	14,920
Average hours performed on OKB as a percentage of the hours performed on the audit engagement	1.9%	1.8%

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.

	2020 - 2021			2019 - 2020		
	OOB	non-OOB	Total	OOB	non-OOB	Total
Hours IT specialists	50,194	98,109	148,303	53,614	101,699	155,313
Hours IT specialists as a percentage of total hours	10.1%	5.5%	6.5%	10.6%	5.5%	6.6%

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.

	2020 - 2021			2019 - 2020		
	OOB	non-OOB	Total	OOB	non-OOB	Total
Hours Actuary	8,877	5,177	14,054	14,493	6,652	21,145
Hours Actuary as a percentage of total hours	1.8%	0.3%	0.6%	2.9%	0.4%	0.9%
Hours Tax	11,639	26,354	37,993	10,668	25,553	36,221
Hours Tax as a percentage of total hours	2.3%	1.5%	1.7%	2.1%	1.4%	1.5%
Hours Valuation	7,282	12,271	19,553	5,070	17,193	22,263
Hours Valuation as a percentage of total hours	1.5%	0.7%	0.9%	1.0%	0.9%	0.9%
Hours Fraud	4,451	5,850	10,301	3,693	3,962	7,655
Hours Fraud as a percentage of total hours	0.9%	0.3%	0.5%	0.7%	0.2%	0.3%
Total hours financial audit	496,752	1,768,570	2,265,322	505,405	1,840,325	2,345,730

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

	2020 - 2021	2019 - 2020
Teaching at university	6,382	6,111

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).

	2020 - 2021	2019 - 2020
Statutory audits - PIE	155	138
Statutory audits - non-PIE	1,636	1,725
Total Statutory audits	1,791	1,863

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

	2020 - 2021			2019 - 2020		
	Independence	Administrative requirements	Total	Independence	Administrative requirements	Total
Total breaches / violations	12	104	116	51	130	181
% of total number of employees	0,3%	2,3%	2,5%	1,1%	2,9%	4,0%

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.

	2020 - 2021	2019 - 2020
Number of audit files that have been subject to a quality review (other than OKB)	43	39

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

	2020 - 2021	2019 - 2020
Number of audit files that have been subject to a quality inspection performed by an external oversight institution	12	17

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.

	2020 - 2021	2019 - 2020
Number of penalties received from external oversight institutions	0	0

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

	2020 - 2021	2019 - 2020
Number of partners that have been eliminated from AFM Auditors register	10	13
As a percentage of the total number of partners	6%	8%

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.

	2020 - 2021	2019 - 2020
Annual report adjustments	109	62
As a percentage of the total number of audit opinions	3.8%	2.3%

The number of fundamental errors in 2020 - 2021 is 7 (2019 - 2020: 2).

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.

	2020 - 2021	2019 - 2020
Number of adjustments made relating to material errors at audit clients based on the outcome of reviews performed by external regulators	0	0
As a percentage of the total number of audit opinions	0%	0%

33. Number of audit engagements terminated early
We do not 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.

	2020 - 2021	2019 - 2020
Number of incidents reported to external oversight institutions	5	0

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.

	2020 - 2021	2019 - 2020
Number of internal reports	1	0
Number of external reports	0	0

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