

# Transparency Report 2022

Part 1

**Ernst & Young Accountants LLP**



**EY**

Building a better  
working world

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## Foreword



**Patrick Gabriëls**

Chair of the Board of  
Directors  
Ernst & Young Accountants  
LLP



### Our people, our quality

Our people are the foundation for delivering 'excellent' quality. The wellbeing, development and vitality of our people are therefore a permanent top priority.

Over the past year, we continued to roll out four change programs as part of our *NextWave* strategy in the EY organization: 'Work-life balance', 'Transformative leadership', 'Trust re-invented' and 'Assurance transformation'. These change programs play an enabling role, securing the conditions that help us to continue delivering quality. These change programs also contribute significantly to the sustainable quality of our work. Two of these change programs focus on our people and promote desirable behavior: Work-life balance and Transformative leadership. Are we spending enough time on thorough evaluations? Are we sufficiently open-minded? As we want to continue delivering quality in the future, we have to ask ourselves these questions every day.

In terms of people, we recognize that the overheated labor market has made it more difficult to retain but also attract talent. We strongly believe that our four change programs will help make our profession and Ernst & Young Accountants LLP (hereinafter: EYA) as an employer more attractive.

The COVID-19 pandemic and the heated geopolitical relations have demanded a great deal from people's flexibility and adaptability in fiscal year 2021/2022. I can only express my great appreciation for the way in which our people have continued to deliver high-quality services this past year.



### Our business is trust

The scope of our work will change fundamentally in the coming years, a change that was initiated in recent years and has started to accelerate. However, the purpose of our work - building trust and confidence - will not change. Society, as well as other stakeholders, expects us to take on and demonstrate more accountability in the areas of fraud & non-compliance, going concern and non-financial information. In the future, there will be more focus on the story underlying the financial figures. My fellow board member Auke de Bos phrased it aptly: "I suppose you could say that our focus is shifting from technical to social quality". The 'Trust re-invented' change program is encouraging us to take a broader view of the auditor's role, assurance services and the added value for our clients and society.

This change of scope does not necessarily mean that we need to do more in all areas. We also have to find ways to work more intelligently, for example by standardizing and automating. This will not only ensure that we work more efficiently but also that we further enhance the level of quality, partly by further digitalizing our audits and also by focusing on subjects as fraud and going concern. The change program "Assurance transformation" focuses on topics as a new balance between onshore, offshore and near-shore activities,

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

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

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

the use of tooling and further digitalization of our work, setting up a support structure for administrative activities within audit engagements and implementing agile working. The outcome of this change program should not be limited to increasing efficiency and improving the quality of our work, but it should also result in more fun, which will enhance the wellbeing and vitality of our people.

We firmly believe that we can embrace the changing landscape, build businesses that redefine the future of our professions, create exciting new opportunities, and deliver greater long-term value for our people, clients and communities. EY leaders have reached the decision to move forward with partner votes to separate into two distinct, multidisciplinary organizations. The next steps include ongoing engagement with partners to provide them with more information in advance of the voting process. We expect this phase to continue through the end of the year 2022, with voting expected to begin on a country-by-country basis in late 2022 and conclude in early 2023. EY is proud of its legacy as a leading global professional services organization. The world is changing, and we have to adapt to continue to thrive and achieve our full potential, while we address the needs of all of our stakeholders. We look forward to engaging with EY clients, people, partners and stakeholders to share our bold vision for the future that amplifies our purpose of *Building a better working world*.



**Stakeholder dialogue**

Our stakeholders have an important say in defining 'excellent quality'. It is extremely important to maintain an open dialogue and communicate transparently with our stakeholders, including the AFM, so we can continue to improve our level of quality and respond in a timely manner to the changing demands of society and other stakeholders. A good example is our regular conversations with the AFM about our quality-driven culture, quality controls and the quality of our audits, as well as the results of internal and external inspections, signals and incidents, and developments in society and their impact on our audits. The intensified role of auditors with regard to fraud & non-compliance and going concern is also addressed during these conversations.

Finally, I would like to emphasize the importance of colleagues making meaningful contributions to the stakeholder dialogue, the learning profession and the social relevance of the profession. A good example of this is our college Aleks Kayhan, who joined the board of the Netherlands Institute of Chartered Accountants (NBA) in June 2022.

In short, I am proud of our people and where we stand as an organization in terms of quality. At the same time, it is important that we continue to challenge ourselves on these topics.

Rotterdam, October 27, 2022

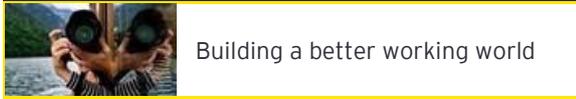
Board of Directors Ernst & Young Accountants LLP

Patrick Gabriëls (Chair)



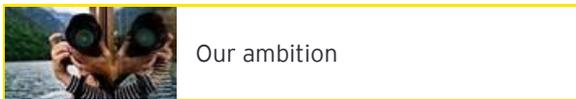


## Report of the policymakers



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

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

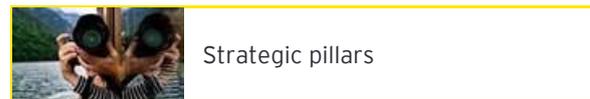


Our ambition is to create long-term value as the most trusted assurance practice in the Netherlands. We will further serve the public interest by proactively addressing our stakeholders' needs for trust and confidence in business and in capital markets. This long-term value creation focuses on the following value dimensions:

- ▶ Social value (drive quality in everything we do): We focus on maintaining a high level of quality in what we do and improving it when possible. We value consistency and aim to transform the client experience to increase trust. We also build trust in the capital markets and have a positive impact on communities.
- ▶ Client value (our EY brand): Our services aim to deliver the value and quality that our clients are looking for and the trust and integrity that the markets rely on. This enables us to help clients grow, optimize and protect value.
- ▶ People value (people engagement): We aim to create an exceptional experience for our people. This entails upskilling them but also challenging and engaging them with a range of opportunities. We have a constructive culture where our people feel that they can be themselves.

- ▶ Financial value (equal results): We intend to become the leader of long-term growth. We will transform our service delivery model by simplifying, standardizing, centralizing and automating it to match our results from previous years during these challenging times.

Following is a visualization of our strategy and its components:



Our strategy consists of four strategic pillars: 'Drive quality in everything we do', 'Drive client value', 'Drive people engagement' and 'Drive Assurance transformation'. These four pillars are woven through our activities. This means we will continue taking steps to further improve our quality, and work on the relationship with our stakeholders. The success of our organization is determined by our people, which is why people engagement will always be a priority. Finally, we want to make great strides in the area of digital audit, which is why our transformation has an important place as the fourth pillar of our strategy.



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

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

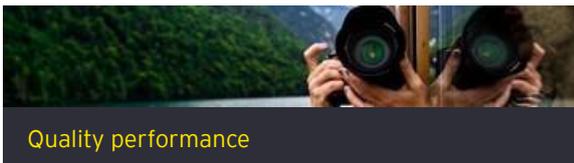


At EYA, we value our external stakeholders highly, and we understand how important they are: our regulators, our clients, potential investors and providers of capital, politicians, NGOs, the research community, the media and potential new employees. All external stakeholders play a significant role in defining what 'quality' means in our work. As such, we are in dialogue frequently with them about their expectations and what we can and cannot accomplish, or what we should or should not do, challenged by our public interest committee (see page 18). Our aim is to reduce the performance gap and the expectations gap by maintaining a continuous dialogue with our stakeholders.

Our 'quality' policy operationalizes our NextWave philosophy and priorities by formulating the following specific objectives to measure whether we have attained our desired level of quality:

- ▶ compliance of all engagements and our system of quality control with relevant laws and regulations.
- ▶ a rating of 1 (no or minor findings) for at least 80% of engagements in our internal quality assessments over FY22, increasing to 90% over FY25.
- ▶ no material weakness in our quality management system.

Our quality objectives represent realistic and achievable goals that we set as a minimum on the organizational, process and engagement levels. Although we strive to exceed these objectives in practice, we want to establish an open and safe culture in which we can collectively acknowledge how we can improve and thus learn from the findings and keep improving. If we do not meet one or more of the above targets, we investigate the reasons why and address them.



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

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

The results of the Assurance Quality Reviews (AQRs) and the external reviews reveal that the quality of our audits is sufficient and that structural improvements have been implemented. This does not mean we are satisfied. We want to continue to develop and grow, because in a rapidly changing environment, standing still essentially means going backward.

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



Compliance of all engagements and our system of quality control with relevant laws and regulations

After fiscal year 2021/2022 ended, we evaluated the overall system of quality management. We conclude that our system is operating effectively and that we comply with relevant laws and regulations including the Audit Firms Supervision Act (Wta).

We have met our goals regarding the internal quality evaluation (AQRs) for statutory audit engagements. We have evaluated the outcome of engagements with findings and conclude that these do not impact our overall evaluation of the system of quality management.



Outcome of internal quality assessments

#### *EY Global AQR Process*

Ninety-eight percent of the audit files of statutory audits examined during the EY Global AQR process achieved a rating of 1 (previous year 93%), and there are, as yet, no engagements rated 3 (previous year none); we also refer to KPI 26 in Appendix 1 of this Transparency Report and we refer to our Transparency report part 2 for a further explanation of the AQR process and scores.

Our long-term objective for at least 90% of our engagements is to receive a rating of 1 by fiscal year 2025. In fact, we have already taken an important step in this direction having achieved a rating of 1 in over 90% of the audit files examined during the EY Global AQR process for two consecutive years. These results reflect our commitment to quality.

While we are proud of achieving our goal with these outcomes, there are no engagements with more than minor findings. These engagements merit remedial action. We believe it is important to further improve our quality and therefore also to pay sufficient attention to these minor findings. The results of the

AQR process will be further evaluated and communicated to our employees.

In addition, it is important that we continue to feel and maintain a sense of urgency in our organization, so we can continue to learn and improve. Quality is not a given but a process through which we have to keep improving and challenging ourselves. This not only reflects what our stakeholders expect of us but also what we want to achieve.

#### *Other and non-audit engagement quality reviews*

In addition to the quality reviews of statutory audit files, other assurance engagements (including non-audit) are also subject to review in the AQR process. The additional quality review of non-statutory audit engagements, as required by the Dutch regulations for quality management systems (*Nadere voorschriften Kwaliteitssystemen - NVKS*) regarding fiscal year 2020, was carried out in the autumn of 2021.

Eighteen of the other and non-audit files examined during the EY Global AQR process achieved a rating of 1 (previous year eleven), six files achieved a rating of 2 without significant no (previous year six), two files a rating of 2 with significant no (previous year two) and there is one engagement rated 3 (previous year two).

The additional quality review of non-audit engagements (NVKS) fiscal year 2021 is ongoing and is scheduled to be finalized in the autumn of 2022. As part of the 2021/2022 AQR process, 5 non-audit engagements were assessed (of which 4 received a rating of 1 and 1 a rating of 2 with significant no).

#### *Signals and incidents*

If 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 2021/2022, we performed and completed six assessments in this regard (2020/2021: nine assessments).



No material weakness in our quality management system

Based on our evaluation of the quality management system, we did not identify material weaknesses in the fiscal year 2021/2022.



Outcome of external inspections

Our audit practice and registered statutory auditors are subject to various inspections, including those by the AFM, 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 1 for information on these inspections.

We respect and benefit from the various inspection processes. We thoroughly evaluate the points raised during the inspection to identify areas where we can further 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 our audits.

#### *AFM*

At the end of 2021 the AFM completed its investigation with respect to Section 32 Decree on the Supervision of Audit firms (Bta, incidents and measures). Based on the outcome of this investigation, the AFM imposed a warning and decided to increase their monitoring on our signal and incident management system, including the execution of a plan (Signals & Incidents 2.0 Project) to further improve our process around signals and incidents. The monitoring involves the themes culture & behavior, system of quality management and statutory audits.

As part of the monitoring, several constructive meetings with the AFM took place in 2022, and follow-up meetings are scheduled for the remainder of 2022.

Dutch law requires audit firms to manage their business in a sound and integer way. Consequently, we are required inform the AFM immediately of any incident that has serious consequences for the integrity of our operations. Three incidents were reported to the AFM during the fiscal year 2021/2022, compared to five incidents in the fiscal year 2020/2021 (see KPI 35 in Appendix 1 of this Transparency Report). The incident investigation that the AFM announced last year is still ongoing, no outcomes are known at this stage

At the end of 2021 the AFM also finalized their inspection consisting of three parts: internal oversight in audit firms, quality of three statutory audit engagements and internal quality inspection. Regarding internal oversight in audit firms, the AFM has published a public report in October 2021 with examples from this exploring assessment. The investigation on our internal quality inspections shows that our internal quality inspections ('Audit

Quality Review') process meets our quality goals in terms of assessing individual files and how we continuously learn from internal observations. From the three selected statutory audit engagements, the AFM reported no findings on two engagements and findings on one engagement.

Fraud and corruption are important themes to us. With respect to these themes, we have undertaken several actions to further improve the awareness of partners and staff, and we also hired a third party to assess how audit teams act and respond to signals of fraud and/or corruption. This assessment, as well as our internal root cause analysis, resulted in both good practices and in learning points. We translated the latter into change initiatives as part of our Transformative Leadership Program, in which a specific learning lab is recognized with respect to signals and incidents.

The outcomes of both external and internal investigations are leveraged to drive our continuous learning and improvement.

In 2022, the AFM initiated a dialogue on data-driven oversight for the 'OOB' licensed audit firms. As part of this dialogue, we informed the AFM about our risk analysis processes and how we respond to risk by means of our Quality Performance Indicator dashboard (QPI-dashboard).

#### *PCAOB*

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

We were subject to a PCAOB inspection in May 2022 when the board reviewed our firm's quality control system and three engagements. Although the final and public report on this inspection is pending, we are confident that, based on the preliminary findings, no significant findings will be reported.

#### *Other external inspections*

In addition to inspections by the AFM and the PCAOB, the Dutch National Government Audit Service (*Auditdienst Rijk*) and the Inspectorate of Education also conducted inspections. The two engagement reviews by the Dutch National Government Audit Service regarding the audit of public institutions, as well as the three engagement reviews by the Inspectorate of Education regarding the audits of educational institutions, were assessed as 'sufficient' (the previous year was also assessed as 'sufficient').

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 Dutch National Government Audit Service performed one SISA inspection in 2021/2022 (2020/2021: none) and informed us that the conclusion was 'sufficient'.

In July 2021, NOREA, the professional organization for IT auditors, conducted a quality review to assess whether the quality system used by our IT auditors complies with the RKBN, the Articles of Association and the Regulations and Guidelines of NOREA. NOREA assessed three engagements in this inspection. For all three files, NOREA informed us that their conclusion was 'sufficient' (there was no inspection the previous year).

The Royal Netherlands Institute of Chartered Accountants, the Dutch Healthcare Authority (*Nederlandse Zorgautoriteit*) and the Dutch Media Authority (*Commissariaat voor de Media*) did not perform any quality reviews in the past years.



## Litigation & claims



### Transparency in the public interest

In cases involving litigation, 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 undermine our position in existing litigation or provoke new litigation, on the other. In many of these cases, legal and contractual restrictions will affect our transparency. 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 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 July 1, 2021, four disciplinary proceedings were pending. During the period 2021/2022, two new complaints were filed and three cases came to an end with a positive outcome. As a result, on June 30, 2022, three disciplinary proceedings were pending.

The first two proceedings that were resolved concerned a complaint against one of the board members of EYA in 2018. The complainant claimed that an advisory engagement - not performed by auditors of our firm - was not carried out according to the professional rules and regulations and that our firm's quality system was not functioning properly. The board member had no involvement in this specific engagement. The decision of September 6, 2019, of the Disciplinary Council (*Accountantskamer*) was discussed in the Transparency Report for the fiscal year 2018/2019. In the fiscal year 2021/2022, the Trade and Industry Appeals Tribunal (*College van Beroep voor het bedrijfsleven*) quashed the decision and revoked the warning (*waarschuwing*). During the fiscal year 2018/2019, the same complainant filed a second complaint against the board member of EYA. Following the decision of the Trade and Industry Appeals Tribunal mentioned above, the complainant withdrew his complaint in the second disciplinary proceedings and

therefore the Disciplinary Council dismissed the matter in this fiscal year.

The third disciplinary complaint that was resolved concerned a complaint that was filed in the fiscal year 2020/2021 against one of our auditors in relation to the valuation of the provision in connection with pension obligations. The complainant opposed the use of the interest term structure for this purpose and claimed that an interest rate of 3% should be used. On June 11, 2021, the Disciplinary Council rejected the complaint. The complainant appealed the decision after the appeal term lapsed. On March 8, 2022, the Trade and Industry Appeals Tribunal decided the appeal was inadmissible.

Currently, two proceedings are still open. The first was pending on July 1, 2021, and is still pending as at June 30, 2022. In this matter, in the fiscal year 2018/2019, a complaint was filed against a statutory auditor in his role as engagement quality reviewer of an audit when he worked with another audit firm. On January 15, 2021, the registered statutory auditor received a reprimand (*berisping*). This matter is currently pending in appeal.

One new disciplinary complaint was filed in the fiscal year 2021/2022. In this fiscal year, a former partner of EY Advisory Netherlands LLP filed a disciplinary complaint against one of the board members of EYA for not addressing his alleged whistleblower complaints adequately. For the sake of completeness, we also disclose that the same former partner also filed a disciplinary complaint in this respect against one of the former board members of Ernst & Young Netherlands LLP. These proceedings are currently pending.

As a result, on June 30, 2022, three disciplinary proceedings are pending within Ernst & Young Accountants LLP.



### 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 two demand letters in the fiscal year 2021/2022 (2019/2020: four).

#### *Civil law proceedings*

Six civil law proceedings were pending on July 1, 2021. All six were still pending on June 30, 2022. In the fiscal year 2021/2022, civil law proceedings were initiated against our firm in one new matter. Therefore, on June 30, 2022, seven civil law proceedings are pending. Of these proceedings one, although formally still pending, is inactive.

With regard to the civil law proceedings that were initiated in 2021/2022, EYA has been included in collective proceedings. A claim foundation claims that an EYA audit client failed to fully disclose certain matters in its financial statements and holds the client, its (non) executives and two audit firms, including EYA, liable for damages in this respect.



#### Whistleblowing and complaints

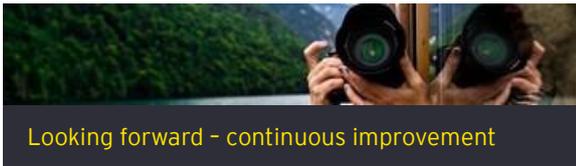
During the fiscal year 2021/2022, one external report regarding EYA was filed through the EY/Ethics Hotline (2020/2021: zero; see KPI 37 in Appendix 1 of this Transparency Report). This report was submitted by a former EY employee and concerned circumstances dating from after the termination of his employment approximately 20 years ago. The former employee submitted an identical report in 2017, and at the time, EY looked into the complaint and found no evidence of the alleged facts referred to in the report.

No internal reports were filed (2020/2021: one).

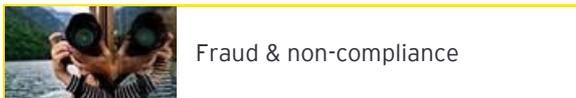
In addition to the EY Ethics Hotline, our firm has a Whistleblowers' Regulation and a Complaints Regulation in place. Aside from the report filed via EY/Ethics Hotline, no whistleblowers' notifications as defined in the Whistleblowers' Regulation (*Wet Huis*

*voor klokkenluiders*) were filed during this fiscal year (2020/2021: zero). One complaint as defined in the Complaints Regulation was filed in the fiscal year 2021/2022 (2020/2021: zero). In this complaint, the complainants argue that an external auditor did not perform a proper audit in relation to a paragraph in the report of the management board in the annual accounts of the audited entity. This report is currently being investigated.

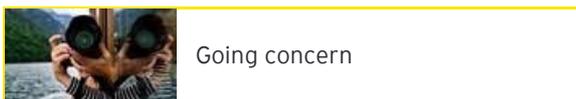
Through other channels, our firm occasionally receives comments, questions or complaints from clients, liquidators or other stakeholders. Issues raised include different expectations regarding the assurance or services delivered and our timeliness in the delivery of our services. Most issues are dealt 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 2021/2022, we received four complaints relating to EYA (2020/2021: eight). This number does not include demand letters, which are covered in the 'Litigation' section of this Transparency Report.



Our profession is changing and will continue to change in the coming years. The scope of our work is taking on new dimensions and so is the way we perform our work, but the objective remains the same: build trust and confidence. Changes that will impact us include the role of the auditor in environmental, social and governance (ESG) reporting, the focus on fraud & non-compliance and going concern, and the imminent new Act on the Future of the Accountancy Sector.



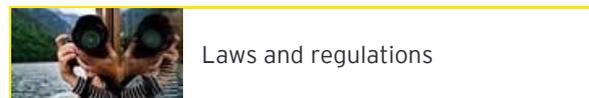
In the area of fraud, our audit report was extended last year for public-interest entities, and this obligation will be further extended in the coming year to all legally required statutory audits. The AFM has published a position paper in which it states that the sector must fulfil its gatekeeper role in the area of fraud more emphatically. We are happy to take up this challenge by further developing our innovative tooling and our 'Transformative Leadership' change program, which focuses strongly on soft skills and a professional critical attitude: our feelers during an audit. At the same time, the improvement plan regarding signals and incidents, which was implemented last year, provides a more solid foundation for following up on signals and addressing them with a concrete approach. Both the AFM position paper and the root cause analysis released by the NBA emphasize the importance of the entire ecosystem in addition to the role of the auditor, a message that highlights the role set aside for us to raise awareness among the organizations we audit.



Our audit report was also extended to include going concern last year, and this obligation will start to apply to all legally required statutory audits in the coming year. A focus group of the NBA, in which we participate, is examining the next steps to take, including intensifying knowledge sharing, improving culture & behavior and reinforcing this issue among other relevant parties.



ESG reporting and assurance is a third important development that is being fully implemented. In the coming years, various organizations will be required to gradually report on ESG issues and engage an auditor to provide assurance. On the basis of our purpose, *Building a better working world*, we consider this theme to be of fundamental importance for several of our stakeholders, including investors and potential providers of capital, in order to make better assessments based on both financial and non-financial information. We feel the duty to support the mind shift that many organizations still need to make to achieve solid ESG reporting in the longer term that reveals the story behind the organization and which is verifiable.



Next to the aforementioned developments, new laws and regulations regarding quality will be introduced next year:

- ▶ ISQM 1 (although not yet embedded in Dutch laws and regulations): The implementation will strengthen quality at the organizational and engagement levels and ensure continuous quality improvement.
- ▶ ISQM 2 and Engagement quality reviews (although not yet embedded in Dutch laws and regulations): We provided significant input into the recently published *Praktijkhandreiking OKB* by the NBA for the engagement quality reviews to give further guidance to what can (but also cannot) be expected from an engagement quality reviewer. This was a joint effort with other audit firms in which EYA took a leading role in writing these guidelines, taking into account ISQM2. Through this guidance, we wanted to enhance the public discussion on the role and responsibilities of the EQR.
- ▶ *Act on the Future of the Accountancy Sector (Wet toekomst accountancysector)*: In July 2022, a draft of this act was sent to the Council of State and is expected to be adopted in late 2022 or early 2023. The Act includes a power of appointment that will be placed with the NBA for organizations subject to auditing requirements that are unable to find an auditor, and the Audit Quality Indicators (AQIs) will be enshrined in law. In anticipation of the introduction of the new law, we have already started implementing the published AQIs in our organization.

- ▶ ISA 315: The revised ISA 315 is applicable for audits starting in fiscal year 2022 and requires us, as auditors, to look at organizations from a different perspective for the purpose of a thorough risk analysis, also focusing on the IT organization. A significant part of our training in the summer of 2022 focused on incorporating this revised standard



Committee on the Future of the Accountancy Sector

We are pleased that the Committee on the Future of the Accountancy Sector recognizes the efforts of the sector and is cautiously positive about developments there. At the same time, we believe that our 'Transformative leadership' and 'Assurance transformation' change programs will enable us to adequately address the opportunities for improvement that the Committee, as well as our organization, has identified in culture, education and innovation. In the coming period, we will participate in the experiment on the intermediary model that the Committee has launched.



In the public interest

We participate in an active dialogue with our stakeholders so we can continue to meet the expectations of society and regulators, on the one hand, and to help improve quality, on the other. Important examples of this are our contributions to both the Board of the NBA and various project groups, the ongoing dialogue with the AFM, our participation in initiatives by the Committee on the Future of the Accountancy Sector and colleagues who participate (in project groups) with standard setters.

We are committed to fulfilling our duty to society and in consultation with our stakeholders to work continually on improving quality so we live up to the trust that others put in us.



# Report of the Supervisory Board



## Introduction

The corona pandemic and Ukrainian conflict dominated the world in 2021-2022. COVID-19 had a significant impact on EY and its clients for the year under review with a devastating effect not only in human terms throughout the region but also on the global economy as a whole.

As the Supervisory Board, we monitored the policy of the Board of Directors of Ernst & Young Accountants LLP (EYA Board) with respect to both these complex issues, alongside our core responsibility of supervising the organizational status, the impact on service delivery and the quality of audit services of EYA. As such, we oversaw the response of the EYA Board to the impact of COVID-19 on EYA's clients and business operations in the Netherlands, to the physical vitality and mental resilience of EYA's employees and partners, and to the further implementation of hybrid working at home and in the office - while doing what was necessary to ensure the safety of EY's local Ukrainian staff.

Throughout this process, we watched over the non-negotiable imperative of maintaining quality of services at the highest level whilst ensuring a prudent financial policy.



## View on Supervision 2021+

As the Supervisory Board of EYA, in 2021-2022 we developed our perspective regarding our oversight of EYA's principles and priorities within four multi-year focus areas. Four principles evolved upon which we believed our view on supervision should be based:

- ▶ First, EY's global purpose - building a better working world - expressing the interests of EYA's stakeholders alongside the public interest in a more general sense. This includes the way in which EYA wants to create long-term value and protect our planet. In this respect, we welcome the EY Global ambition to achieve net zero carbon emissions in 2025 across all the organization's footprints by offsetting or removing more carbon from the atmosphere than EY emits. At EY, we are already seeing the positive knock-on effects with respect to the vehicle fleet and sustainable procurement

- ▶ Second, the public interest specific to EYA to ensure the quality of statutory audits pursuant to the Audit Firms Supervision Act (known in Dutch as the Wta) and other applicable laws and regulations, achieving the quality objectives of a public interest entity in accordance with this.
- ▶ Third, the Dutch corporate governance code, considering the legal form of EYA.
- ▶ Fourth, the strategy and priorities of the EYA Board to adhere to the aforementioned principle.

This year's view on supervision comprised another four multi-year focus areas:

- ▶ *Promoting good governance of EYA.* We focused in particular on the interaction between EYA and EY's other activities in the Netherlands. We monitored the consequences for the quality of the audits undertaken by EYA. And we kept a keen eye on the ethical and controlled operational management. We are aware of the international embedding of this governance structure. And we regard it as our responsibility to promote the proper functioning of the EYA Board. Specifically, we internally supervised the EYA Board with a view to its responsibility for maintaining a solid working relationship with the regulatory authorities. And we oversaw the EYA Board in their stakeholder management outreach.
- ▶ *Public interest function of audit firm EYA and long-term value creation.* Our key role in this respect was monitoring the implementation of the public interest of the audit firm. We saw to it that the EYA board paid sufficient attention to developments in the audit sector. We also provided broad-based support to the EYA board on public themes such as value - client, people, social and financial value - as well as diversity, sustainability and social inclusiveness. We took note of the investigation conducted by Internal Audit into the Confidential Counsellor network and supervised the way the EYA Board addressed the organization's whistleblower policy. Unsurprisingly, ESG was a key theme of our off-site with the EYA Board on 2 June 2022 as we discussed our perspective pertaining to environmental, social and governance factors.
- ▶ *Oversee quality policy, risk management, and ethical and controlled management of EYA in conjunction with EYNL.* We promoted the detailed implementation and functioning of the Three Lines Model within EY in the Netherlands, a model providing the structure to safeguard good governance, risk management and compliance

throughout the organization. In order to ensure the adherence of the EYA Board to good governance, we saw it as our duty to ascertain that the ongoing development of quality standards for the assurance practice was endorsed and implemented by both boards. We supervised the quality policy as a whole, changing the name of one of our committees into the Assurance Quality Committee (AQC). We appointed a Board Oversight Committee as a subcommittee of the AQC to monitor the Signals & Incidents 2.0 project, supported by deep dives and root cause analysis where appropriate. To emphasize the importance of this subcommittee, we nominated as its members the Chair and the Vice-Chair of our Supervisory Board. We are pleased to report that the monitoring of project and assurance quality is now undertaken entirely by the 'AQC'.

- ▶ *Care for people, development, culture and behavior, diversity and inclusiveness at EYA.* Under the umbrella of transformative leadership, we put the twin themes of culture and behavior systematically on the agenda. We supervised the way in which the board of directors implemented the EYNL Talent plan, also covering EYA, appealing for attention to cultural diversity and inclusiveness as well as recruitment and retention. And we monitored the way in which the findings of the employee satisfaction survey known as Pulse were incorporated in the Talent plan.



Other focus areas during 2021/2022



Monitoring performance of the EYA Board

In relation to the board, the Supervisory Board has three roles - the supervisory role, the employer role and the advisory role. We are empowered to make a binding nomination with respect to policymakers at EYA. We saw it as a key responsibility to monitor the functioning, coaching and time planning of the EYA Board members following their transitions in the course of 2021. We engaged with the EYA board to ensure diversity in succession planning. We supervised the appointment of a new deputy head of Internal Audit and a new HR director. We endorsed the appointment of external auditors at EYA, tracked the positioning of EYA in the upcoming round of client selection of new external auditors for EYA in

the Netherlands, and monitored the repositioning of EY within the newly-formed Europe West region.



Overseeing local implementation of global NextWave strategy

We underscored the approval of the local quality policy aligned with EY's global strategy entitled NextWave. We oversaw the implementation and execution of the NextWave Transformation Program at EYA. We supervised the anchoring of ongoing quality initiatives and activities in the day-to-day business. We monitored the approach of the EYA Board to behavioral drivers such as cultural sensitivity, continuous learning and quality improvement, acknowledging that the quality imperative is a never-ending process.



Watching over a prudent financial policy

We assessed the adequacy of the budget for quality investments at EYA. Having approved the FY22 budget, we monitored the degree to which the measures adopted were not only prudent, but within strict financial parameters. We endorsed the guiding principles for the financial three-year plan (FY23-FY25). And, as part of the largest global transformation EY has ever embarked upon, we monitored the successful implementation and effectiveness of Mercury, our EY's financial platform.



Engaging with the regulatory authorities

A recurring feature of our dialogue with the EYA Board was the way in which the recommendations issued AFM were implemented at EY in the Netherlands. Relevant AFM reports were key agenda items during our discussions with both boards, as were European regulatory developments and reports of the Public Company Accounting Oversight Board (PCAOB). We paid particular attention to the way in which the EYA Board rolled out their proposition with regard to the institution of a regulatory office within EY.



Last but not least: supervising the response to the fall-out from the conflict in Ukraine

As discussed earlier, the uncertainties caused by corona were exacerbated in early 2022 by the Ukrainian crisis and the impact - both external and internal - that the conflict had on the business operations. We monitored the measures taken immediately after the outbreak of the conflict by the EYA Board. These measures, fully in line with EY Global guidelines, pertained to risk mitigation, strategic alliances and compliance with the international and European sanctions imposed on some of the clients in the region. We also oversaw the

efforts taken by the EYA Board to ensure the well-being of Ukrainian EY colleagues living and working in particularly difficult circumstances.



The SB EYA held seven formal meetings in the year under review. The meetings were held online until the precautionary corona measures were withdrawn, and thereafter face-to-face. We met regularly with the EYA Board (five times), addressing a wide range of topics. All members of the SB EYA attended these meetings, with no member being frequently absent.

In our discussions with the external auditor, we focused on both the audit approach and resulting Board Report. As we do every year, we met with a delegation of the Works Council. We attended the annual meeting upon invitation of and with the AFM, alongside informal contact with AFM-officials in the course of the year and alongside formal contact initiated by the SB to discuss progress regarding the Signals & Incidents project. We held separate meetings to discuss and adopt the financial statements and approve candidates for the external audit function for EYA in the Netherlands.

Some of us attended a training seminar specifically targeting supervisory board directors, and we took part in various EY-related internal and external events. We reviewed our own performance as a Board and as individual members on 3 June 2022. Recurring annual topics for review were the profile and composition of the SB EYA. Individual performance evaluation interviews were held with the EYA Board based on assessment criteria amongst which quality is the leading criterion.



The duties and powers of the SB are set forth in the Charter of the Supervisory Board of Ernst & Young Accountants LLP (SB EYA), as adopted 24 September 2021. There were no changes to the SB's duties and powers this year. The personal union formed by the SB EYNL and SB EYA means that the members of both corporate bodies mirror one another. In compliance with some elements of the Dutch Corporate Governance Code, the composition, procedures and mandate of the SB are taken into consideration.



The SB is composed in such a way that a combination of experience, expertise, competencies, professionalism, background as well as diversity with respect to gender, age and personality enables us to fulfil this role. The SB actively promotes propriety, fitness, independence and transparency internally, and externally: 'tone at the top.' We outline how we have organized our supervisory duties below.

As per 27 October 2022, the SB consists of four independent members and one non-independent member, and is fully in line with the SB profile.

The SB consists of the following members as per 27 October 2022:

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

\* Patrick Rottiers is the non-independent member.

\*\* Formal end of term, but the chair will step down as of 31-12-2022



### Audit & Risk Committee

The Audit & Risk Committee (ARC) focuses on operational management and risk management within EYA. The ARC conducted research into how certain specific accounting issues are addressed at EYA, resulting from developments at other companies as reported in the media. This committee supervised the implementation of Mercury, the new financial platform, as well as professionalization of quality compliance and risk management throughout EYA.

The ARC assists the SB in fulfilling its supervisory activities for internal and external reporting, significant capital investment, tax, budget preparation, the external audit function, and the design and operation of the internal risk management controls.

Additional tasks include the supervision of compliance with relevant rules and regulations governing the provision of EYA information, both financial and non-financial. Five online meetings were held in the year under review as well as one additional meeting with the full SB to discuss the process to appoint the external auditor for EY(A) in the Netherlands.



### Talent & Remuneration Committee

The Talent & Remuneration Committee (TRC) discusses long-term executive succession planning - leadership development at the level of (associate) partner - with a view to the timely availability of candidates for board succession.

The committee held performance reviews, discussed and then set executive remuneration and executed the annual Talent plan; what needs to be done today to be ready for tomorrow. The TRC promoted recruitment and retention of qualified employees, those who helped shape EYA's inclusive and diverse values, those who made the difference, day in, day out - the people of EYA. Significant inflow, advancement and outflow at EYA required constant attention and a well-considered cycle of training, development and assessment. Crucial to success in this endeavor was establishing measures to safeguard an optimal work-life balance. The TRC gathered four times this year.



### Assurance Quality Committee

The Assurance Quality Committee (AQC) focuses primarily on the quality of Assurance services to clients. It first discussed and then assessed the Quality Review before adopting the Quality Policy. The AQC paid particular attention to the Signals & Incidents 2.0 project and supervised the structural anchoring of the NextWave transition from an audit quality perspective in the organization. The AQC is responsible for advising on and monitoring audit quality. Its former responsibility when it was known as the Quality & Governance Committee - overseeing compliance with EYA's chosen corporate governance structure in the Netherlands - has now been transferred to the SB as a whole. The AQC held four meetings in the year under review (excluding those related to the Signals & Incidents 2.0 Project with the Board Oversight Group).



### Public Interest Committee

The Public Interest Committee (PIC) discusses matters of public interest - value, diversity, sustainability and social inclusiveness. It monitored the way EYA focused on various economic sectors, including organizations in the semi-public and public domain as reflected in the initiative aimed at these sectors entitled EY Society. The PIC monitored the progress of the stakeholder dialogue and the associated annual plan, holding separate meetings to discuss the coalition agreement and align the potential impact on and opportunities for EYA. It oversaw the development of a sponsoring policy focused on sport - particularly padel - as well as the foundations for a developing initiative in the art and culture environment. The PIC monitored the way in which the board of directors launched an EYNL Sustainability campaign in the media, focused specifically on how EY can help its clients to drive sustainability initiatives. And the committee supported the SB in monitoring compliance with the public interest while focusing on the intensification and ongoing implementation of the stakeholder dialogue. The PIC held four meetings in the year under review, and the FY22 stakeholder dialogue plan was on the agenda of each of them.



### Independence

The duties and powers of the SB determine the position of its members under prevailing independence rules. As described in its charters, independence in both fact and appearance is

required. The Independence Officer of EYNL monitors both the financial and personal independence of SB members. As set forth above, all SB members except one qualify as independent in accordance with the regulations. No decisions were rendered by the SB in which conflicts of interest occurred in compliance with the relevant articles of its charters.



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



Together with EYA policymakers, we reviewed the content of this 2021-2022 Transparency Report. In our view, the developing text and tone of this report is in line with our observations during the past year and representative of the way the EYA Board is embedding NextWave within the organization as well as a broad range of socially-relevant topics related to quality.



Despite the turbulence caused by the corona pandemic and the Ukrainian conflict, we were pleased to note that the encouraging results at the end of the 2021-2022 financial year were fully in line with expectations as announced by the EYA Board. We would be surprised, however, if the year ahead were to become any less turbulent. We are well aware that a renewed winter outbreak of corona could have an even more serious impact on EYA and its clients. And although the conflict in Ukraine may not have a significant direct impact on EYA yet, development of the global economy and corresponding market uncertainty could continue to pose a formidable challenge. Tightening of the labor market may also make an operational impact as well as compromise the way we care for EYA's people, serve the public interest and exceed expectations in the level of service we provide to the clients. Moreover, pressure on both inflation and interest rates, energy transition hurdles and climate change dilemmas could cause a drop in the demand for EY services in the future. We

have discussed the potential implications of these developments with the EYA Board and share the conclusion that a prudent financial policy is the way ahead for the foreseeable future.

Together with the EYA Board, we will continue to contribute to the discussion regarding the meaning of building a better working world and how it is positioned, especially in the audit sector. We will follow with interest the ongoing public debate regarding the future of this sector and will closely monitor the EYA Board's response to the signals emitted by regulatory bodies. From an internal perspective, we will be mindful of the discussions with respect to enhancing the appeal of the sector in the Netherlands and the effectiveness of the audit service line. We will continue to oversee the way in which the EYA Board fosters and nurtures cultural change, diversity, social inclusion and the meaning of ESG within the organization, reflecting the role of EYA in serving the public interest by delivering high-quality audit and complementary services.

In principle, the View on Supervision 2021+ that we have drawn up will be our guiding principle for a longer period of time. We now have an annual calendar for our meetings and other activities, its agenda deriving from the principles and priorities as outlined earlier as well as topics we are obliged to discuss related to laws, regulations and corporate governance. We will continue to monitor the functioning and performance of the new boards. We will closely monitor post-corona issues such as hybrid working and continued adherence to financially prudent policies, and post-conflict issues pertaining to local EY staff working in the Ukraine. In the course of financial year 2022/2023 EY Global Executive reached the decision to move forward with partner votes to separate EY into two distinct, multidisciplinary organizations. The Supervisory Board will closely monitor the process and steps to be taken with a special focus on delivering high quality services in general and on continuation of an excellent assurance service in particular, serving the public interest as well as the interests of the other key stakeholders including EY's employees and partners.

On 11 November 2022, Patrick Rottiers reaches the end of his first term on our Board; he was reappointed for a second and final term. Additionally, two positions become vacant on our Board. Pauline van der Meer Mohr and Monique Maarsen both reach the end of their second terms on 30 June 2023 and are ineligible for reappointment. In order to avoid two Board vacancies on the same day, Pauline will step down six months earlier, on 31 December 2022. We will comment on the transition in next year's Report of the Supervisory Board.

We would like to conclude this year's Report by reaffirming our conviction that EYA is well positioned to address the challenges that the next financial year will undoubtedly bring. We would like to thank the EYA Board as well as all EYA partners and employees for their remarkable flexibility in a year that was just as turbulent as the last, for their diligent efforts towards the clients, and for their ongoing commitment to the stakeholders of EYA.

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



## Statement of the Board of Directors

# Statement of the Board of Directors



## 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, EYA has evaluated and further improved the internal quality control system over the last year taking into account the principles of ISQM1.

Continuous quality improvement is part of our *Next Wave* strategy 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 October, 19 2022. We discussed and evaluated our quality control system in our meeting on October 19, 2022.

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, 27 October 2022

Patrick Gabriëls (Chair)

Auke de Bos

Tom de Kuijper

Hanneke Overbeek - Goeseije

André Wijnsma



## Appendix 1: Audit quality indicators

# Appendix 1: Audit quality indicators

On September, 25 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, 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.

## 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 2021-2022		FY 2020-2021	
	FTE	%	FTE	%
Partners	163	8.5	158	8.4
(Sr.) Manager	449	23.4	437	23.2
Other	1,304	68.1	1,288	68.4
<b>Total</b>	<b>1,916</b>	<b>100.0</b>	<b>1,883</b>	<b>100.0</b>

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

	2021 - 2022	2020 - 2021
Partner	19.4	20.1
Manager	10.3	10.9
Other	3.4	3.7
<b>Total</b>	<b>6.4</b>	<b>6.7</b>

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.

	2021 - 2022				2020 - 2021			
	# 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	2	10.0	10	7.4	-	-	12	8.5
Manager	28	22.2	89	27.8	30	20.1	70	23.3
Other	25	9.0	234	22.6	16	6.9	221	18.9
<b>Total</b>	<b>55</b>	<b>13.0</b>	<b>333</b>	<b>22.3</b>	<b>46</b>	<b>11.5</b>	<b>303</b>	<b>18.8</b>

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

	2021 - 2022				2020 - 2021			
	Partner	Manager	Other	Total	Partner	Manager	Other	Total
Financial audit (OOB)	47,092	123,833	292,296	463,221	39,898	105,146	252,447	397,491
<b>Percentage of total</b>	<b>12.2</b>	<b>11.9</b>	<b>9.4</b>	<b>10.2</b>	<b>11.2</b>	<b>10.8</b>	<b>8.0</b>	<b>8.8</b>
Financial audit (Non-OOB)	84,522	279,717	1,009,308	1,373,547	85,666	293,578	1,149,506	1,528,750
<b>Percentage of total</b>	<b>21.9</b>	<b>26.8</b>	<b>32.6</b>	<b>30.3</b>	<b>24.0</b>	<b>30.0</b>	<b>36.2</b>	<b>33.9</b>
Other engagements	49,829	166,668	565,679	782,176	39,614	150,003	547,069	736,716
<b>Percentage of total</b>	<b>12.9</b>	<b>16.0</b>	<b>18.2</b>	<b>17.3</b>	<b>11.1</b>	<b>15.3</b>	<b>17.2</b>	<b>16.3</b>
Indirect hours	204,603	471,969	1,233,101	1,909,673	192,194	428,877	1,223,608	1,844,679
<b>Percentage of total</b>	<b>53.0</b>	<b>45.3</b>	<b>39.8</b>	<b>42.2</b>	<b>53.8</b>	<b>43.9</b>	<b>38.6</b>	<b>40.9</b>
<b>Total</b>	<b>386,046</b>	<b>1,042,187</b>	<b>3,100,384</b>	<b>4,528,617</b>	<b>357,372</b>	<b>977,534</b>	<b>3,172,630</b>	<b>4,507,536</b>

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

% of total available contract hours	2021 - 2022	2020 - 2021
Percentage of overtime	5.7	5.9

#### 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	
	2021 -2022	2020 -2021	2021 -2022	2020 - 2021
Partners	10,588	9,237	63	60
(Sr.) Managers	43,920	40,366	98	92
Other	259,269	255,640	199	198
<b>Total</b>	<b>313,777</b>	<b>305,243</b>	<b>163</b>	<b>162</b>

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

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

	2021 - 2022	2020 - 2021
Preparation time	16,083	18,480
Delivery time	10,487	10,835
<b>Total</b>	<b>26,570</b>	<b>29,315</b>

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

	2021 -2022		2020 -2021	
	Financial audit OOB	Financial audit non-OOB	Financial audit OOB	Financial audit non-OOB
Partners	10.2%	6.2%	10.0%	5.6%
(Sr.) Manager	26.7%	20.4%	26.4%	19.2%
Other	63.1%	73.4%	63.5%	75.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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

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

% employees that agree	2021-2022	2020-2021
Overall outcome: people who have an exceptional EY experience	80%	75%
The people I work with make me feel like I belong to a team	88%	88%
EY provides a work environment where I feel free to be myself	90%	89%
I have the flexibility I need to manage both my work and personal commitments	78%	79%
My manager(s) provides me with timely feedback	70%	60%
EY provides me with learning opportunities that build the skills I need to be successful	88%	89%
At EY, my contributions are recognized and appreciated.	76%	72%

#### 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	2021 - 2022				2020 - 2021			
	Partner	(Sr.) Manager	Other	Total	Partner	(Sr.) Manager	Other	Total
Assurance support	5.7	12	1.3	19	5.7	12.7	0.6	19.0
Accounting support	4.2	13.3	1.4	18.9	4.2	11.9	1.2	17.3
Quality Monitoring & Development	3.6	10.4	7.1	21.1	4.0	10.7	10.7	25.4
Internal Audit	1.8	3.8	2	7.6	2.8	4.7	1.0	8.5
Independence	2	5.3	6.3	13.6	2.0	5.3	6.3	13.6
<b>Total</b>	<b>17.3</b>	<b>44.8</b>	<b>18.1</b>	<b>80.2</b>	<b>18.7</b>	<b>45.3</b>	<b>19.8</b>	<b>83.8</b>

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

	2021 - 2022	2020 - 2021
Accounting	71	89
Auditing	740	710
<b>Total</b>	<b>811</b>	<b>799</b>

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

	2021 - 2022	2020 - 2021
Number of annual report reviews (ARs) conducted by experts outside the audit team before issuance of the audit opinion	170	149

*Increase in the number of annual report reviews is caused by first time adopters (i.e. first time adoption of IFRS) and initial public offerings (IPOs)*

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

	2021 - 2022		2020 - 2021	
	Weco	non-Weco	Weco	non-Weco
Number of OKBs performed	303	27	268	39
Percentage of audits on which an OKB was performed	17.9%	3.5%	15.0%	5.7%

*Increase is caused by new first year audits of OOBs and audit of SPVs linked to these OOBs.*

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

FTE	2021 - 2022			2020 - 2021		
	Partner	(Sr.) Manager	Total	Partner	(Sr.) Manager	Total
Number of hours spent on OKBs	6,804	4,404	11,208	7,556	5,986	13,542
Average hours per OKB performed	20.6	13.4	34.0	24.6	19.5	44.1

*Decrease in total hours is caused by economies of scale on the SPVs mentioned at KPI 16. Also we encountered less specialties during OKBs for recurring audits of OOBs.*

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).

	2021 - 2022	2020 - 2021
Number of hours on audit engagements on which an OKB is performed	805,974	729,094
Number of hours performed on OKBs	11,208	13,542
Average hours performed on OKB as a percentage of the hours performed on the audit engagement	1.4%	1.9%

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.

	2021 - 2022			2020 - 2021		
	OOB	non-OOB	Total	OOB	non-OOB	Total
Hours IT specialists	54,811	73,700	128,511	50,194	98,109	148,303
Hours IT specialists as a percentage of total hours	9.5%	4.6%	5.9%	10.1%	5.5%	6.5%

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.

	2021 - 2022			2020 - 2021		
	OOB	non-OOB	Total	OOB	non-OOB	Total
Hours Actuary	11,158	3,559	14,717	8,877	5,177	14,054
<b>Hours Actuary as a percentage of total hours</b>	<b>1.9%</b>	<b>0.2%</b>	<b>0.7%</b>	<b>1.8%</b>	<b>0.3%</b>	<b>0.6%</b>
Hours Tax	12,697	25,022	37,719	11,639	26,354	37,993
<b>Hours Tax as a percentage of total hours</b>	<b>2.2%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>2.3%</b>	<b>1.5%</b>	<b>1.7%</b>
Hours Valuation	5,843	16,924	22,767	7,282	12,271	19,553
<b>Hours Valuation as a percentage of total hours</b>	<b>1.0%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>1.5%</b>	<b>0.7%</b>	<b>0.9%</b>
Hours Fraud	7,317	6,854	14,171	4,451	5,850	10,301
<b>Hours Fraud as a percentage of total hours</b>	<b>1.3%</b>	<b>0.4%</b>	<b>0.6%</b>	<b>0.9%</b>	<b>0.3%</b>	<b>0.5%</b>
Total hours financial audit	579,273	1,609,499	2,188,772	496,752	1,768,570	2,265,322

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

	2021 - 2022	2020 - 2021
Teaching at university	5,558	6,382

*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).

	2021 - 2022	2020 - 2021
Statutory audits - PIE	183	155
Statutory audits - non-PIE	1,510	1,636
<b>Total Statutory audits</b>	<b>1,693</b>	<b>1,791</b>

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

	2021 - 2022			2020 - 2021		
	Independence	Administrative requirements	Total	Independence	Administrative requirements	Total
Total breaches / violations	6	82	88	12	104	116
<b>% of total number of employees</b>	<b>0.1%</b>	<b>1.9%</b>	<b>2.0%</b>	<b>0.3%</b>	<b>2.2%</b>	<b>2.5%</b>

*Overall we are starting to see the results of efforts in the form of increased awareness among our professionals of the importance of discipline and strict compliance, which causes the decrease in breaches/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.*

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.*

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.

	2021 - 2022	2020 - 2021
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.

	2021 - 2022	2020 - 2021
Number of partners that have been eliminated from AFM Auditors register	11	10
<b>As a percentage of the total number of partners</b>	<b>7%</b>	<b>6%</b>

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

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

	2021 - 2022	2020 - 2021
Annual report adjustments	79	64
<b>As a percentage of the total number of audit opinions (legally and not legally required)</b>	<b>3.2%</b>	<b>2.6%</b>

*The number of fundamental errors in 2021 - 2022 is 1 (2020 - 2021: 4)*

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.

	2021 - 2022	2020 - 2021
Number of adjustments made relating to material errors at audit clients based on the outcome of reviews performed by external regulators	0	0
<b>As a percentage of the total number of audit opinions</b>	<b>0%</b>	<b>0%</b>

33. Number of audit engagements terminated early

*We 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.

	2021 - 2022	2020 - 2021
Number of incidents reported to external oversight institutions	3	5

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.

	2021 - 2022	2020 - 2021
Number of internal reports	0	1
Number of external reports	1	0



## Appendix 2: Biographies

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Members of the board of directors as at 27 October 2022

	<p><b>Patrick (P.J.A.) Gabriëls (1972, Dutch)</b>            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 &amp; Young Nederland LLP since the same date.</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"> <li>▶ Sector leader of EY's industry group Technology Media and Telecom in the Netherlands</li> <li>▶ Member of the board EYA, responsible for Innovation</li> </ul>
	<p><b>Auke (A.) de Bos (1965, Dutch)</b>            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><b>Tom (T.) de Kuijper (1978, Dutch)</b>            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"> <li>▶ Talent leader EY FSO the Netherlands</li> </ul>

	<p><b>Hanneke (S.D.J.) Overbeek - Goeseije (1975, Dutch)</b>  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"> <li>▶ Leader of EY's Financial Accounting Advisory Service practice for the period 2012 - 2015</li> <li>▶ From 1 July 2011 to 30 June 2019 member of the Partner Admission Committee</li> </ul>
	<p><b>André (A.) Wijnsma (1972, Dutch)</b>  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 till 2020, responsible for the overall markets strategy, balanced client portfolio, management of the Business development department of EY Netherlands. 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"> <li>▶ from 1 July 2012 to 31 December 2016 member of the Partner Admission Committee</li> </ul>



Members of the supervisory board as at 27 October 2022



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

Chair since 1 July 2015.

Pauline chairs the Supervisory Board at ASMi and is an independent, non-executive director at Ahold-Delhaize and Viatrix Inc. She is also chair of the Dutch Monitoring Committee Corporate Governance and serves on the Capital Markets Committee of the AFM. Pauline holds a master's degree in Law from Erasmus University Rotterdam as well as a master's degree in Dispute Resolution from the University of Amsterdam.

*Former positions and activities*

- ▶ Non-executive Director HSBC Holdings
- ▶ 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
- ▶ Chair of the Supervisory Board of the Nederlands Dans Theater
- ▶ 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



**Richard (R.) van Zwol (1965, Dutch)**

Vice-Chair since 1 February 2021.

Richard is State Councilor, 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.

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.

*Former positions and activities*

- ▶ 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><b>Monique (M.B.E.) Maarsen MBA (1968, Dutch)</b> 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"> <li>▶ Member of the Supervisory Board of A.T. Osborne</li> <li>▶ Member of the Supervisory Board, Ronald McDonald</li> <li>▶ Member of the Supervisory Board, Tom Voute Fonds</li> <li>▶ Commercial Director at Maarsen Groep</li> <li>▶ Investment Broker at DTZ Zadelhoff in London</li> <li>▶ International Consultant at Nestlé in Switzerland</li> </ul>
	<p><b>Tanja (T.L.) Naqel (1960, Dutch)</b> Member since 1 September 2017.</p> <p>Tanja has an extensive background in the financial services industry. 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 and lecturer at the Erasmus Governance Institute. 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"> <li>▶ CEO and Chair of the Board of Directors of Theodoor Gilissen</li> <li>▶ Member of the Supervisory Board of Kasbank</li> <li>▶ Member of the Supervisory Board of the Stichting Nederlands Scheepvaartmuseum</li> <li>▶ Board member of the Universiteitsfonds Utrecht</li> <li>▶ Several senior management positions including Director Private Banking Nederland at Van Lanschot Bankiers</li> <li>▶ Started her career at AMRO Bank</li> </ul>
	<p><b>Patrick (P.F.L.) Rottiers (1965, Belgian)</b> 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>

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