



Transparency Report 2011

Ernst & Young Accountants LLP
The Netherlands

Transparency Report 2011

Ernst & Young Accountants LLP

Contents

Letter from our Chairman	1
Legal structure, ownership and governance	4
Network arrangements	6
Internal quality control system	8
Effectiveness of quality control system	8
Instilling professional values	10
Global Code of Conduct, EY/Ethics, infringements, incidents	12
Performing Audits	13
Review and consultation	14
Internal and external accountability	17
Audit quality reviews	18
External quality assurance review	20
Independence practices	22
Recruitment and continuing education	26
Litigation during fiscal year 2010/2011	28
Financial information	29
Partners: Performance and Remuneration	31
Statement of policymakers	32
Appendix: Organisaties van Openbaar Belang	33

More information about Ernst & Young can be found in the Global Review on our website at www.ey.com

This Ernst & Young Accountants LLP Transparency Report 2011 complies with the European Union's 8th Company Law Directive, the Dutch Decree on the Supervision of Audit Firms (*Besluit toezicht accountantsorganisaties*) and it further includes, where relevant, the guidance on Transparency reports issued by the Netherlands Institute of Chartered Accountants.

This report covers the period 1 July 2010 - 30 June 2011.

Letter from our Chairman



Giljam A.M. Aarnink

During the fiscal year 2010/2011, an intense debate on the relevance and quality of audits took place in the Netherlands and beyond. Many politicians and other opinion leaders are calling for change. At Ernst & Young, we welcome this debate and its focus on quality. Over the past year, we worked hard to further improve “Quality in Everything We Do”. At the same time, we participated wholeheartedly in the national and international debates on how to increase the relevance of auditors’ work and how best to support auditors’ professional independence. In our ongoing relationships with clients, the issue of quality is a basic part of our dialogue.

This year, our continuous efforts to further increase the quality of our work were influenced by the outcome of our own internal controls, reviews and discussions; by the feedback from our clients; by the dialogue with our regulator - the Netherlands Authority for the Financial Markets (AFM); by our relationships with the Netherlands Institute of Chartered Accountants (NBA) and the Dutch central bank (DNB); and by the important debate in society at large. In this Transparency Report, you will find many examples of the steps we took during 2010 and 2011 to change and improve quality. For example, we raised the number of our Audit Quality Reviews. We stressed the importance of correct documentation of all elements of an audit, for example through the introduction of revised documentation tools. We increased the number of hours our auditors dedicate to training and education, e.g. with the new quarterly Executive Academy sessions that complement our traditional summer courses.

In our internal communications, we stressed the importance of integrity, independence, quality and quality control, and we introduced special training sessions on professional skepticism and improved communication by the auditor. Correct processes and procedures are essential to safeguard quality, but so is the right mindset of all people at Ernst & Young. To further strengthen this “Quality First” mindset and to align our internal processes with our quality drive, we have recently started a far reaching program, “Investing in Quality”.

There can be no doubt about “the tone at the top” at our firm. We don’t compromise on quality. We reward positive quality behavior but also take disciplinary measures against partners or managers who did not abide by the highest standards. More than words, these actions prove how seriously we take quality, independence and integrity.

Over the past two years, we have strengthened our Compliance Office; during the year under review, it pro-actively monitored our quality management through a sharply increased number of risk-based investigations. Our Professional Practice Department (PPD) exhorted our audit teams to consult more often with the PPD in case of professional doubts, in order to safeguard high quality standards; as a result, the number of formal consults with the PPD rose sharply.

Independence is a necessary condition for quality. Therefore, we have a continuous focus on requirements regarding partner rotation. All partner rotations on Organisaties van Openbaar Belang ("public interest entities") are subject to Assurance Leadership approval. We also scrutinized our relations with our existing and prospective clients to ensure that no conflicts of interest could interfere with the professional independence and skepticism of our auditors.

At Ernst & Young, we fully support external regulation and monitoring of the audit profession and we regard our relationship with the AFM as positive, despite disagreements we may have over certain aspects of the auditing process. This type of disagreement is normal in the relationship between an audit firm and its external regulator. If and when such disagreements become public due to a publication or action by the AFM, we will explain our position in public. During fiscal year 2010/2011, we again took various constructive suggestions from the AFM on board, especially in the area of documentation of audit activities and the professional skepticism of the auditor, and we look forward to a continuing constructive relationship.

Our efforts to further improve audit quality are fully aligned with the strategy and policies of our organization. Ernst & Young is unique among networks of auditing firms because of its high degree of international integration and coordination, with a strong global leadership and strategy. Many tools to enhance the quality of our audits and other services are developed globally and we have seamless systems in place that allow - to the extent permitted by local laws and regulations - for electronic access to working papers provided to relevant members of our cross border audit teams. In a globalizing world, this internationally integrated organization is a great support for the quality drive that unites all Ernst & Young member firms, and it constitutes a competitive advantage vis-à-vis other audit firms.

Expectations regarding the content and quality of audits will obviously be influenced by the outcome of the public debate on the future of auditing. In Europe, this discussion is currently dominated by the Green Paper that EU Commissioner Michel Barnier published in October 2010. The Green Paper contains a wide range of ideas, questions and suggestions on topics such as relevance, quality, independence, communication by the auditor, and market concentration of audit firms.

In the Netherlands, various papers and initiatives by the Dutch government or Dutch members of parliament have complemented EU's Green Paper. We participate actively in these discussions at both the Dutch and the European level. In the Netherlands, we have organized various roundtables with a variety of stakeholders to discuss their expectations and the future of our profession. In July 2010, we published a well-received White Paper, *Betere communicatie door de externe accountant* ("Better communication by the external auditor"), as we believe that more comprehensive communication by external auditors is an essential part of their quality effort.

In our opinion, enhancing the relevance and quality of audits should be the overriding goal of any specific proposal. In this respect, we welcome the proposals in the Plan van Aanpak ("Action Plan"), published in November 2010 by the NBA. We participate actively in the transformation of the ideas contained in the Plan van Aanpak into specific new rules and best practices. We are particularly positive about the proposal in the Plan van Aanpak and EU's Green Paper to give a company's audit committee a dominant role in the relationship with that company's auditor, especially if the company is an Organisatie van Openbaar Belang. This will enhance the auditor's independence and improve audit quality through better communication.

The EU's Green Paper also contains a number of far-reaching proposals to further strengthen auditors independence and increase choice in the audit market, including joint audits and ways to break up the Big 4. As stated in our Global response to this consultation, we encouraged the European Commission to make audit quality the benchmark against which all proposed approaches are assessed. We firmly believe that some of the proposals currently being debated will not have a positive effect on audit quality.

The political debate on the future of auditing will continue well into fiscal year 2011/2012. Whatever the outcome, we promise you that we will continue our efforts to improve the quality of our audits and other services. "Quality in Everything We Do" is here to stay. Finally, I would like to thank our people for their continuous commitment to provide the best quality service to our clients and I would like to take the opportunity to thank our clients for their confidence in Ernst & Young.

Rotterdam, September 27, 2011

Giljam A.M. Aarnink

Chairman Ernst & Young Accountants LLP

Legal structure, ownership and governance

In the Netherlands, Ernst & Young operates through a UK Limited Partnership: Ernst & Young Accountants LLP.

Ernst & Young Accountants LLP is registered in England and Wales with registered number OC335594 and has its registered office at 1 Lambeth Palace Road, London SE1 7EU, United Kingdom, its principal place of business at Boompjes 258, 3011 XZ Rotterdam, the Netherlands and is registered with the Chamber of Commerce Rotterdam number 24432944. Ernst & Young Accountants LLP is a member firm of Ernst & Young Global Limited (EYG or Global).

In this report we refer to ourselves as Ernst & Young Accountants LLP, the “Firm” or “we” or “us”.

Ernst & Young Accountants LLP has a license from the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, hereafter referred to as “AFM”) for the performance of statutory audits (license number 13000742), which license also applies for the performance of statutory audits for public interest entities (“Organisaties van Openbaar Belang”, or OOB’s).

Ernst & Young Accountants LLP is owned by the private practice companies of the Dutch partners.

The network of Ernst & Young Accountants LLP in the Netherlands consists of:

- ▶ Ernst & Young Nederland LLP
- ▶ Ernst & Young Belastingadviseurs LLP
- ▶ Ernst & Young Actuarissen BV
- ▶ Ernst & Young CertifyPoint BV
- ▶ Ernst & Young VAT Rep BV
- ▶ Stichting Ernst & Young Foundation

Ernst & Young Belastingadviseurs LLP has a strategic alliance with Holland Van Gijzen Advocaten en Notarissen LLP. Holland Van Gijzen is not part of the network of Ernst & Young Accountants LLP.

Apart from their stake in Ernst & Young Accountants LLP, the Dutch partners of Ernst & Young Accountants LLP are also co-owners of Ernst & Young Nederland LLP. Ernst & Young Nederland LLP coordinates and facilitates Ernst & Young’s activities in the Netherlands, but does not provide services to external clients. The economic profits of Ernst & Young Accountants LLP are distributed among partners through Ernst & Young Nederland LLP.

Governance

The Board of Directors of Ernst & Young Accountants LLP is responsible for the commercial, financial and reputational standing of the company. 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, methodologies and tools, and the sufficiency of our resources. Members of the Board of Directors of Ernst & Young Accountants LLP are elected by Ernst & Young Nederland LLP. In September 2010, the Board was extended from three to four members in order to strengthen its executive capabilities. The current Board members are Giljam Aarnink (Chairman), Jaap Hetebrij (Belgium/Netherlands Professional Practice Director), Jules Verhagen (appointed in September 2010) and Michèle Hagers, who replaced Theo de Vries on July 1, 2011.

(Co-) Policymakers

The following persons are currently responsible for policymaking and co- policymaking (“beleidsbepalers” and “medebeleidsbepalers”) within Ernst & Young Accountants LLP.

Policymakers (Assurance Leadership):

- ▶ The four members of the Board of Ernst & Young Accountants LLP
- ▶ Patrick Rottiers and Martine Blockx (partners of the Belgian audit firm responsible for Assurance enablement and Operations)
- ▶ The Netherlands Financial Services (FS) Assurance Leader, Rob Lelieveld

Co-policymakers:

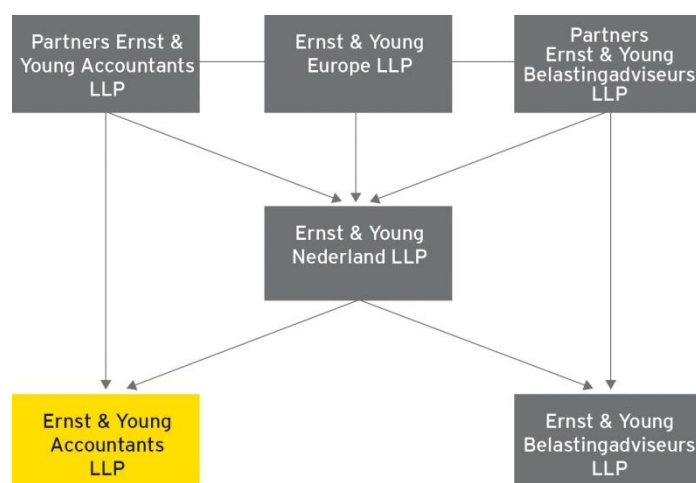
- ▶ Pieter Jongstra (Chairman of the Board of Directors of Ernst & Young Nederland LLP) and Kees van Boxel (member of the Board of Directors of Ernst & Young Nederland LLP)
- ▶ Mark Otty (Europe Managing Partner)
- ▶ Felice Persico (Europe Assurance Leader)
- ▶ Victor Veger (FS Europe Assurance Leader)
- ▶ Jean-Yves Jégourel (Europe Professional Practice Director)

Ernst & Young Nederland LLP

Board of Directors of Ernst & Young Nederland LLP

Ernst & Young Nederland LLP is governed by a Board of Directors elected by Ernst & Young Europe. Current Board members are Pieter Jongstra (Chairman), Giljam Aarnink and Kees van Boxel. The Board provides coordinating leadership in order to optimize the shared course of business and practices of Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP and to promote their joint strategy.

The structure is visualized in the following figure:



EMEIA Area

Ernst & Young's EMEIA Area comprises EYG member firms in 93 countries in Europe, Middle East, India and Africa. Ernst & Young (EMEIA) Limited ("EMEIA Limited"), an English company limited by guarantee, is the principal governance 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.

In Europe, a holding entity, Ernst & Young Europe LLP ("Ernst & Young Europe") was formed in conjunction with the EMEIA Area. Ernst & Young Europe is a UK limited liability partnership, owned by partners of EYG member firms in Europe. It is an audit firm registered with the ICAEW but it does not carry out audits or provide any professional services. To the extent permitted by local legal and regulatory requirements, Ernst & Young Europe has acquired or will acquire control of the EYG member firms in a number of European countries in the EMEIA Area. Ernst & Young Europe is a member firm of both EYG and EMEIA Limited.

Ernst & Young Europe has (indirectly via Ernst & Young Nederland LLP) control over Ernst & Young Accountants LLP.

Ernst & Young Europe's principal bodies are:

Europe Executive

The Europe Executive effectively operates as the Board of Ernst & Young Europe. It has authority and accountability for strategy execution and management of its operations under four dimensions being People, Quality, Growth and Operational Excellence. It is comprised of the Europe Managing Partner, the Europe Chief Operating Officer, the leaders for Markets, People, Quality & Risk Management, the service line leaders for Assurance, Advisory, Transaction Advisory Services and Tax and all Sub-Area Managing Partners of the Sub-Areas in Europe.

Europe Advisory Council

Ernst & Young Europe has an elected Europe Advisory Council, which is composed of a number of partners of the EYG member firms in Europe. It serves in an advisory role to the Europe Executive on policies, strategies and other matters and its approval is required for a number of significant matters, e.g. appointment of the Europe Managing Partner, the financial reports of Ernst & Young Europe, and material transactions.

Network arrangements

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, 152,000 people in over 140 countries are united by shared values and an unwavering commitment to quality, integrity and professional skepticism. Ernst & Young makes a difference by helping its people, clients and wider communities achieve their potential. In today's global market, our integrated approach is particularly important in the delivery of high quality multinational audits, which can span multiple jurisdictions. In our report that follows, we set out core elements of our quality framework which support our seamless, high quality service delivery.

In this report, Ernst & Young refers collectively to the global organization of member firms of Ernst & Young Global Limited (EYG or Global), a UK company limited by guarantee. EYG is the central entity of the Ernst & Young network and coordinates the member firms and cooperation among them. EYG does not provide services to clients. Its objectives include the promotion of the provision by its member firms of seamless, consistent, high-quality client service, worldwide. Each member firm is a legally distinct entity. The member firms' obligations and responsibilities are governed by the regulations of EYG and various other agreements.

The member firms are grouped into four geographic Areas: Americas, Asia-Pacific, EMEIA (Europe, Middle East, India and Africa) and Japan. The Areas comprise a number of Sub-Areas, which are composed of member firms or sections of those firms.

Ernst & Young Accountants LLP is part of EMEIA, which comprises member firms in 93 countries. Within the EMEIA Area, there are 12 sub areas. The part of Ernst & Young Accountants LLP that serves financial sector clients is a member of the FS (Financial Services) sub area. The other part of Ernst & Young Accountants LLP is forming part of the Belgium/Netherlands sub area. The sub area combines the non-financial services practices of the Belgium and Netherlands member firms.

The structure of the global organization reflects the principles that governance and management roles be separated and that Ernst & Young as a global organization has one shared strategy. EYG's principal global bodies include:

Global Advisory Council

The Global Advisory Council is the main advisory body of the global Ernst & Young organization. It comprises a number of member-firm partner-level professionals (referred to as "partners") drawn from across the four Areas and includes independent non-executive representatives ("INEs").

The partners, who otherwise do not hold senior management roles, are elected by their peers for a three - year term, with provisions for one successive re - appointment. The INEs are nominated by a dedicated committee. The Global Advisory Council advises EYG and Ernst & Young on policies, strategies, and the public interest aspects of their decision making. The approval of the Global Advisory Council is required for a number of significant matters that could affect Ernst & Young.

Global Executive

The Global Executive brings together the leadership of Ernst & Young functions, services and geographies. It is chaired by the Chairman and Chief Executive Officer of EYG, and includes its Chief Operating Officer; the Area Managing Partners; the global functional leaders – the Global Managing Partners of People, Markets, Quality & Risk Management and Operations and Finance; and the global service line Vice Chairs – Assurance, Advisory, Tax and Transaction Advisory Services and the Global Vice Chair - Public Policy. The Global Executive also includes a representative from the emerging markets practices.

The Global Executive and the Global Advisory Council approve nominations for the Chairman, Chief Executive Officer and the Chief Operating Officer of EYG and ratify appointments of Global Managing Partners. The Global Executive also approves appointments of Global Vice Chairs. The Global Advisory Council ratifies the appointments of any Global Vice Chair who serves as a member of the Global Executive. Furthermore, the Global Executive approves appointments of Area Managing Partners. Such appointments are subject to ratification by the Global Advisory Council.

Global Executive Committees

Chaired by members of the Global Executive and bringing together representatives from the four Areas, the Global Executive Committees are responsible for making recommendations to the Global Executive. There are committees for People, Quality & Risk Management, Markets, Operations and Finance, Assurance, Advisory, Tax, and Transaction Advisory Services.

Global Practice Group

This group brings together the members of the Global Executive, Global Executive Committees and Sub-Area leaders. The Global Practice Group seeks to ensure common understanding across member firms of Ernst & Young strategic objectives and consistency of execution across the organization.

Under the regulations of EYG, the member firms commit themselves to pursue Ernst & Young's objectives such as the provision of seamless, consistent, high-quality service, worldwide. To that end, the member firms undertake to implement the global strategies and plans and to maintain the minimum 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, human resources and technology enablers.

Above all, EYG member firms commit themselves to conducting their professional practices in accordance with the applicable professional and ethical standards as well as with all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by our Global Code of Conduct and our Values.

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

Member firms are subject to reviews that evaluate their adherence to EYG requirements and policies governing issues such as independence, quality and risk management, audit methodology and human resources. As necessary, special focus reviews are performed to address situations or concerns as they arise. Member firms unable to meet the quality commitments and other EYG membership requirements are subject to separation from the Ernst & Young organization.



Internal quality control system

Ernst & Young Accountants LLP's reputation for providing high quality professional audit services in an independent, objective and ethical manner 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 Ernst & Young Accountants LLP, our role as auditors is to provide assurance on the fair presentation of audit clients' financial reports. We bring together qualified teams to serve our clients, drawing on our expertise across industry sectors and services. We continually strive to improve our quality and risk management processes so that the quality of our client service is at a consistently high level.

We recognize that in today's environment – characterized by continuing globalization and the rapid movement of capital – the quality of our audit services has never been more important. Reflecting the strength of our commitment to delivering Quality In Everything We Do, Ernst & Young has continued to invest heavily in developing the audit methodology, tools and other resources needed to support quality service delivery. While the market and stakeholders continue to demand high-quality audits, they also demand increasingly efficient and effective delivery of audit services. We seek to learn from external and internal inspection activities and to identify root causes of quality occurrences. We use these insights for continuous improvement in audit quality.

Effectiveness of quality control system

Ernst & Young has designed and implemented a comprehensive set of global audit quality control policies and practices, as described herein. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB). Ernst & Young Accountants LLP 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 Ernst & Young Audit Quality Review (AQR) program and annually evaluate whether our system of audit quality control has operated effectively in a manner so as to provide reasonable assurance that Ernst & Young Accountants LLP and our personnel comply with applicable professional and Ernst & Young standards and regulatory requirements.

The results of the AQR program, the investigations by the Compliance Office and external inspections are evaluated and communicated within our firm to provide the basis for continuous improvement in audit quality, consistent with the highest standards in the profession. The recent results of such monitoring provide us with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.

"An independent and professional approach to each and every audit is the basic ingredient of our quality effort. Only independent, professional auditors can enhance trust in financial markets and create value for society."

Jaap Hetebrij
Board Member and sub area Professional
Practice Director

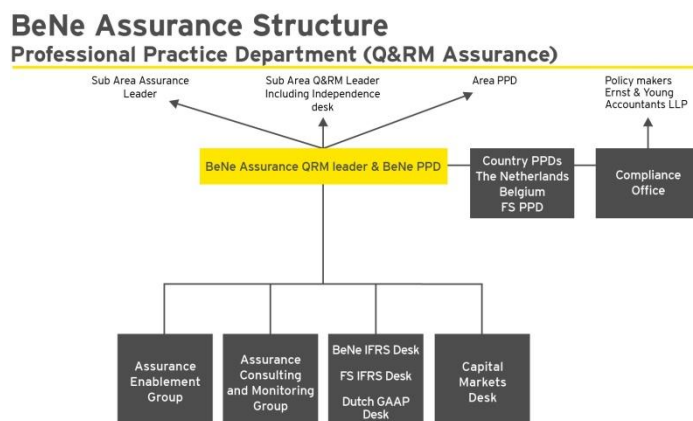
Professional Practice Department (PPD)

To ensure high quality standards, independence and integrity throughout our organization and the whole auditing chain, Ernst & Young has put various structures and procedures in place. Our of Belgium/Netherlands sub area has an overarching Quality & Risk Management desk (Q&RM) that deals with issues that go beyond individual service lines, e.g. independence.

At Ernst & Young Accountants LLP, our Assurance service line has its own Professional Practice Department (PPD) that is responsible for most Q&RM activities for the Assurance service line. The PPD plays a key role in upholding the quality of the professional services Ernst & Young Accountants LLP performs. Currently, Jaap Hetebrij is our Belgium/Netherlands Assurance Q&RM Leader and Belgium/Netherlands Professional Practice Director. He is a member of our firm's Board.

The PPD keeps all our partners, including those of the FS sub area, informed of relevant international and national developments that affect the way audits have to be conducted. It organizes regular training sessions for partners and employees. Furthermore, the PPD directs our Engagement Quality Reviews (EQR, also known as Independent Review). Last but not least, the PPD has to be consulted by any audit team in case of significant professional doubt; the judgment of the PPD in these cases is binding. The PPD also oversees initiatives in the field of risk management.

Together, the total PPD organization and the Compliance Office consist of more than 50 professionals, who dedicate all or a substantial part of their time to the PPD, in total over 55,000 hours per annum. Currently, the PPD includes 10 partners and 5 executive directors. Within the PPD, various teams deal with specific tasks: the Assurance Enablement group that supports the Assurance service line in the performance of quality audits; an Assurance Consultation and Monitoring Group; an IFRS desk; a Dutch GAAP desk; and a Capital Markets desk.



The Compliance Office

The basic task of our Compliance Office (CO) is to monitor that our partners and employees comply with the rules laid down by or pursuant to the articles 13-24 of the Dutch Act on the Supervision of Audit Firms and by high standards of integrity. Our Compliance Officer, currently Jaap Pieters, reports to the policymakers of Ernst & Young Accountants LLP.

Among other tasks, the CO monitors the design, implementation and results of our firm's efforts in the area of quality management. For example, the CO monitors whether Engagement Quality Reviews (EQR) were executed for all our engagements where the law or our internal rules mandate such an EQR, and the CO checks whether the EQR was documented appropriately and finished on time. The CO carries out significant investigations within the organization in order to safeguard high standards of integrity, independence and quality. The office pro-actively singles out subjects or units for investigation, in order to prevent compliance issues from arising or to discover and remedy them at a very early stage. Wherever feasible, the CO engages Ernst & Young managers and senior managers from outside its own office in these research projects to further instill the right values within our firm. Another very important task of the CO is to head our Audit Quality Reviews (AQR).

At our firm, some compliance related functions are not performed by the CO but by the Independence Desk, the Legal Department or the Learning Department. These units are in close contact with the CO. Over the past two years we have significantly strengthened the Compliance Office. Currently, four professionals including one partner form part of the CO.

During 2011, it pro-actively monitored our quality management through a sharply increased number of risk-based investigations, including research on how our auditors deal with possible indications of fraudulent behavior among employees of a client company. The CO, for example, became involved after it became clear that a client had filed financial statements with the Dutch Trade Register that were materially different from the statements on which we had given our professional opinion. Measures were taken to reduce the risk of such an incident happening again. The CO reports its findings directly to our policymakers and is also informed of the relevant communications by the PPD and legal department to the policymakers.

In the remainder of this section, we describe the various components of our audit quality control system:

- ▶ Instilling professional values
- ▶ Global Code of Conduct, EY/Ethics, infringements, incidents
- ▶ Performing audits
- ▶ Review and consultation
- ▶ Internal and external accountability
- ▶ Audit quality reviews

Instilling professional values

Tone at the top

Setting the right "tone at the top" is a key responsibility of our senior leadership team. We communicate to our people that quality and professional responsibility starts with them and is the most important thing they do every day. Our approach to ethics and integrity is embedded in training programs and internal communications. Senior management regularly reinforces these expectations and the importance of performing quality work and complying with professional standards and our policies through varied forms of communication. Also, we assess quality of professional service as a key metric in evaluating and rewarding all professionals.

Our culture strongly supports collaboration and consultation and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We also emphasize the importance of determining that an engagement team and client have correctly followed consultation advice. Our internal message consistently has been that no single client is more important than professional reputation - the reputation of our firm and the reputation of each of our professionals. "Quality In Everything We Do" is a message that we continually reinforce to our people and clients.

To further embed this message among our professionals, we launched our "Investing in Quality" program during the summer of 2011. After interviewing 280 partners and employees in early 2011, we set up this program to improve our professional performance in three areas: professional skills; organisation & control; and business process redesign. The program is geared towards optimizing both our technical and behavioral skills, as both skills form an essential part of professional quality. Ernst & Young Accountant LLP's Board members are actively involved in the organization and monitoring of this program that consists of 32 separate projects. Each project addresses a specific subject, from highly technical issues, e.g. the use of our GAMx audit support tool, to issues such as leadership development and internal communication.

Code of conduct

We promote a culture of integrity, as well as the performance of high-quality audits, among all Ernst & Young professionals. The Global Code of Conduct provides a clear set of the standards and behaviors that guide our actions and our business conduct. It is organized into five categories containing principles that are to be followed by everyone within Ernst & Young to guide behavior across all areas of activity:

- ▶ Working with one another
- ▶ Working with clients and others
- ▶ Acting with professional integrity
- ▶ Maintaining our objectivity and independence
- ▶ Respecting intellectual capital

Through our procedures to monitor compliance with the 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.

We also have EY/Ethics, a global ethics hotline, to provide Ernst & Young's people, clients and others outside of the organization with a means to confidentially report activity that may involve unethical or improper behavior that may be in violation of professional standards or otherwise inconsistent with the Global Code of Conduct. EY/Ethics is operated by external organizations that provide confidential and, if so desired, anonymous, hotline reporting services for companies worldwide.

In addition to the Global Code of Conduct we have specific anti-bribery and insider trading policies.

Our values

Who we are

People who demonstrate integrity, respect and teaming.

People with energy, enthusiasm and the courage to lead.

People who build relationships based on doing the right thing.

Global Code of Conduct, EY/Ethics, infringements, incidents

During fiscal year 2010/2011, at Ernst & Young Accountants LLP we raised awareness on abiding by our Global Code of Conduct.

If and when necessary, we take action when our partners or our employees do not live up to the Code and our standards of integrity. One of our partners seriously infringed our Code when acting on behalf of Ernst & Young in a sales transaction relating to an activity of Ernst & Young. This partner was asked to leave Ernst & Young and the AFM was informed immediately.

We welcome the possibilities for communication opened up by new social media, but we expect our partners and employees to maintain high standards of professionalism and integrity in all their communications. In a few social media related cases, these standards were not upheld and we took disciplinary measures.

In another matter one of our auditors wrote an article in which he expressed personal opinions regarding our profession, including comments about external regulation and the AFM. The article and the comments in particular did not represent Ernst & Young's views. We have taken actions among which sharpening our procedures for publications in our magazines and reducing the responsibilities of the auditor involved. Subsequently, we agreed with this auditor that he will leave our firm.

Between July 1, 2010 and June 30, 2011, three reports were filed against partners or employees of Ernst & Young Accountants LLP to our EY/Ethics hotline. All three references were internal, i.e. made by employees from our own firm. All references were investigated and where appropriate, corrective action was taken.

Ernst & Young Accountants LLP keeps a detailed register of all infringements by its partners and employees of internal or external rules and regulations. These infringements vary widely as to their nature, seriousness and impact. Examples of infringements are untimely filing of documents, commencement of an audit before the formal engagement letter has been signed and the issuance of a formal audit opinion before the Compliance Office has been notified that Engagement Quality Review is completed. Infringements are reported to our firm's Assurance Leadership and an evaluation takes place of whether procedures within the organization should be adapted and/or what measures should be taken against the infringing partner or employee.

Under Netherlands law we are obliged to inform the AFM immediately about any incidents with serious consequences for the integrity of our operations. During the fiscal year 2010/2011, we reported twelve incidents to the AFM. Some of the events underlying these incidents are also mentioned elsewhere in this Transparency Report. In June 2010 the AFM detailed its interpretation of an "incident". This interpretation is wide-ranging and includes examples of integrity risks that are not related to infringements nor to deficiencies in the quality of auditors' work but also to reputational risks. Two incidents, for example, were related to the filing of financial statements at the Trade Register by clients. Audit clients filed unauthorized financial statements. In both cases, the situation was remedied and the correct statements are now on file. Two other incidents were related to press articles in which false allegations were made against our firm. In one case, it was wrongly stated that our firm had taken over the internal auditing function at a client where we acted as external auditor. In a second article, a suspect in a criminal court case was quoted as suggesting that Ernst & Young was involved in offences against the law. Ernst & Young dissociates itself openly from these allegations.

Another incident involved the serious infringement of our Global Code of Conduct by one of our partners, which resulted in his departure from our firm.

In six cases, the incident was related to the bankruptcy of legal entities that we audited: in some of these cases liquidators initiated an investigation or we received a demand letter for compensation under civil law. One bankruptcy occurred unexpectedly and shortly after the client company had received an unqualified opinion from our auditor. In all cases we reviewed the files and responded to questions, if necessary.

Finally, in one case, one of our clients did not comply with the applicable "Financial Supervision Act" (Wet op het financieel toezicht) requirements and we did not report this properly when we observed this. Our Compliance Office investigated the matter and, and in liaison with the relevant authority, corrective actions have been taken.

Performing audits

Audit methodology

The Ernst & Young Global Audit Methodology (EY GAM) provides a global framework for delivery of high-quality audit services through consistent application of thought processes, judgments and audit procedures in all audit engagements. One of the cornerstones of EY GAM is making (and reconsidering and modifying, when appropriate, throughout the audit) risk assessments and then determining the nature, timing and extent of audit procedures based on those risk assessments. EY GAM also places emphasis on the application of 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 with additional guidance to comply with the local Dutch auditing standards and regulatory or statutory requirements.

EY GAM is organized into interdependent phases designed to focus on the client's business and financial statement risks and how those risks affect our audit of the financial statements. EY GAM reflects the typical flow of an audit's execution. The methodology and related guidance is presented in a three-layer format. The three parts of EY GAM consist of the GAM Framework, GAM Performance Guidance and GAM Enablers. The GAM Framework is a concise description of how our professionals perform an audit and provide links to the GAM Performance Guidance. The GAM Framework is a concise description of how our professionals perform an audit and provide links to the GAM Performance Guidance. The GAM Performance Guidance also describes parameters for making certain audit decisions. The GAM Enablers consist of templates, examples, checklists, and leading practice illustrations for performing and documenting audit procedures.

Enhancements to the audit methodology are made on a regular basis as a result of new standards, emerging auditing issues and matters, implementation experiences and external and internal inspection results. For example EY GAM was rewritten in the recent past to incorporate new auditing requirements as a result of the issuance of new and clarified ISAs. In addition, through audit planning and other reminders this year, we emphasized key topics of interest to the International Forum of Audit Regulators (IFIAR) including professional skepticism, group audits, revenue recognition and engagement quality reviews.

As part of EY GAM, there are procedures required to be completed to assess independence from the audit client.

Technology enablers

Our audit engagement teams use numerous technology enablers to assist them in the execution and documentation of the work performed in accordance with EY GAM. For example, GAMx is an audit support tool that drives uniform execution of EY GAM and appropriate audit documentation, strengthening our ability to deliver consistent, high-quality audits. It provides linked access to knowledge databases (audit guidance and interpretations), professional standards, documentation templates and other tools necessary to execute and document a risk-based audit effectively. GAMx provides a team-collaboration environment that facilitates sharing information and the documentation of procedures and conclusions. GAMx also enables secure peer-to-peer communications so our people can work together as if they were in the same physical location. Audit engagement teams use other software applications, forms and templates during various phases of an audit to assist in making and documenting audit considerations and data acquisition and analysis functions.

Formation of audit engagement teams

Ernst & Young Accountants LLP policies require the roles of the lead partner and independent engagement quality reviewer for all audits of Organisations van Openbaar Belang and High-Risk engagements to be allocated by our Assurance Leadership together with Professional Practice Directors.

This is to make sure that the professionals leading these audits possess the appropriate competencies, i.e., the knowledge, skills and abilities to fulfill their engagement responsibilities, and are in compliance with applicable auditor rotation regulations.

The assignment of people to audit engagement teams is also made under the direction of our Assurance Leadership. Factors considered when assigning people to audit teams include: competence, 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 information systems, asset valuation and actuarial analysis.

For example, a tax representative reviews the significant tax and other relevant working papers.

In fiscal year 2010/2011, we made a number of changes to OOB audit teams in particular and on those engagements where the clients work under a license from the AFM and/or the Dutch central bank (DNB) in order to bring the audit team more into line with the risk profile of the client.

Consulting the Professional Practice Department

During fiscal year 2010/2011, the number of formal consults with our PPD increased sharply. This increase followed an important communication effort by the PPD in which it stressed the importance of consults as an instrument for quality improvement. As a result, the number of consults rose from 182 in 2009/2010 to 418 in 2010/2011. As of March 1, 2011, a Fraud Panel was set up within PPD to deal specifically with consults related to possible fraud issues at clients. With the introduction of the Fraud Panel, we aim to improve procedures and policies within our firm with respect to fraud issues. This should allow us to deal more consistently with fraud indications, to reinforce support to our audit teams and to explain our actions in this area more clearly to regulators and society at large. The Fraud Panel follows the example of the Going Concern Panel set up in 2009 in the wake of the credit crisis and the increased risk of going concern problems at our clients. The number of consults to the Going Concern Panel increased from 75 in fiscal year 2009/2010 to 180 in fiscal year 2010/2011.

Review and consultation

Reviews of audit work

Ernst & Young policies describe the requirements for timely, direct executive participation on audits and various levels of reviews of the work performed. Members of the audit engagement team perform a detailed review of the audit documentation while engagement executives perform a second-level review.

For OOBs and High-Risk companies, an engagement quality review partner (described below) reviews important areas of accounting, financial reporting and audit execution, as well as these client's financial statements and our report thereon. The nature, timing and extent of the reviews of the working papers that are appropriate in a given instance depend on many factors, including the materiality, subjectivity and complexity of the subject matter; the ability and experience of the audit team member preparing the audit documentation; the level of the reviewer's direct participation in the audit work and the extent of consultation employed.

These policies also describe the roles and responsibilities of each audit engagement team member and the requirements for documenting their work and conclusions.

During this year, Ernst & Young's guidance on accounting, auditing and financial reporting consultations was refreshed and re-issued for audit professionals.

Consultation requirements

Consultation requirements and related policies and procedures are designed to involve the right resources so that audit teams can reach appropriate conclusions on relevant accounting, auditing, reporting, regulatory and independence matters. Consultation is a part of the decision-making process, not just a process to provide advice. For complex and sensitive matters, we require or encourage consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. We provide guidance on matters that require consultation.

Ernst & Young policies also describe our requirements for documenting consultations, including the requirement to obtain written concurrence from the person consulted to demonstrate his understanding of the matter and its resolution. To this effect, we apply a consultation database, which describes the subjects of the consult and also documents the engagement partner's concurrence with the consult. This documentation of the consultation process contributes to consistency.

Engagement quality reviews

At Ernst & Young, Engagement Quality Reviews (EQRs), performed by audit partners in compliance with professional standards, are required for audits of all OOBs and High-Risk audits. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge, independent of the engagement team and able to provide a further objective evaluation of significant accounting, auditing and reporting matters. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual. The EQR is an activity that generally spans the entire engagement cycle and is not limited to a review of the financial statements at the time of issuance of our report. Policies and procedures for the performance and documentation of engagement quality reviews, which were strengthened this past year to place more emphasis on this important quality feature, provide specific guidelines on the nature, timing and extent of the procedures to be performed. Our Assurance Leadership reviews and approves all EQR assignments for OOBs.

Improving Engagement Quality Reviews (EQRs)

EQRs are an important part of our quality control system. We therefore reacted promptly to suggestions in 2009 from the Netherlands AFM to improve the documentation regarding the execution of our EQRs. The "issue tracker" was the basic instrument to achieve this improvement. The issue tracker is a tool the reviewing auditors use to facilitate and streamline the documentation of their activities. Engagement auditors are not allowed to sign off on an engagement until the reviewing auditor has informed the Compliance Officer that he or she agrees with the engagement auditor's conclusions. In calendar year 2010, this reference was provided for 753 audits. On 15 occasions, there was formal infringement of existing laws or regulations, e.g. because the auditor had signed off before the reviewing auditor had informed the Compliance Officer. During the first half of calendar year 2011, we saw a clear improvement. The number of notifications rose from 540 in the first six months of 2010 to 805 in the same period of 2011, an increase of nearly 50% mainly due to the inclusion of many Moderate-Risk audits in the EQR, in addition to OOBs and High-Risk audits. At the same time, the number of infringements fell from 12 in the first half of 2010 to 5 in the same period of 2011.

Audit engagement team disagreement-resolution process

We have a collaborative culture and encourage our people to speak up if a professional disagreement arises or they are uncomfortable about a matter having to do with a client engagement. Policies and procedures are designed to empower our people by requiring members of an audit engagement team to raise any disagreements that are considered to be material or that may affect our opinion on the financial statements being audited. Such policies are introduced at the entry level and reinforced thereafter to instill in our people both the responsibility and authority to require a thorough hearing and vetting of differing viewpoints.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any individual involved in the discussion of an issue is not satisfied with the decision, he or she has both the right and the obligation to see that the issue is referred to the next level of authority. If the engagement quality reviewer makes recommendations that the engagement partner does not accept and the matter is not resolved to the reviewer's satisfaction, the report is not issued until the matter is resolved by following the appropriate consultative processes for resolution of professional differences. When a matter that goes beyond the audit engagement team is ultimately resolved, our policies require it to be documented in the same manner as described previously for consultations.

Document retention and data privacy

Ernst & Young Accountants LLP's record retention policy applies to all engagements and personnel. This policy emphasizes that all documents must be preserved whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceeding involving us or one of our clients that may relate to our work. The policy also addresses Dutch legal requirements applicable to the creation and maintenance of working papers relevant to the work performed.

Ernst & Young has a global policy on data privacy that sets out the principles to be applied to the use and protection of personal data, including that relating to current, past and prospective personnel, clients, suppliers and business associates. It provides a foundation for maintaining the privacy of all personal data used by Ernst & Young Accountants LLP.

Internal and external accountability

Audit partner rotation

Mandatory audit partner rotation is one of the measures that Ernst & Young Accountants LLP supports to help strengthen auditor independence. We comply with the audit partner rotation requirements of the code of the International Ethics Standards Board for Accountants (IESBA) and the independence requirements of the Netherlands Institute of Chartered Accountants (NBA). Ernst & Young Accountants LLP 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 help strengthen independence and objectivity and are important safeguards of audit quality.

In fiscal year 2010/2011, Ernst & Young Accountants LLP changed the partner on 30 OOB engagements out of total 238 OOB engagements. In order to avoid any disruptions from a rotation, we endeavor to name the new partner in a timely manner and to keep the client well informed of the impending change. For non-OOBs, partner rotation is not mandatory, but voluntary. In those cases where no partner rotation takes place, we selectively take other measures such as Engagement Quality Reviews and rotation of managers to ensure the partner's independence and professional skepticism is upheld.

To monitor requirements on partner rotation effectively, we have tools with which we track partner rotation. We also have implemented a process for partner rotation-planning and decision-making that involves consultation with and approvals by our PPD and Independence professionals.

Client acceptance and continuance

Ernst & Young's client acceptance and continuance policy sets out principles to determine whether to accept a new client or a new engagement, or to continue a relationship with an existing client. These principles are fundamental to maintaining quality, managing risk, protecting our personnel and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept/continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients 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.

We dedicate significant time and resources to the strict implementation of our client acceptance and continuance policies. Of all engagements accepted and continued, we considered 1% to be High-Risk, 7% to be Moderate-Risk and 92% to be Low-Risk.

The global conflicts policy forms the framework for our client and engagement acceptance and continuance process to the extent that relates to conflicts of interest. It defines categories of conflicts of interest as a global standard as well as a process for identifying potential conflicts of interest.

Furthermore, the global conflicts policy includes provisions for managing conflicts of interest, which have been identified by that process, as quickly and efficiently as possible, through the use of appropriate safeguards. Such safeguards range from obtaining the relevant clients' consent to act for two or more clients to member firms ceasing to act in order to remove an identified conflict.

The Global Tool for Acceptance and Continuance (GTAC) is an intranet-based system for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. GTAC takes users step-by-step through the acceptance and continuance requirements and connects to the resources and information needed to assess both business opportunities and associated risks.

The client acceptance process involves a careful consideration of the risk characteristics of a prospective client and several due-diligence procedures. Before we take on a new engagement or client, we determine if we can commit sufficient resources to deliver quality service, especially in highly technical areas, and that the services the client wants are appropriate for us to provide. The approval process is rigorous, and no new OOB audit engagement may be accepted without the approval of our PPD.

In our annual client continuance process, we review our service delivery and ability to continue to provide quality service and confirm that clients share our commitment to quality and transparency in financial reporting. The partner in charge of each audit, together with our Assurance Leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate. As a result of this review, certain audit engagements are identified as requiring, and are then subjected to, additional oversight procedures during the audit, and some clients are discontinued. As with the client acceptance process, our PPD is involved in the client continuance process and must concur with the continuance decisions.

Both client acceptance and client continuance decisions depend on, among other things, the absence of any perception that a company’s management pressures the audit engagement team to accept inappropriate accounting and reporting or uses financial pressures to undermine audit quality. Considerations and conclusions on the integrity of management are essential to acceptance and continuance decisions.

Audit quality reviews

The global Audit Quality Review (AQR) program is a cornerstone of Ernst & Young’s efforts to maintain and improve audit quality. Ernst & Young Accountants LLP executes the global Audit Quality Review (AQR) program, reports results and develops responsive actions plans. The primary goal of the global AQR program is to determine whether systems of quality controls, including those of Ernst & Young Accountants LLP, 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 guidelines in the International Standard on Quality Control No. 1, as amended (ISQC No.1) and is supplemented where necessary to comply with Dutch professional standards and regulatory requirements. The AQR program also aids our continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

The global AQR program is implemented annually and is coordinated and monitored by representatives of the PPD network, with oversight by the Global Q & RM network. In the Netherlands, the AQR is organized by Ernst & Young Accountants LLP’s Compliance Office (CO).

The engagements reviewed each year are selected on a risk-based approach emphasizing clients that are large, complex or of significant public interest. The AQR program includes detailed, risk-focused file reviews covering a large sample of listed and non-listed audit engagements to measure compliance with internal policies and procedures, EY GAM requirements and relevant local professional standards and regulatory requirements. In addition, practice level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set forth in ISQC No. 1. The AQR program complements external practice monitoring and inspection activities, such as regulatory inspection programs and external peer reviews.

In addition to the AQR program, our audits are subject to external practice monitoring and inspection activities, such as regulatory inspection programs and inspections by governmental agencies and ministries.

The professionals who serve as AQR reviewers and team leaders are selected on the basis of their skills and professional competence in both accounting and auditing as well as their industry specialization. Additionally, team leaders and reviewers frequently work in the AQR program over a period of several years and possess a high level of skill in the execution of the program. Team leaders and reviewers are assigned to inspections outside their home location or country and are independent of the audit teams reviewed.

Results of the AQR program and external practice monitoring and inspection activities are evaluated and communicated so that quality improvement actions can be taken at the appropriate level. Measures to resolve audit quality issues raised by the AQR program, regulatory inspections and peer reviews are addressed by our Assurance Leadership, our PPD and our CO. These programs provide important practice monitoring feedback for our continuing quality improvement efforts.

Audit quality reviews results for fiscal year 2010/2011

Over the past two fiscal years, the outcomes of our audit AQRs were as follows:

	2009/2010	2010/2011
Rating 1	44 (66%)	54 (65%)
Rating 2	20 (30%)	26 (31%)
Rating 3	3 (4%)	3 (4%)
Total	67	83

- Rating 1 - There were no or minor findings.
- Rating 2 - There were findings that were more than minor but less than material.
- Rating 3 - There were material findings.

During 2010/2011 more audit engagements were inspected, because we increased the number of partners in the selection. Each partner is subject to an AQR at least every three years, however the number of individual partners per year can vary from year to year, also depending on the offices selected for review. In order to lead by example, all our firm’s policymakers are subject to an AQR every year.

In addition to the above audits inspected, our Compliance Officer also selects audits for inspection based on a risk analysis. This risk analysis takes into account any signal that might indicate possible quality issues with an audit. The results of these additional inspections are also reported to the policy makers.

The main findings from the 2010/2011 AQR relate to compliance with internal policies and procedures. Especially in the field of documentation there is room for improvement. We noted that audit procedures have been performed, yet the documentation is not always up to our requirements. Compared to prior year, we have improved the quality of documentation in our audits, partially due to suggestions in this area from the Netherlands AFM.

Three engagements received a rating 3. Two of these represent non-legally required audits and one is a legal audit, of a non-listed client. The outcomes of all AQR's are discussed with the audit team involved. Whenever an audit receives a rating 3, improvement plans for this particular engagement are designed and implemented. Each partner who receives a rating 3 is invited for a disciplinary meeting with management and will be submitted to an AQR in the next fiscal year. When partners receive a 3 rating, this will negatively impact their remuneration. In case of a rating 2, this may be the case.

The overall outcome of the AQR's from fiscal year 2009/2010 resulted in a Quality Improvement Plan (QUIP). The QUIP provides all audit teams with reminders of attention points, as well as best practice in the audit. The QUIP items have to be implemented on all engagements and their implementation has to be documented. In order to further foster high quality audits, 'mini-AQR's' were organized during fiscal year 2010/2011. Mini-AQR's consist of an internal review of the quality of the interim reports produced during an audit with an aim to pro-actively review quality before the audit opinion is issued.

External quality assurance review

Ernst & Young Accountants LLP's audit practice and its registered external auditors are subject to continuous supervision by the AFM. As part of its inspections, the AFM evaluates the Firm's quality control systems and reviews selected engagements. The AFM also performs case-by-case inspections and theme investigations. The most recent regular inspection by AFM took place in 2009. The final report on this regular inspection was issued in November 2010. In 2011 a theme investigation took place. This investigation related to 'Incentives for quality'. All audit firms with an OOB license were investigated. The AFM expects to publish its report in October 2011.

Before we discuss the November 2010 AFM report and our reaction in more detail, we would like to emphasize that we fully support the AFM's work and their inspections and that we are committed to continue to work with the AFM in order to improve quality. Although we do not agree with certain outcomes reported by the AFM and the way the AFM reached these outcomes, undoubtedly AFM's inspections have contributed to increased professional skepticism and audit quality.

Update regular inspection

In our Transparency Report 2009/2010, we discussed the AFM inspection of our 2007 financial statements audits in the financial sector and the inspection of ten of our 2008 financial statement audits in the field of automotive, real estate and financial services (the "2009 regular inspection"). The AFM performed similar inspections at other large audit firms. Based on these inspections, the AFM published a report on the quality of the financial statement audits performed by the large audit firms. The main message of the AFM was that a fundamental change of conduct is necessary to improve the quality of audits.

In December 2009, AFM spoke with us about their preliminary findings and in November 2010 we received a final report from the AFM on their 2009 regular inspection of our firm. The issues the AFM particularly emphasized in our case concerned the framework our organization has provided regarding the compliance officer function and the duty of care of Ernst & Young for their external auditors. Based on these findings, the AFM has indicated that it intends to take enforcement actions with respect to our firm.

As of today, we have not yet received such enforcement action and have not therefore determined our position on the matter.

We took good note of the comments made by the AFM and acted straight away in December 2009, by including its recommendations in our training plans and working methods.

For example, we organized technical meetings and training sessions for partners and managers in January and February 2010, to demonstrate that the board supports many of the points made by the AFM and that improvement is required. We have shared these measures and the progress thereof with the AFM during periodic meetings.

Two key observations of the AFM and our reaction can be summarized as follows:

The Compliance Office

The criticism with respect to the compliance officer mainly concerns the question if the responsibility for a number of legally required, compliance- related functions should be concentrated in one single person (the compliance officer), or whether it is possible to assign such responsibilities to various functions within the organization. The latter is the case within Ernst & Young Accountants LLP, as discussed in this Transparency report on page 10. This has been the case ever since we were granted the license pursuant to the Act on the Supervision of Audit Firms (Wta). We are convinced that we are compliant with Dutch law. When responding to the AFM's arguments, we sought advice from an independent expert, who gave an opinion that supports our view.

On the other hand, we agreed with the AFM that strengthening the Compliance Office and a more active monitoring policy could help to improve audit quality. In addition, the AFM noted that we failed to appoint a deputy compliance officer in due time, which is prescribed by law. Ernst & Young admits that a deputy compliance officer was appointed too late and we have taken appropriate action to prevent this from happening in future situations.

Duty of Care

As to duty of care, in the opinion of the AFM there is neglect of duty of care by an audit organization if an external auditor has failed to satisfy in full all of the NV COS/ISA (Nadere voorschriften controle- en overige standaarden) standards in the manner prescribed as the norm by the AFM in a specific case. Under this norm, the AFM is of the opinion that we have neglected our duty of care. We do not agree with this conclusion. We notice differences in the interpretation of various NV COS/ISA standards, in particular of Standard 600 relating to Group Audits. With respect to the application of this standard, it is important to note that we operate on an international scale and we apply globally consistent quality standards, as a consequence we can rely on the work and expertise of foreign auditors within the Ernst & Young global Network.

AFM's findings in relation to some of the ten inspected 2008 audits also concern the failure to obtain appropriate audit evidence and a lack of professional skepticism. In some cases, the AFM concluded that we did not perform audit tasks as documentation of these operations was insufficient.

We have taken the criticism of the AFM on board, and have increased the volume of, and the emphasis on documentation and professional skepticism.

Other remarks

Apart from the regular inspection 2009, the AFM has also started special investigations, relating to one 2006/2007 audit and two 2008 audits. One case is pending. In the other two cases the AFM drew conclusions of which we are contesting one. For the second case we do not expect further consequences, yet we have dealt with lessons learned in our training program.

During the regular inspection and the above mentioned investigations, the AFM in some cases has raised points where auditors failed to comply with either generally accepted auditing standards, or our own internal standards. We have discussed such situations in detail with the AFM, as we take these very seriously. As a result of these matters, as well as quality issues in connection with internal reviews, we have taken disciplinary measures against some of our partners. In addition to remuneration consequences, these measures comprised excluding their involvement with statutory audits ("wettelijke controle opdrachten") and changes in their client portfolio. Lessons learned have been included in our training program.

Theme investigation 'incentives for quality'

In May 2011 the AFM carried out a theme investigation called 'incentives for quality' at all audit firms with an OOB license. The purpose of this investigation was to gain an understanding of:

- ▶ The extent to which independence threats occur and the way audit firms handle these; and
- ▶ Factors (e.g. quality) that are taken into account when promoting, assessing, rewarding and sanctioning professionals.

The AFM wants to get a better picture of how audit firms deal with independence issues as well as an understanding of their performance, promotion and sanctioning policies and the way these work in practice. It is expected that the AFM will publish a public report in October 2011. In advance of this public report, on September 1, 2011 the AFM has sent us a letter in which the AFM has summarized the actual processes and procedures regarding the topics mentioned above as well as a factual description of how we apply these in practice. The AFM theme investigation was focused on understanding the current practice and not on finding or assessing breaches and violations. Therefore the letter from AFM does not contain value judgements nor conclusions. In response to this investigation and report to us, we have commented to the AFM on certain of the factual representations on independence cases. AFM's report does include some valuable suggestions that we are giving further consideration.

Independence practices

Ernst & Young's independence policies and processes are designed to enable Ernst & Young Accountants LLP, its associated firms in the Netherlands, and our professionals to comply with the independence standards applicable to specific engagements, including, for example, the independence standards of the International Ethics Standards Board for Accountants (IESBA) of the International Federation of Accountants (IFAC), the Dutch *Nadere voorschriften inzake onafhankelijkheid openbare accountant* and *Praktijkhandreikingen 1106 - Interne Roulatie bij niet OOB's* and *1107 - Declaratieomvang*. We have implemented Ernst & Young global applications, tools and processes to support us, our professionals and other employees in complying with independence policies. Among other tasks, independence assessments are performed related to the permissibility of non-audit services, prior to acceptance, as well as the level of fees for such services as compared to audit fees for the same audit client. The comparison of non-audit fees to audit fees is performed for OOBs and is based on fees billed by all network firms, including the foreign network firms of Ernst & Young. All professionals and certain other employees are required to participate in annual independence learning to help maintain our independence when performing services for audit clients. The goal is to help our people understand both their personal and Ernst & Young Accountants LLP's obligations to be free from interests that might be regarded as being incompatible with objectivity, integrity and impartiality in serving an audit client.

We consider and evaluate independence from several relevant perspectives, including the financial relationships of both our firm and professionals, employment relationships, directorships, business relationships, the permissibility of non-audit services we provide to audit clients, partner rotation, fee arrangements, Audit Committee pre-approval where applicable and partner remuneration and compensation.

A professional's failure to comply with applicable professional independence requirements will generally factor into promotion and compensation decisions, and may lead to disciplinary measures.

Global Independence Policy

Ernst & Young's Global Independence Policy contains the independence requirements for member firms, professionals and other employees. It is a robust policy predicated on the IESBA independence code, with more stringent requirements where prescribed by a given regulator. The Global Independence Policy also contains helpful supplementary guidance on a wide range of topics to aid professionals and other employees in applying the complex independence rules. The Global Independence Policy is readily accessible through our intranet.

Global Independence System

Ernst & Young's Global Independence System (GIS) is an intranet-based tool that helps us, our professionals and other employees determine the listed entities from which independence is required and the independence restrictions that apply to each one. Most often these are listed audit clients and their affiliates, but they can be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of the listed audit client and is updated periodically by client-serving engagement teams. The entity data includes notations on the independence rules applying to each entity so that our professionals can readily see both the entity and the independence notations. GIS is frequently used by our professionals to determine the type of service that can be provided to the client based on the independence notations.

Global Monitoring System

Ernst & Young's Global Monitoring System (GMS) is another important global tool that assists us and our professionals in identifying proscribed securities and other financial interests that are not permissible to own. Professionals of manager or higher rank are required to enter into GMS the securities that they or their immediate family members hold. When an individual enters a proscribed security into GMS, the individual will receive a notice and be required to dispose of the security in a timely manner. Identified exceptions are reported through the Global Independence Incident Reporting System (GIIRS) for regulatory matters. GMS also permits annual and quarterly confirmation of compliance with Ernst & Young independence policies, as described in greater detail below.

Independence compliance

EYG has established a number of processes and programs to monitor Ernst & Young professionals' and member firms' compliance with independence requirements. These include the following activities, programs and processes:

Independence confirmations

Annually, each member firm and its associated entities are included in an area wide process to confirm compliance with the Global Independence Policy and requirements and to report identified exceptions, if any. All Ernst & Young professional personnel and certain others based on their role or function are required to confirm compliance with Ernst & Young independence policies and procedures no less than annually. All partners are required to confirm compliance quarterly.

Over time, our independence confirmation process has been expanded and currently includes – depending on the position of the professional in our firm – the following topics: policy compliance, financial interests, employment relationships, loans and deposits, personal directorships, trusts and similar indirect investments, business relationships, permissible non-audit services as well as the Global Code of Conduct, Anti-Bribery, Insider Trading, and compliance with tax filing regulations. Timely and accurate completion of independence confirmations is a high priority for the responsible leadership teams.

Global Independence Compliance Team

Ernst & Young's Global Independence Compliance Team (GICT) conducts an array of tests and member firm visits to assess compliance with several independence matters, including reviews of non-audit services, business relationships with audit clients and financial relationships of member firms.

Furthermore, the GICT establishes the annual program for testing compliance with personal independence confirmation requirements and with entering information into GMS.

Non-audit services

Compliance with professional standards governing the provision of non-audit services to audit clients is designed to be achieved through a variety of mechanisms including the use of GTAC (as described elsewhere in this report), SORT (described below), training, tools and required procedures completed during the performance of audits and our internal inspection processes.

Monitoring independence

Our Belgian/Netherlands Central Quality & Risk Management group deals with cross service line Q&RM matters in both countries. Among other tasks, it monitors compliance with relevant independence requirements. The Independence desk is managed by our sub area Independence Leader Piet Hemschoote. In total, the central Q&RM team has some 30 FTEs that serve all professionals and service lines of both countries. In addition to its various key control functions, Central Q&RM handles all independence related consultation requests in our sub area and receives approximately 5,000 independence-related mail inquiries annually in the Netherlands alone. Those that require consultation with subject matter experts are discussed with Area and Global resources.

Our key controls and monitoring procedures cover the following areas: monitoring of Independence Training and Independence Confirmations; recording of personal financial interests in the Global Monitoring System (GMS) by professionals at the level of manager and above; compliance testing of Q&RM Policies including client and engagement acceptance and independence assessment of non-audit services; Business Relationships, Directorships, Gifts and Hospitality; and Data Quality Control within our systems.

During fiscal year 2010/2011, we updated our independence policy to reflect the changes in the revised IESBA Code of Ethics. Our independence monitoring activities enabled all of our partners and other professionals to complete mandatory training on the new independence policy and confirm their independence through our annual confirmation process (quarterly for partners).

Compliance with the requirements of GMS is monitored through our Personal Independence Compliance Testing (PICT) program which is designed to cover both partners and managers. Our sample sizes vary from year to year and are designed so that all partners are tested at least once every three years. Our recent testing results have indicated the need for improvements and we have taken action in response to these findings.

Compliance with Q&RM Policies including acceptance of non-audit services is managed through our Compliance Teams. In addition to the reviews by the Global Independence Compliance Team (GICT), Ernst & Young has a local compliance review process in place. All tests performed through the local compliance review process are reviewed by the GICT. The most recent review of the GICT took place in June 2010 and included testing of engagements for compliance with our policies and procedures; it did not reveal significant matters nor reportable events as defined by the AFM. Findings of both the local and the global compliance programs are reported to the sub area Leadership Team and, when appropriate, to the Dutch Compliance Officer. Our local compliance team has also monitored the Fee Disclosures for OOBs.

We have been reviewing business relationships entered into by Ernst & Young for several years. We currently track some 800 active business relationships. All of them have been subject to a documented review by the Independence team. Directorships of all Dutch professionals are monitored through a dedicated database. All confirmations provided by Dutch Professionals are reviewed and approved if authorized by our policies. Additional monitoring through public records exists for all partners and executive directors. Gifts and Hospitality arrangements are reviewed by our central Q&RM team whenever the value of the gift or hospitality is estimated to be over € 750.

Our Data Quality monitoring enables us to determine that data supporting independence compliance is correctly reflected in our systems. During the current round of monitoring acceptance and continuance of clients and engagements, our Data Monitoring Group ("DMG") has independently reviewed some 5000 engagements to determine the appropriateness of the data.

Global independence learning

EYG develops and deploys a variety of independence learning programs within Ernst & Young.

The annual independence learning program covers the Global Independence Policy and focuses on both changes and recurring themes and topics of importance. The annual independence learning must be completed by professionals and certain other personnel. Timely completion of annual independence learning is required and is monitored closely. In addition to the annual independence learning program, there are numerous other independence learning programs and content such as that included in the new hiring program, certain milestone programs and core service line curricula.

To ensure the participants in the learning programs become familiar with the proper tone at the top, these trainings are generally provided by the partner in charge of Independence.

Service Offering Reference Tool

We assess and monitor our portfolio of services on an ongoing basis, confirming that they are permitted by law and professional standards, and to make sure that we have the right methodologies, procedures and processes in place as we develop new service offerings. When appropriate, we exit or restrict services that could present independence or other risks. The Service Offering Reference Tool (SORT) provides our people with information about our service offerings. SORT includes guidance around which services can be delivered to audit and non-audit clients, and independence and other risk management issues.

Business Relationship Evaluation Tool

We oversee compliance with business relationships independence requirements through our Business Relationships Evaluation Tool. Our firm, our professionals and other employees are required to evaluate and obtain approval of potential business relationships with an audit client in advance so that our business relationships are consistent with applicable independence professional standards. The threshold used to review and approve business relationships differ depending on the circumstances of the client - non-audit client, non-public audit client, public audit client - as well as the type of business relationship: procurement, sponsoring etc.

Audit Committees and corporate governance

In addition to our internal applications, processes and tools that enable compliance with Independence rules and policies, Ernst & Young recognizes the important role audit committees and similar corporate governance bodies play in the oversight of auditor independence. Empowered and independent audit committees play a vital role on behalf of shareholders in protecting independence and preventing

conflicts of interest. Ernst & Young is committed to robust and regular communication with our clients' audit committees or those charged with governance. Our compliance with required audit committee communications as well as mandatory pre-approval of services, where applicable, is monitored through our systems and processes and is tested by our quality review programs all of which are described elsewhere herein.

Independence of the auditor through governance

Audit committees have an important role in the governance over non-audit services to preserve the independence of the auditor and it is common practice to agree the rendering of non-audit services with the audit committee beforehand, or at least annually evaluate the audit versus non-audit services in cases of a non-regulated environment. On page 30 of this report, we have included an overview of non-audit services rendered. This highlights the amount of advisory services rendered in comparison to audit fees.



Recruitment and continuing education

Recruitment and hiring

A strategic objective is to attract and build life-long relationships with talented audit professionals. We are proud of our people culture, and we are committed to doing even more to advance our people's development.

Recruiting for the Assurance practice is performed primarily at universities and institutes for higher professional education and supplemented, when necessary, by hiring people with prior work experience. We aspire to have a leading people culture everywhere in the world. Creating a culture that attracts, retains and develops outstanding people, leads to higher quality service.

Candidates are evaluated based on the following competencies:

- Technical skills and knowledge
- Intellectual competence
- Leadership skills
- Team/personal skills
- Motivation
- Communication skills
- Administrative skills

On June 30, 2011, Ernst & Young Accountants LLP had 1,995 employees (1,913 on June 30, 2010).

Of these employees, 1,548 or 78% worked for our Assurance Service Line (1,483 on June 30, 2010).

On June 30, 2011, we had 140 partners (145 on June 30, 2010). Of these 140 partners, 101 or 72% worked for our Assurance Service Line (105 on June 30, 2010).

During the period July 1, 2010 - June 30, 2011, the turnover percentage - number of employees that left Ernst & Young Accountants LLP as a percentage of the total number of employees on July 1, 2010 - was 20%. For the Assurance Service Line, this figure was 19%.

Why people choose to work for Ernst & Young

In a world where a "War for Talent" is raging, Ernst & Young is acutely aware it must make an effort to become the preferred employer for students and for professionals who want to change track. Our most convincing argument is our unique integrated global structure. Working for Ernst & Young means being part of a worldwide team. As we are an ambitious team, we are attractive to an ambitious young professional who wants to achieve his or her full potential and who wants to help colleagues and clients reach theirs.

Our inclusive environment - underlined by our "Diversity & Inclusiveness" project - is also highly valued by many prospective employees, as are the multiple opportunities for professional development through training, education and coaching.

Last but not least, Ernst & Young has a special focus on entrepreneurs and entrepreneurial companies. We help them achieve their goals and create wealth and jobs in the process. That is another reason why we are the employer of choice for many prospective employees.

Professional development

Following its launch we continue to deploy EYU, Ernst & Young's globally consistent career development framework. Through EYU, we provide our people with opportunities for the right experiences, learning and coaching to help them grow and achieve their potential.

EYU expands the commitment to coaching via various forms of counseling and mentoring, from the moment people are recruited through the various phases of their careers.

The learning component of EYU is based on an extensive and globally consistent learning curriculum that helps all of our people develop the right technical and personal leadership skills wherever they are located around the world. The core audit training courses are supplemented by learning programs that are developed in response to changes in accounting and reporting standards, independence and professional standards, and emerging practice issues. We require our audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to auditing and accounting.

In addition to formal learning, professional development occurs through coaching and experiences our professionals receive on the job. Coaching helps to transform knowledge and experience into practice. Experienced professionals are expected to coach and develop less experienced personnel to create a continual learning environment.

Performance management

A comprehensive performance management process requires our people to set goals, have clear work expectations, receive feedback and talk about their performance. The Performance Management and Development Process (PMDP) is designed to help our people grow and succeed in their careers. Under the PMDP, periodic job performance reviews are combined with annual self-appraisal and annual reviews. As part of the annual review process, each professional, in conjunction with his or her counselor (an assigned, more experienced professional), identifies opportunities for further development. Professionals and their counselors are guided by a set of service line competencies that articulate the knowledge and skills that should be maintained and developed for the respective rank.

Our Summer Course and Executive Academy

Our four-day Summer Course is the basic compulsory training course for our professionals. In 2011, 600 executives attended the Course. Apart from usual updates and training regarding audit standards and tools, the Course focused on various relevant current topics such as professional skepticism, the importance of a quality mindset throughout the audit process, possible improvements to our documentation and data quality and how to deal with indications of fraud at a client. Our Assurance Leadership was closely involved in the definition of the program. Apart from our Summer Course, during fiscal year 2010/2011 we also launched our Executive Academy. These short, three-hour sessions are held several times a year at all major local offices of Ernst & Young Accountants LLP in the Netherlands. They allow us to rapidly bring current issues to the attention of all our auditors. The Executive Academy sessions, too, are compulsory. The various subjects are introduced and taught by our internal Ernst & Young specialist in the subject matter. In November/December 2010 the Executive Academy included an analysis of the Audit Quality Review results and recent developments in audit standards and procedures. In April 2011, sessions were dedicated to data quality and reinforcement of data analysis, professional independence, group audits and various other subjects. For calendar year 2011, the total number of hours budgeted for training is almost 350,000. For calendar year 2012, this will increase to 375,000. The budget for out-of-pocket expenses relating to accommodation, training courses, training material, etc. was € 4.4 million for 2011 and is over €5 million for 2012.

Litigation during fiscal year 2010/2011

In fiscal year 2010/2011, disciplinary cases were brought against two of external auditors at the Accountantskamer (Auditor's Court). One case was not admitted by the judge, the other is in its early stages. At the end of fiscal year 2010/2011, one case against one of our external auditors was pending at the Trade and Industry Appeals Tribunal (CBB).

As for claims under civil law, during fiscal year 2010/2011 the courts judged in two cases, both in favor of our firm. The court accepted our point of view and dismissed the actions.

During fiscal year 2010/2011, one civil proceeding was brought against our firm.

During fiscal year 2010/2011, one complaint against one of our partners was lodged with the Complaints Commission of our professional branch organization NBA. On June 30, 2011, this complaint was still under review but has been withdrawn since.

Apart from these instances of formal complaints and claims put before an external entity, our firm occasionally also receives comments or complaints from clients or other stakeholders. Issues include different expectations regarding the assurance delivered, our invoices and timeliness of the delivery of our services. Most issues are dealt with satisfactorily at operation level by the teams involved. More important comments are always dealt with at a higher level in the organization, but there were only a few cases in the year under review. In a few cases have the comments led to our decision to terminate the relationship with the client.

Financial information

The Assurance Service Lines total revenue is divided into two categories:

- ▶ Assurance
- ▶ Assurance Related

Assurance revenue consists of Statutory Audit and Other Assurance. Other Assurance includes non-statutory audit, financial statement related audit, corporate responsibility audit and review as well as financial statements review.

Assurance related revenue consists of compilation, financial accounting services, fraud investigation & dispute services and other assurance related.

Other assurance related includes agreed upon procedures, risk related services including internal controls, internal audits, technology and security, Sarbanes-Oxley (SOX) compliance and assurance services other than audit or review of historical financial information.

Statutory audit and other assurance revenue represents 81.4% of total assurance revenue.

Revenue allocation fiscal year 2010/2011

Service	Revenue	Percentage
	€000	
Statutory audit	195,906	61.7%
Other Assurance	62,690	19.7%
Total Assurance	258,596	81.4%
Compilation	27,566	8.7%
Financial Accounting Services	2,398	0.7%
Fraud Investigation & Dispute Services	4,001	1.3%
Other Assurance Related	25,083	7.9%
Total Assurance Related	59,048	18.6%
Total Assurance	317,644	100%

Entity ¹	Revenue	Percentage
	€000	
Ernst & Young Accountants LLP	391,803	65.4%
Assurance	317,644	53%
Other Service Lines	74,159	12.4%
Ernst & Young Belastingadviseurs LLP	194,078	32.4%
Ernst & Young Nederland LLP & subsidiaries ²	13,561	2.2%
Total	599,442	100%

Revenue includes intercompany eliminations for Ernst & Young member firms forming part of Ernst & Young Nederland LLP.

¹ The break-down in the table is based on the engagement revenue of the various legal entities and, therefore, differs from the revenue break-down per Service Line shown in note 5.1 of the consolidated financial statements Ernst & Young Nederland LLP that is based on the revenue generated by the people of the various managerial Service Lines.

² Ernst & Young Actuarissen BV, Ernst & Young VAT Rep BV, Ernst & Young CertifyPoint BV.

	Statutory Audit	Other Assurance	Total Assurance	Assurance Related	Advisory and Transaction Advisory Services	Tax Advisory	Other Non-Audit	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Audit Clients - Statutory Audit - OOB	54,095 65.5%	3,643 4.4%	57,738 69.9%	7,934 9.6%	7,230 8.7%	5,510 6.7%	4,190 5.1%	82,602 100%
Audit Clients - Statutory Audit	141,811 59.0%	8,445 3.5%	150,256 62.5%	12,704 5.3%	19,774 8.2%	56,153 23.3%	1,613 0.7%	240,500 100%
Assurance Clients - Audit		50,602 66.9%	50,602 66.9%	5,713 7.5%	4,439 5.9%	13,382 17.7%	1,499 2.0%	75,635 100%
Assurance Clients - Assurance Related				32,697 46.7%	18,136 25.9%	18,780 26.8%	427 0.6%	70,040 100%
Other Clients					24,580 18.8%	100,253 76.7%	5,832 4.5%	130,665 100%
Total	195,906	62,690	258,596	59,048	74,159	194,078	13,561	599,442

The financial information shown above provides a breakdown of total revenue according to different types of clients: OOB statutory audit clients, non-OOB statutory audit clients, assurance clients where we perform non-statutory audits, assurance clients where we perform assurance related services and other clients (i.e. non-audit clients). The table shows that for audit clients the majority of revenue is generated through assurance and assurance related services.

Partners: Performance and Remuneration

Quality is at the center of our business strategy and a key component of our performance-management systems. Partners and other professionals are evaluated and compensated based on criteria that include specific quality and risk management indicators, covering both actions and results.

The Global Partner Performance Management (GPPM) process is a globally consistent evaluation process for all partners in Ernst & Young member firms around the world. It reinforces the global business agenda by linking their performance to wider goals and values. GPPM is an ongoing cyclical process that includes goal setting, personal development planning, performance review and recognition and reward. It is the cornerstone of the evaluation process to document partners' goals and performance. A partner's goals are required to reflect various global priorities, one of which is Quality.

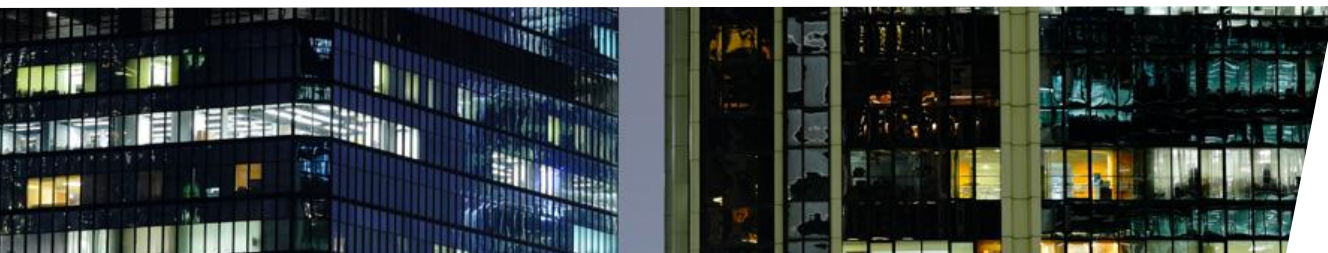
Specific quality and risk management performance measures have been developed to take account of:

- ▶ Technical excellence
- ▶ Living our values as demonstrated by behaviors and attitude
- ▶ Demonstrating knowledge of and leadership in quality and risk management
- ▶ Compliance with policies and procedures
- ▶ Compliance with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the Ernst & Young brand

Our partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured by the GPPM process. Partners are assessed annually on their performance in quality service delivery, leading people, operational excellence and market leadership and growth. 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 calculating total reward: seniority, role and responsibility, long-term potential and mobility.

Instances of non-compliance with quality standards result in remedial actions, which may include 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.

During fiscal year 2010/2011, 5% (2009/2010: 6%) of our partners and executive directors registered as statutory auditors with the AFM incurred a downward adjustment on their remuneration due to their quality performance.



Statement of policymakers

The policymakers confirm their responsibility for setting up and maintaining the system of quality control. In conformity with Ernst & Young's guidelines and regulations, reviews were held, focusing on the effectiveness of the systems of quality control, during and after the fiscal year ended June 30, 2011. The AQR (Audit Quality Review) 2011 report, the reports of the Compliance Officer and the present Transparency Report were discussed and adopted in the meeting of 26 September 2011 of the policymakers and the Compliance Officer. This date is considered the date of the review of the system of quality control.

Based on the outcome of the reviews and reports referred to above, the policymakers confirm the following:

- ▶ This report provides a correct and overall description of the system of quality control and the system is effective.
- ▶ Internal oversight over compliance with independence regulations was performed.
- ▶ Ernst & Young Accountants LLP pursues an effective policy for the structured maintenance of the basic knowledge of its employees and partners and keeping up to date on developments in their respective fields.

Rotterdam, September 27, 2011

Giljam Aarnink

Martine Blockx

Michèle Hagers

Jaap Hetebrij

Rob Lelieveld

Patrick Rottiers

Jules Verhagen

Appendix: Organisaties van Openbaar Belang

Organisaties van Openbaar Belang for which a statutory audit was performed in fiscal year 2010/2011

Adecco International Financial Services B.V.

AEGON Bank N.V.

AEGON Levensverzekering N.V.

AEGON N.V.

AEGON Schadeverzekering N.V.

AEGON Spaarkas N.V.

Akbank N.V.

Algemene Friese Onderlinge Schadeverzekeringsmaatschappij

"Zevenwouden" U.A.

AMG Advanced Metallurgical Group N.V.

Anderzorg N.V.

Anthos Bank B.V.

Ares Euro CLO I B.V.

Ares European CLO II B.V.

ASTARTA Holding N.V.

Azivo Zorgverzekeraar N.V.

Bank Mendes Gans N.V.

Bank of Tokyo-Mitsubishi UFJ (Holland) N.V.

BEST 2005 B.V.

BEST 2006 B.V.

BEST 2007 B.V.

Beter Bed Holding N.V.

BinckBank N.V.

BNP Paribas Fund II N.V.

BNP Paribas Fund III N.V.

Brit Insurance Holdings N.V.

CELF Loan Partners B.V.

CEZ Finance B.V.

Chagoi 2010 B.V.

Chapel 2003-1 B.V.

Chapel 2007 B.V.

Citadel 2007-I B.V.

Citadel 2008 B.V.

Columbia Securities N.V.

Convent 2008-I B.V.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.

Crown Van Gelder N.V.

Delta Lloyd Bankengroep N.V.

Delta Lloyd Deelnemingen Fonds N.V.

Delta Lloyd Dollar Fonds N.V.

Delta Lloyd Donau Fonds N.V.

Delta Lloyd Euro Credit Fund N.V.

Delta Lloyd Europa Fonds N.V.

Delta Lloyd Europees Deelnemingen Fonds N.V.

Delta Lloyd Groep Particuliere Schadeverzekeringen N.V.

Delta Lloyd Investment Fund N.V.

Delta Lloyd Levensverzekering N.V.

Delta Lloyd Mix Fonds N.V.

Delta Lloyd N.V.

Delta Lloyd Nederland Fonds N.V.

Delta Lloyd Rente Fonds N.V.

Delta Lloyd Schadeverzekering N.V.

Delta Lloyd Select Dividend Fonds N.V.

Delta Lloyd Zorgverzekering N.V.

DSB Leven N.V.

DSB Schade N.V.

DSM Schadeverzekeringsmaatschappij N.V.

EADS Finance B.V.

ECAS 2007-1 Loan B.V.

ELM B.V.

EMF-NL 2008-1 B.V.

EMF-NL 2008-2 B.V.

EMF-NL Prime 2008-A B.V.

Eurocommercial Properties N.V.

European Aeronautic Defence and Space Company EADS N.V.

European Assets Trust N.V.

Eurosail-NL 2007-1 B.V.

Eurosail-NL 2007-2 B.V.

Exact Holding N.V.

F. van Lanschot Bankiers N.V.

Facultatieve Verzekeringen N.V.

Fortuna Entertainment Group N.V.

Friesland Bank N.V.

GENERALI levensverzekering maatschappij N.V.

GENERALI schadeverzekering maatschappij N.V.

Global Senior Loan Index Fund 1 B.V.

Harbourmaster CLO 10 B.V.

Harbourmaster CLO 11 B.V.

Harbourmaster CLO 4 B.V.

Harbourmaster CLO 7 B.V.

Harbourmaster CLO 8 B.V.

Harbourmaster CLO 9 B.V.

HeidelbergCement Finance B.V.

Hitachi International (Holland) B.V.

Holland Colours N.V.

Hollands Welvaren Leven N.V.

HypoVereinsFinance N.V.

Iberdrola International B.V.

ICT Automatisering N.V.

IFCO Systems N.V.

ING Americas Issuance B.V.

ING Bank N.V.

ING Beleggingsfondsen Paraplu II N.V.

ING Beleggingsfondsen Paraplu N.V.

ING Groep N.V.

ING Insurance Services N.V.

ING Levensverzekering Retail N.V.

ING Schadeverzekering Retail N.V.

Insinger de Beaufort Alchemy N.V.

Insinger de Beaufort Umbrella Fund N.V.

IZA Zorgverzekeraar N.V.

IZZ Zorgverzekeraar N.V.

Kardan N.V.

Kazakh Mortgage-Backed Securities 2007-1 B.V.

KBC Internationale Financieringsmaatschappij N.V.

Koninklijke Brill N.V.

Koninklijke DSM N.V.

Koninklijke Wegener N.V.

Lancelot 2006 B.V.

Leeuwarder Onderlinge Verzekeringen U.A.

Leidsche Verzekering Maatschappij N.V.

Levensverzekering Maatschappij "De Onderlinge van 1719 U.A."

Macintosh Retail Group N.V.

Magritte Finance 2004 B.V.

Menzis N.V.

Menzis Zorgverzekeraar N.V.

Mizuho Corporate Bank Nederland N.V.

Monastery 2004-I B.V.

Monastery 2006-I B.V.

Monuta Verzekeringen N.V.

Movir N.V.

Mutual Insurance Association "Munis"

(Onderlinge Verzekeringsmaatschappij "Munis") U.A.

N.V. Bank Nederlandse Gemeenten

N.V. Nederlandse Gasunie

N.V. Schadeverzekering Maatschappij De Nederlanden van Nu

N.V. Univé Schade

N.V. Univé Zorg

N.V. Zorgverzekeraar UMC

Nassau Verzekering Maatschappij N.V.

Nationale-Nederlanden Internationale Schadeverzekering N.V.

Nationale-Nederlanden Levensverzekering Maatschappij N.V.

Nationale-Nederlanden Schadeverzekering Maatschappij N.V.

Neways Electronics International N.V.

Nurfinance B.V.

Océ N.V.

OHRA Levensverzekeringen N.V.

OHRA Ziektekostenverzekeringen N.V.

OHRA Zorgverzekeringen N.V.

OLMA Levensverzekeringsmaatschappij voor Artsen N.V.

Onderlinge Levensverzekering-Maatschappij "'s-Gravenhage" U.A.

Onderlinge Univé Dichtbij U.A.

Onderlinge Verzekering Maatschappij Univé "De Onderlinge" U.A.

Onderlinge Verzekeringen Overheid (OVO) U.A.

Onderlinge Verzekerings Maatschappij "Univé Staphorst" B.A.

Onderlinge Verzekeringsmaatschappij Univé Groningen U.A.

Onderlinge Waarborgmaatschappij "Univé Noord Groningen" B.A.

Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep,
Aanvullende Verzekering U.A.

Onderlinge Waarborgmaatschappij Centrale Zorgverzekeraars groep,
Zorgverzekeraar U.A.

Onderlinge Waarborgmaatschappij OVZ Verzekeringen U.A.

Onderlinge Waarborgmaatschappij voor Instellingen
in de Gezondheidszorg MediFire b.a.

Onderlinge Waarborgmaatschappij voor Instellingen
in de Gezondheidszorg MediRisk B.A.

Onderlinge Waarborgmaatschappij Zorgverzekeraar
Zorg en Zekerheid U.A.

OOM Global Care N.V.

OOM Schadeverzekering N.V.

Optas Pensioenen N.V.

Oranjewoud N.V.

PACCAR Financial Europe B.V.

Palmboomen Cultuur Maatschappij Mopoli (Palmeraies De Mopoli) N.V.

Permeke Finance 2004 B.V.

PNO Onderlinge Ziektekostenverzekering maatschappij U.A.

Qiagen N.V.

Rabohypotheekbank N.V.

Reis- en Rechtshulp N.V.

RN Financial Structures B.V.

Robeco Afrika Fonds N.V.	Stichting Eleven Cities No. 1
Robeco Balanced Mix N.V.	Stichting Eleven Cities No. 2
Robeco Direct N.V.	Stichting Eleven Cities No. 3
Robeco Duurzaam N.V.	Stichting Eleven Cities No. 4
Robeco Dynamic Mix N.V.	Stichting Eleven Cities No. 5
Robeco Growth Mix N.V.	Stichting Profile Securitisation I
Robeco Hollands Bezit N.V.	Storm 2003 B.V.
Robeco Life Cycle Funds N.V.	Storm 2004 B.V.
Robeco N.V.	Storm 2004-II B.V.
Robeco Safe Mix N.V.	Storm 2005 B.V.
Robeco Solid Mix N.V.	Storm 2006-I B.V.
Robeco YoungDynamic N.V.	Storm 2006-II B.V.
Robein Leven N.V.	Storm 2007-I B.V.
Rodamco Europe Finance B.V.	Storm 2007-II B.V.
Rodamco Europe N.V.	Storm 2008 B.V.
Rolinco N.V.	Strong 2005 B.V.
Ronson Europe N.V.	Strong 2006 B.V.
Roto Smeets Group N.V.	Strong 2007 B.V.
RVS Levensverzekering N.V.	Strong 2008 B.V.
RVS Schadeverzekering N.V.	Swedish Automobile N.V. (voorheen Spyker Cars N.V.)
Saecure 2 B.V.	TD Waterhouse Bank N.V.
Saecure 3 B.V.	Telefonica Europe B.V.
Saecure 4 B.V.	Teleplan International N.V.
Saecure 5 B.V.	The Nielsen Company B.V.
Saecure 6 NHG B.V.	Theodoor Gilissen Bankiers N.V.
ShalkiyaZinc N.V.	TIE Holding N.V.
Siemens Financieringsmaatschappij N.V.	Tiels Onderling Fonds tot uitkering bij overlijden "Gustaaf Adolf" U.A.
Skyline 2007 B.V.	Trias Zorgverzekeraar N.V.
Société Générale Bank Nederland N.V.	UBS Bank (Netherlands) B.V.
Stern Groep N.V.	

UBS Investment Bank Nederland B.V.

UNIT4 N.V.

Univé Midden Brandverzekeraar N.V.

Unive Reest Aa en Linde Brandverzekeraar N.V.

Univé Twente Brandverzekeraar N.V.

Univé Zuid-Holland Brandverzekeraar N.V.

UVM Verzekeringsmaatschappij N.V.

Van Lanschot N.V.

VEHEREX Schade N.V.

Vesteda Residential Funding II B.V.

VGZ Zorgverzekeraar N.V.

VVAA Levensverzekeringen N.V.

VVAA schadeverzekeringen N.V.

Würth Finance International B.V.

Yapi Kredi Bank Nederland N.V.

Zorgverzekeraar Cares Gouda N.V.

Ernst & Young
Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit
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